



1901 Diplomat Drive, Farmers Branch, Texas 75234

Dear Sport Supply Group Stockholder:

You are cordially invited to attend a special meeting of stockholders of Sport Supply Group, Inc. to be held on November 10, 2006 at 10:00 a.m., local time, at Royal Oaks Country Club, 7915 Greenville Avenue, Dallas, Texas 75231. At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger dated September 20, 2006, among Collegiate Pacific Inc., a Delaware corporation, CP Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Collegiate Pacific, and Sport Supply Group. Pursuant to the merger agreement, Collegiate Pacific will acquire Sport Supply Group through a cash merger.

If the merger is completed, Sport Supply Group stockholders will be entitled to receive \$8.80 in cash, without interest, for each share of Sport Supply Group common stock owned by them as of the effective time of the merger.

Sport Supply Group's board of directors, upon the recommendation of a special committee, has unanimously approved and adopted the merger agreement and determined that the merger agreement and the transactions contemplated thereby are advisable, fair to and in the best interest of Sport Supply Group and its minority stockholders. Accordingly, Sport Supply Group's board of directors recommends that Sport Supply Group stockholders vote to approve and adopt the merger agreement.

The merger requires the approval of the holders of a majority of the outstanding shares of Sport Supply Group common stock. Regardless of the number of shares that you own or whether you plan to attend the meeting, it is important that your shares be represented and voted. Voting instructions are inside. Because Collegiate Pacific currently owns approximately 73.2% of Sport Supply Group's outstanding common stock and has agreed to vote in favor of the adoption and approval of the merger agreement, approval of the merger by the Sport Supply Group stockholders is assured.

Please do not return your share certificates with the enclosed proxy card. You will receive instructions on where to send your share certificates following completion of the merger.

This document provides you with detailed information about the proposed merger. We encourage you to read the entire document carefully.

By order of the Board of Directors

/s/ Terrence M. Babilla

Terrence M. Babilla
President, Chief Operating Officer,
General Counsel and Secretary

Neither the SEC, nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosures in this proxy statement. Any representation to the contrary is a criminal offense.

THIS PROXY STATEMENT IS DATED OCTOBER 12, 2006 AND IS FIRST BEING MAILED TO OUR STOCKHOLDERS ON OR ABOUT OCTOBER 12, 2006



1901 Diplomat Drive, Farmers Branch, Texas 75234

**SPORT SUPPLY GROUP, INC.
NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD NOVEMBER 10, 2006**

To the stockholders of Sport Supply Group:

A special meeting of the stockholders of Sport Supply Group, Inc., a Delaware corporation ("Sport Supply Group"), will be held at Royal Oaks Country Club, 7915 Greenville Avenue, Dallas, Texas 75231 on November 10, 2006 at 10:00 a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger dated September 20, 2006, among Collegiate Pacific Inc., a Delaware corporation, CP Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Collegiate Pacific, and Sport Supply Group (the "merger agreement").
2. To approve a proposal to adjourn the special meeting, if necessary, to solicit additional proxies in favor of the adoption of the merger agreement.
3. To transact other business as may properly come before the special meeting.

The Sport Supply Group board of directors has set the close of business on October 4, 2006 as the record date for the determination of stockholders entitled to vote at the special meeting or any adjournments or postponements thereof. Approval and adoption of the merger agreement will require the affirmative vote of the holders of a majority of the issued and outstanding shares of Sport Supply Group common stock. As of October 4, 2006, Collegiate Pacific controlled approximately 73.2% of Sport Supply Group's voting power and has agreed to vote in favor of the merger agreement. As a result, approval of the merger at the special meeting is assured.

Under Delaware law, stockholders of Sport Supply Group are entitled to appraisal rights under Section 262 of the Delaware General Corporation Law if the conditions set forth in Section 262 are satisfied. In order to exercise your appraisal rights, you must not vote in favor of adoption of the merger agreement and you must otherwise strictly comply with the appraisal rights procedures. If you fail to strictly comply with the appraisal rights procedures, you will lose your appraisal rights. The appraisal rights procedures are described in this document, and a copy of Section 262 of the Delaware General Corporation Law is attached as Annex D to the attached proxy statement. We also refer you to the section of the attached proxy statement entitled "The Merger - Appraisal Rights."

You are urged to read this document carefully. Whether or not you can attend the special meeting, please complete, sign, date and mail the enclosed proxy card promptly so that it will be received no later than November 9, 2006.

By order of the Board of Directors

/s/ Terrence M. Babilla

Terrence M. Babilla
President, Chief Operating Officer,
General Counsel and Secretary

Farmers Branch, Texas
October 12, 2006

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ANNEX D – SECTION 262 OF DELAWARE GENERAL CORPORATION LAW

QUESTIONS AND ANSWERS ABOUT THE MERGER

The following questions and answers are intended to address briefly some commonly asked questions regarding the merger agreement and the merger. These questions and answers may not address all questions that may be important to you as a stockholder. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to in this proxy statement.

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of Sport Supply Group pursuant to an Agreement and Plan of Merger, dated as of September 20, 2006, among Collegiate Pacific Inc., a Delaware corporation, CP Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Collegiate Pacific, and Sport Supply Group. If the merger agreement is adopted by our stockholders and the other closing conditions under the merger agreement have been satisfied or waived, CP Merger Sub will merge with and into Sport Supply Group. Sport Supply Group will be the surviving corporation and will become a wholly-owned subsidiary of Collegiate Pacific.

Q: What will Sport Supply Group stockholders and optionholders receive in the merger?

A: Each share of Sport Supply Group common stock, other than shares owned by Collegiate Pacific and those stockholders who perfect appraisal rights, will be converted into the right to receive \$8.80 in cash, without interest, for each share of Sport Supply Group common stock. Each outstanding stock option will be converted into the right to receive \$8.80 in cash, without interest, less the per share exercise price of the option.

Q: What stockholder approval is needed?

A: The affirmative vote of the holders of a majority of the issued and outstanding shares of Sport Supply Group common stock is required to approve and adopt the merger agreement. Each holder of common stock is entitled to one vote per share. As of October 4, 2006, Collegiate Pacific owned approximately 73.2% of Sport Supply Group's issued and outstanding shares of common stock, which represents approximately 73% of Sport Supply Group's voting power, and has agreed to vote in favor of the merger agreement. As a result, approval of the merger at the special meeting of Sport Supply Group stockholders is assured.

Q: When and where is the special meeting going to be held?

A: The special meeting of Sport Supply Group stockholders will be held on November 10, 2006 at 10:00 a.m., local time, at Royal Oaks Country Club, 7915 Greenville Avenue, Dallas, Texas 75231.

Q: Am I entitled to appraisal rights?

A: If you are a Sport Supply Group stockholder, under Delaware law, you may dissent from the merger and exercise appraisal rights. In order to exercise your appraisal rights, you must not vote in favor of adoption of the merger agreement and you must otherwise strictly comply with the appraisal rights procedures. If you fail to strictly comply with the appraisal rights procedures, you will lose your appraisal rights. The appraisal rights procedures are described in this document, and a copy of Section 262 of the Delaware General Corporation Law is attached as Annex D to this proxy statement.

Q: What do I need to do now?

A: After carefully reading and considering the information contained in this proxy statement, please complete, sign and date your proxy card and return it in the enclosed postage paid envelope as soon as possible so that your shares may be represented at the special meeting. If your shares are held in an account at a brokerage

firm or bank, you will receive instructions on how to vote from your brokerage firm or bank. Please do not send in your stock certificates with your proxy.

Q: Will I owe taxes as a result of the merger?

A: The merger will be a taxable transaction for all U.S. holders of shares of our common stock. As a result, assuming you are a U.S. holder, the cash you receive in the merger for your shares of our common stock will be subject to United States federal income tax and also may be taxable under applicable state, local and other tax laws. In general, you will recognize gain or loss equal to the difference between (1) the amount of the cash you receive and (2) the adjusted tax basis of your surrendered shares of our common stock. See "Material U.S. Federal Income Tax Considerations of the Merger" for a more detailed explanation of the tax consequences of the merger. You should consult your tax advisor on how specific tax consequences of the merger apply to you.

Q: What if I don't vote?

A: If you fail to respond or abstain from voting, it will have the same effect as a vote against the merger. If you respond but do not indicate how you want to vote, the proxies will vote your shares in favor of the merger.

Q: Can I change my vote after I have delivered my proxy?

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting. Regardless of the manner in which you vote, you can do this in one of three ways. First, you can revoke your proxy or voting instructions. Second, you can submit a new proxy or voting instructions. If you choose either of these two methods, you must submit your notice of revocation or your new proxy or voting instructions before the special meeting. Third, if you are a holder of record, you can attend the special meeting and vote in person. If your shares are held in an account at a brokerage firm or bank, you should contact your brokerage firm or bank to change your vote.

Q: Should I send in my Sport Supply Group stock certificates now?

A: No. After the merger is completed, you will receive written instructions from the exchange agent on how to exchange your Sport Supply Group shares to receive the cash to which you are entitled as the merger consideration. Please do not send in your stock certificates with your proxy.

Q: When do you expect the merger to be completed?

A: The merger will be completed shortly after the special meeting, provided that all conditions to closing have been satisfied or waived.

Q: Who can help answer my questions?

A: If you have any questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, you should contact:

Sport Supply Group, Inc.
1901 Diplomat Drive
Farmers Branch, Texas 75234
Telephone: (972) 484-9484
Attn: Investor Relations

SUMMARY

This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. You should carefully read this entire document, including the annexes, and the other documents incorporated by reference in this document. These documents will give you a more complete description of the transaction we are proposing. We have included page references in this summary to direct you to other places in this proxy statement where you can find a more complete description of the topics we have summarized.

The Parties to the Merger (See page 11 for Collegiate Pacific, CP Merger Sub and Sport Supply Group)

Collegiate Pacific Inc.

13950 Senlac Drive, Suite 100
Dallas, Texas 75234
Telephone: (972) 243-8100

Collegiate Pacific is principally engaged in marketing, manufacturing and distributing sports equipment, soft good athletic apparel and footwear products, physical education, recreational and leisure products primarily to non-retail institutional customers in the United States. Collegiate Pacific sells products directly to customers primarily through the distribution of its informative catalogs and fliers, strategically located road sales professionals, telemarketers, appearances at trade shows and other sales events and the Internet. Collegiate Pacific currently markets approximately 23,000 sports related equipment products and soft goods to approximately 173,000 customers. As of October 4, 2006, Collegiate Pacific owned approximately 73.2% of Sport Supply Group's outstanding common stock and thereby controlled approximately 73% of Sport Supply Group's voting power.

CP Merger Sub, Inc.

13950 Senlac Drive, Suite 100
Dallas, Texas 75234
Telephone: (972) 243-8100

CP Merger Sub was formed by Collegiate Pacific for the sole purpose of completing the merger with Sport Supply Group and has not conducted any activities to date other than activities incidental to its formation.

Sport Supply Group, Inc.

1901 Diplomat Drive
Farmers Branch, Texas 75234
Telephone: (972) 484-9484

Sport Supply Group is a direct marketer and B2B e-commerce supplier of sporting goods and physical education equipment to the institutional and youth sports market place. Sport Supply Group's products are used across the country by athletes, coaches and instructors in schools, colleges, universities, governmental agencies, camps and youth organizations.

The Special Meeting (See page 13)

Sport Supply Group will hold a special meeting in order for its stockholders to consider a proposal to approve and adopt the merger agreement. The special meeting will be held at 10:00 a.m., local time, on November 10, 2006 at Royal Oaks Country Club, 7915 Greenville Avenue, Dallas, Texas 75231.

Sport Supply Group stockholders will be entitled to vote at the special meeting if they owned shares of Sport Supply Group as of October 4, 2006, the record date.

As of the record date, there were 8,963,991 shares of Sport Supply Group common stock issued and outstanding. The affirmative vote of a majority of Sport Supply Group shares issued and outstanding on the record date is necessary to approve and adopt the merger agreement. As of the record date, Collegiate Pacific owned

approximately 73.2% of Sport Supply Group's outstanding common stock and thereby controlled approximately 73% of the voting power. Collegiate Pacific has agreed to vote in favor of the approval and adoption of the merger agreement, therefore approval of the merger by the Sport Supply Group stockholders is assured.

What Sport Supply Group Stockholders Will Receive in the Merger (See page 16)

In the merger, Sport Supply Group stockholders (other than Collegiate Pacific and Sport Supply Group stockholders who properly perfect their appraisal rights) will receive \$8.80 in cash, without interest, for each share of Sport Supply Group common stock (the "merger consideration").

Material U.S. Federal Income Tax Considerations of the Merger (See page 43)

The merger will be a taxable transaction for all U.S. holders of shares of our common stock. As a result, assuming you are a U.S. holder, the cash you receive in the merger for your shares of our common stock will be subject to United States federal income tax and also may be taxable under applicable state, local and other tax laws. In general, you will recognize gain or loss equal to the difference between (1) the amount of the cash you receive and (2) the adjusted tax basis of your surrendered shares of our common stock. You should consult your tax advisor on how specific tax consequences of the merger apply to you.

Opinion of Sport Supply Group's Financial Advisor

In connection with the proposed merger, the special committee to the Sport Supply Group board of directors retained a financial advisor, Marshall & Stevens, Inc. The financial advisor has delivered a written opinion to the Sport Supply Group special committee as to the fairness, from a financial point of view, of the merger consideration provided for in the merger agreement. The full text of Marshall & Stevens, Inc.'s written opinion, dated September 20, 2006, is attached to this proxy statement as Annex B. The fairness opinion analysis as of September 20, 2006, presented to the special committee is attached to this proxy statement as Annex C. We encourage you to read this opinion and the accompanying analysis carefully in their entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. **Marshall & Stevens, Inc.'s opinion and the related analysis are addressed to the Sport Supply Group special committee and do not constitute a recommendation to any stockholder as to any matter relating to the merger.**

Recommendation of the Board of Directors (See page 29)

The Sport Supply Group board of directors, upon recommendation of the special committee, believes that the merger is advisable, fair to and in the best interest of Sport Supply Group and its minority stockholders and has unanimously voted to approve and adopt the merger agreement. The Sport Supply Group board of directors recommends that you vote FOR the proposal to approve and adopt the merger agreement.

Interests of Certain Persons in the Merger (See page 36)

Some of the directors and executive officers of Sport Supply Group have interests in the merger that are different from or in addition to the interests of Sport Supply Group stockholders. Two of Sport Supply Group's four directors, Arthur J. Coerver and Harvey Rothenburg, are also officers of Collegiate Pacific. In addition, the interests of some of the officers and directors of Sport Supply Group include the potential for positions as executive officers of Collegiate Pacific, the right to receive a cash payment for options they hold to purchase shares of Sport Supply Group and the right to continued director and officer indemnification and insurance coverage by Collegiate Pacific after the merger.

Appraisal Rights of Sport Supply Group Stockholders (See page 38)

The merger agreement and Delaware law provide that Sport Supply Group stockholders may dissent from the merger and receive fair value for their shares in lieu of the merger consideration to which they would otherwise be entitled. In determining fair value, the Delaware chancery court will take into account all relevant factors. The

court may determine fair value to be more than, less than or equal to the consideration that a dissenting stockholder would otherwise have been entitled to receive pursuant to the merger agreement.

Conditions to Merger (See page 48)

The completion of the merger depends upon the satisfaction or waiver of a number of conditions. These conditions include, among other things:

- approval and adoption of the merger agreement by Sport Supply Group's stockholders at the special meeting;
- the absence of any governmental or regulatory action or legislation prohibiting the merger;
- Collegiate Pacific's receipt of debt financing in an amount adequate to enable Collegiate Pacific to pay the merger consideration in full and to make any other payments necessary to consummate the transactions contemplated by the merger agreement; and
- the absence of any material adverse effect on Sport Supply Group since September 20, 2006.

The merger will become final at the time specified in the certificate of merger to be filed with the Secretary of State of the State of Delaware. If the Sport Supply Group stockholders approve and adopt the merger agreement at the special meeting and all other conditions to consummation of the merger are satisfied or waived, the parties currently anticipate that the merger will be completed shortly after the special meeting.

Financing for the Merger (See page 35)

The aggregate amount of funds required by Collegiate Pacific to purchase all of Sport Supply Group's outstanding shares of common stock, make payments to option holders required by the merger agreement, and pay related transaction fees and expenses is expected to be approximately \$25 million. Collegiate Pacific currently expects this amount to be provided through the proceeds of a \$55 million credit facility from Merrill Lynch Business Financial Services. The merger is conditioned upon Collegiate Pacific's obtaining such financing.

Amendment and Termination (See page 51)

The parties may terminate the merger agreement under certain circumstances. Collegiate Pacific and Sport Supply Group may agree to terminate the merger agreement and elect not to complete the merger at any time before the merger is completed, even if Sport Supply Group's stockholders have already approved the merger. The merger agreement may also be terminated in certain circumstances, including but not limited to:

- by either party if the merger is not completed by January 31, 2007; provided, that the terminating party's breach is not the cause of the failure to consummate the merger;
- by either party if a court of competent jurisdiction or other governmental entity has issued any order, decree or ruling permanently prohibiting the merger that has become final and nonappealable; or
- by Sport Supply Group's special committee if it determines in good faith that a change in its recommendation that Sport Supply Group stockholders approve and adopt the merger agreement and termination of the merger agreement are necessary to comply with its fiduciary duties to Sport Supply Group's minority stockholders.

The merger agreement may be amended by the written agreement of Collegiate Pacific and Sport Supply Group. The parties can amend the merger agreement without stockholder approval, even if the stockholders have already approved the merger, except in the limited circumstances when stockholder approval of either party is required by law for the amendment.

Distribution of Merger Consideration (See page 35)

Promptly after the merger is completed, each Sport Supply Group stockholder will receive a letter of transmittal and instructions on how to surrender Sport Supply Group stock certificates in exchange for the merger consideration. Each Sport Supply Group stockholder will need to carefully review and complete these materials and return them as instructed along with stock certificates for Sport Supply Group common stock. **Please do not send Sport Supply Group, or Sport Supply Group's transfer agent, any stock certificates until you receive these instructions.**

If, as a Sport Supply Group stockholder, you elect to exercise your appraisal rights, you should follow the procedures outlined in the section captioned "The Merger – Appraisal Rights" beginning on page 38.

Effect of the Merger on Sport Supply Group Stock Options (See page 36)

All options for Sport Supply Group common stock outstanding immediately prior to the merger will vest and be exercisable. All options that are not exercised prior to the merger will be converted in the merger into the right to receive a cash payment equal to the product of the number of shares of Sport Supply Group common stock subject to such option multiplied by the excess of \$8.80 per share over the exercise price per share of each such option.

Holders of Sport Supply Group options are encouraged to consult with their own legal advisors as to the consequences of the merger.

Regulatory Approvals (See page 36)

Sport Supply Group is not aware of any material regulatory approvals required in connection with the merger.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA—SPORT SUPPLY GROUP

The following table sets forth the selected financial data of Sport Supply Group for the periods indicated, which information is derived from the historical consolidated financial statements of Sport Supply Group for these periods. The selected financial information should be read together with Sport Supply Group's consolidated financial statements, including the related notes, included elsewhere in this proxy statement.

	Fiscal Year Ended				
	June 30, 2006 ⁽¹⁾	March 31, 2005	March 26, 2004	March 28, 2003	March 29, 2002
(In thousands, except per share data)					
Statement of Operations Data:					
Net revenues.....	\$92,179	\$89,988	\$83,867	\$85,149	\$84,672
Gross profit	30,799	25,961	22,142	23,762	22,980
Operating profit (loss)	5,006	2,225	(3,890)	(1,803)	(3,996)
Interest expense	292	210	476	622	892
Other (income), net	26	6	(17)	(23)	(190)
Income (loss) from operations.....	4,688	2,009	(4,349)	(2,402)	(4,698)
Cumulative effect of accounting change ⁽²⁾	0	0	0	(7,442)	0
Income (loss) from discontinued operations ⁽³⁾	0	50	2,661	841	758
Net income (loss)	\$4,472	\$2,059	\$(1,688)	\$(9,003)	\$(3,940)
Earnings (loss) per common share and common equivalent share:					
Net income (loss) per common share from continuing operations – basic	\$0.50	\$0.23	\$(0.49)	\$(0.27)	\$(0.53)
Net income (loss) per common share – basic.....	\$0.50	\$0.23	\$(0.19)	\$(1.01)	\$(0.44)
Net income (loss) per common share from continuing operations – diluted.....	\$0.48	\$0.22	\$(0.49)	\$(0.27)	\$(0.53)
Net income (loss) per common share – diluted	\$0.48	\$0.23	\$(0.19)	\$(1.01)	\$(0.44)
Weighted average common and common equivalent shares:					
Weighted average common shares outstanding – basic.....	8,953	8,917	8,917	8,917	8,917
Weighted average common shares outstanding – diluted	9,239	9,055	8,917	8,917	8,917

	Fiscal Year Ended				
	June 30, 2006 ⁽¹⁾	March 31, 2005	March 26, 2004	March 28, 2003	March 29, 2002
Balance Sheet Data:					
Working capital.....	\$24,517	\$20,461	\$21,355	\$29,629	\$28,994
Total assets.....	41,820	44,557	46,692	61,996	67,307
Long-term obligations, net.....	0	3,010	6,998	17,612	17,000
Total liabilities.....	8,218	16,140	20,334	33,950	30,258
Stockholders' equity.....	33,602	28,417	26,358	28,046	37,049

- (1) During 2006, Sport Supply Group changed its financial reporting year-end from March 31 to June 30, 2006. There is no transition period presented for the three months ended June 30, 2005.
- (2) On March 30, 2002 Sport Supply Group adopted Financial Accounting Standards Board Statement No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 requires that goodwill not be amortized but instead be tested for impairment at least annually by reporting unit. Goodwill is required to be tested for impairment in a transitional test upon adoption and then at least annually by reporting unit. As a result of Sport Supply Group's impairment testing, it recorded a non-cash "cumulative effect of accounting change" impairment write down of approximately \$7.4 million at March 28, 2003. Sport Supply Group now has no remaining goodwill on its financial statements.
- (3) In July 2003, Sport Supply Group discontinued operations at its team dealer located in Little Rock, Arkansas. In October 2003, Sport Supply Group sold substantially all of the assets at that location (other than cash and accounts receivable). In October 2003, Sport Supply Group discontinued operations at its team dealer located in Enid, Oklahoma, and in November 2003, Sport Supply Group sold substantially all the assets (other than cash and accounts receivable) of its team dealer located in Wichita, Kansas. On November 18, 2003, Sport Supply Group sold all of the issued and outstanding capital stock of its subsidiary Athletic Training Equipment Company, Inc. ("ATEC") for \$10,517,000. This sale resulted in a gain of \$3,792,382 (net of deferred taxes of \$2,220,963). The proceeds received from the sale were used to pay down outstanding debt.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA—COLLEGIATE PACIFIC

The following table sets forth the selected financial data of Collegiate Pacific for the periods indicated, which information is derived from the historical consolidated financial statements of Collegiate Pacific for these periods. The selected financial information should be read together with Collegiate Pacific's consolidated financial statements, including the related notes, included elsewhere in this proxy statement.

	<u>Fiscal Year Ended June 30,</u>				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
	(In thousands except per share data)				
<u>Results of Operations:</u>					
Net sales	\$ 224,238	\$ 106,339	\$ 39,562	\$ 21,076	\$ 16,901
Gross profit.....	75,079	35,954	13,956	7,807	6,247
Operating profit.....	8,312	7,303	2,847	968	939
Net income	<u>\$ 1,896</u>	<u>\$ 3,601</u>	<u>\$ 1,673</u>	<u>\$ 1,254</u>	<u>\$ 805</u>
Earnings per common share:					
Basic.....	<u>\$ 0.19</u>	<u>\$ 0.36</u>	<u>\$ 0.26</u>	<u>\$ 0.30</u>	<u>\$ 0.19</u>
Diluted.....	<u>\$ 0.18</u>	<u>\$ 0.35</u>	<u>\$ 0.22</u>	<u>\$ 0.27</u>	<u>\$ 0.17</u>
Number of weighted average shares outstanding:					
Basic.....	<u>10,182</u>	<u>10,031</u>	<u>6,325</u>	<u>4,226</u>	<u>4,225</u>
Diluted.....	<u>10,399</u>	<u>10,279</u>	<u>7,572</u>	<u>4,670</u>	<u>4,669</u>
<u>Cash Flow and Balance Sheet</u>					
<u>Data:</u>					
Net cash provided by (used in)					
operating activities	\$ (172)	\$ (2,862)	\$ 153	\$ 214	\$ 867
Cash and cash equivalents.....	4,079	40,326	7,473	365	267
Total assets.....	144,435	108,596	46,736	8,825	6,853
Long-term debt.....	62,284	50,448	73	800	353
Cash dividends declared per common share	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.085	\$ 0.00
Total stockholders' equity	\$ 47,234	\$ 45,106	\$32,073	\$ 6,015	\$ 5,209

FORWARD LOOKING STATEMENTS

This proxy statement contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, particularly those statements regarding the effects of the merger, and those preceded by, followed by or that otherwise include the words “believes,” “expects,” “anticipates,” “intends,” “estimates,” or similar expressions. For those statements, Sport Supply Group claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements relating to expectations about future results or events are based upon information available to Sport Supply Group as of the date of this proxy statement, and Sport Supply Group does not assume any obligation to update any of these statements. The forward-looking statements are not guarantees of the future performance of Sport Supply Group or the combined company and actual results may vary materially from the results and expectations discussed. Although Collegiate Pacific and Sport Supply Group have entered into the merger agreement, there is no assurance that the parties will complete the merger. Risks and uncertainties related to the merger include, but are not limited to the following:

- the failure of Collegiate Pacific to obtain the necessary debt financing or the failure of the parties to satisfy other conditions to completion of the merger;
- the ability to recognize the benefits of the merger;
- competition in our industry;
- changes in government regulation;
- the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement;
- the outcome of any legal proceeding that may be instituted against us and others following the announcement of the merger;
- the amount of the costs, fees, expenses and charges related to the merger;
- the effect of the announcement of the merger on our client relationships, operating results and business generally, including the ability to retain key employees;
- the potential impact of a failure to complete the merger; and
- risks related to diverting management’s attention from ongoing business operations.

PARTIES TO THE MERGER

Collegiate Pacific

Collegiate Pacific is a leader in marketing, manufacturing and distributing sports equipment, soft good athletic apparel and footwear products ("soft goods"), physical education, recreational and leisure products primarily to non-retail institutional customers such as youth sports programs, YMCAs, YWCAs park and recreational organizations, schools, colleges, churches, governmental agencies, athletic teams, athletic clubs and dealers located throughout the United States. Collegiate Pacific believes it is the largest and fastest growing independent team sports manufacturer, marketer and distributor in the United States.

Collegiate Pacific offers a broad line of approximately 23,000 sports related equipment products and soft goods to approximately 173,000 customers, including:

Product	Brand Names
Team sports apparel	<i>Nike, Rawlings, Wilson and Under Armour</i>
Batting cages, soccer goals, basketball goals	<i>FunNets and Ryan Express</i>
Camping and related accessories	
Tennis nets and court equipment	<i>Edwards</i>
Baseballs, caps, softballs, bats, gloves and accessories	<i>Diamond, Mark One, New Era and Wilson</i>
Football helmets, footballs, pads and accessories	<i>Schutt</i>
Basketballs	<i>Mark One and Spalding</i>

Collegiate Pacific intends to distribute approximately 4.0 million catalogs and fliers to its mailing list of over 600,000 potential customers in fiscal 2007. The mailing list is carefully maintained, screened and cross-checked and further subdivided into various combinations designed to place catalogs in the hands of the individuals making the purchasing decisions. The master mailing list is also subdivided by relevant product types, seasonal demands and customer profiles. In addition to promoting products through catalogs and other direct mailings, Collegiate Pacific offers its products directly to team, institutional and corporate customers through its 203 person direct sales force. Primarily focused in the Mid-Western and Mid-Atlantic United States, the direct sales force calls on team, institutional and corporate accounts to promote the broad line of soft goods and sporting goods equipment. Collegiate Pacific also sells its products through trade shows, telemarketing and the Internet.

Collegiate Pacific was incorporated in Pennsylvania in 1987, and reincorporated in Delaware in 1999. Collegiate Pacific's executive offices are located at 13950 Senlac Drive, Suite 100, Dallas, Texas 75234, and the telephone number at that location is (972) 243-8100. Collegiate Pacific maintains an Internet address at www.cpacsports.com, the contents of which are not a part of this proxy statement.

CP Merger Sub

CP Merger Sub, Inc. is a Delaware corporation with its principal offices located at 13950 Senlac Drive, Suite 100, Dallas, Texas 75234, and the telephone number at that location is (972) 243-8100. CP Merger Sub was formed by Collegiate Pacific for the sole purpose of completing the merger with Sport Supply Group and has not conducted any activities to date other than activities incidental to its formation.

Sport Supply Group

Sport Supply Group is a direct mail marketer of sporting goods, physical education, recreational and leisure products and equipment to the institutional market in the United States. The institutional market is generally comprised of schools, colleges, universities, government agencies, military facilities, athletic clubs, athletic teams and dealers, youth sports leagues and recreational organizations. Sport Supply Group currently offers approximately 10,000 sports related equipment products to over 100,000 customers. Sport Supply Group manufactures some of these products itself, and obtains the remainder from other domestic and international manufacturers and

distributors. Sport Supply Group's product lines include, but are not limited to: archery, baseball, softball, basketball, camping, football, tennis and other racquet sports, gymnastics, indoor recreation, physical education, soccer, field and floor hockey, lacrosse, track and field, volleyball, weight lifting, fitness equipment, outdoor playground equipment and early childhood development products.

Sport Supply Group offers its products directly to the institutional market primarily through:

- a variety of distinctive, information-rich catalogs;
- sales personnel strategically located in certain large metropolitan areas;
- in-bound and out-bound telemarketers;
- a team of experienced bid and quote personnel; and
- several Internet sites.

Sport Supply Group's marketing efforts are supported by a customer and prospect database of over 350,000 names, a call center at its headquarters located in Farmers Branch, Texas, a custom-designed 180,000 square foot distribution center, world-wide sourcing and domestic manufacturing facilities.

Sport Supply Group's order processing and fulfillment capabilities are integrated throughout its operations, including all of its websites. Each website is strategically targeted to a specific customer group or product line. Sport Supply Group's websites enable its customers to place orders, access account information, track orders and perform routine customer service inquiries on a real-time basis, twenty-four hours a day, seven days a week. This functionality provides more convenience and added flexibility for its customers, many of whom are part-time coaches and volunteers who have careers and parenting responsibilities.

Most of Sport Supply Group's products are marketed under trade names or trademarks which are owned or licensed by it and are well recognized name brands, including but not limited to: BSN Sports, US Games, MacGregor®, PortaPit, Champion Barbell, Voit® and Flag-A-Tag®. In addition to the foregoing, Sport Supply Group also has acquired (or has issued) a number of patents relating to products it sells.

Sport Supply Group is a Delaware corporation incorporated in 1982. Sport Supply Group's executive offices are located at 1901 Diplomat Drive, Farmers Branch, Texas 75234-8914, and the telephone number at that location is (972) 484-9484. Sport Supply Group maintains an Internet website, www.sportsupplygroup.com, the contents of which are not a part of this proxy statement.

THE SPECIAL MEETING

General

This proxy statement is being furnished to you in order to provide you with important information regarding the proposed merger and in connection with the solicitation of proxies by the board of directors of Sport Supply Group for use at the special meeting and at any adjournment or postponement of the meeting.

This proxy statement is first being furnished to stockholders of Sport Supply Group on or about October 12, 2006.

Date, Time and Place of the Special Meeting

The special meeting is scheduled to be held at 10:00 a.m., local time, on November 10, 2006 at Royal Oaks Country Club, 7915 Greenville Avenue, Dallas, Texas 75231.

Purpose of the Special Meeting

The special meeting is being held for Sport Supply Group stockholders to consider and vote upon the approval and adoption of the merger agreement. Approval and adoption of the merger agreement by the Sport Supply Group stockholders will constitute approval and adoption of the merger. At the special meeting, we are seeking the approval of our stockholders to adjourn the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement. In addition, Sport Supply Group stockholders may also consider and vote on any motion submitted to a vote of the stockholders regarding the transaction of any other business incident to the conduct of the special meeting. At the time of mailing of this proxy statement, the board of directors of Sport Supply Group was not aware of any such other matter.

Board of Directors' Recommendation

The Sport Supply Group board of directors, acting upon the recommendation of its special committee, has unanimously approved and adopted the merger agreement and recommends a vote FOR the approval and adoption of the merger agreement.

Stockholder Record Date for the Special Meeting

Sport Supply Group's board of directors has fixed the close of business on October 4, 2006 as the record date for determination of Sport Supply Group stockholders entitled to notice of and to vote at the special meeting. On the record date, there were 8,963,991 shares of Sport Supply Group common stock issued and outstanding, held by approximately 160 holders of record.

Vote Required

A majority of the issued and outstanding shares of Sport Supply Group common stock must be represented either in person or by proxy, to constitute a quorum at the special meeting. Each share of Sport Supply Group common stock is entitled to one vote. The affirmative vote of the holders of a majority of the shares of common stock issued and outstanding is required to approve and adopt the merger agreement. The affirmative vote of a majority of the holders of Sport Supply Group common stock present in person or represented by proxy at the special meeting is required to approve any motion to adjourn or postpone the special meeting for the purpose of soliciting additional proxies.

As of the record date, Sport Supply Group directors and executive officers and their affiliates (other than Collegiate Pacific) owned approximately 1% of the outstanding shares of Sport Supply Group common stock. Collegiate Pacific owned approximately 73.2% of the outstanding shares of Sport Supply Group common stock, thereby controlling 73% of the voting power. Collegiate Pacific has agreed to vote in favor of the merger

agreement, and, as a result, the approval and adoption of the merger agreement by the Sport Supply Group stockholders is assured.

Proxies

If a Sport Supply Group stockholder returns a properly executed proxy card or voting instruction and the stockholder has abstained from voting on approval and adoption of the merger agreement, the Sport Supply Group common stock represented by the proxy or voting instruction will be considered present at the special meeting for purposes of determining a quorum, but will not be considered to have been voted in favor of the approval and adoption of the merger agreement.

For the special meeting, if an executed proxy card is returned by a broker or bank holding shares which indicates that the broker or bank does not have discretionary authority to vote on approval and adoption of the merger agreement, the shares will be considered present at the meeting for purposes of determining the presence of a quorum, but will not be considered to have been voted in favor of approval and adoption of the merger agreement. Your broker or bank will vote your shares only if you provide instructions on how to vote by following the information provided to you by your broker.

Because approval and adoption of the merger agreement by Sport Supply Group requires the affirmative vote of at least a majority of the shares of Sport Supply Group common stock outstanding on the record date, failures to vote and broker non-votes by Sport Supply Group stockholders will have the same effect as a vote against approval and adoption of the merger agreement.

Sport Supply Group does not expect that any matter other than those described in this proxy statement will be brought before its special meeting. If, however, other matters are properly presented, the persons named as proxies will vote in accordance with their judgment with respect to those matters, unless authority to do so is withheld on the proxy card.

A stockholder may revoke his or her proxy at any time before it is exercised at the special meeting by:

- notifying the Secretary of Sport Supply Group, Inc. in writing at 1901 Diplomat Drive, Farmers Branch, Texas 75234;
- granting a subsequently dated proxy; or
- appearing in person and voting at the special meeting if you are a holder of record.

Attendance at the special meeting will not in and of itself constitute revocation of a proxy.

Solicitation of Proxies

Sport Supply Group will pay the expenses incurred in connection with the printing and mailing of this proxy statement. Sport Supply Group will also request banks, brokers and other intermediaries holding shares of Sport Supply Group common stock beneficially owned by others to send this proxy statement to, and obtain proxies from, the beneficial owners and will reimburse the holders for their reasonable expenses in so doing. Solicitation of proxies by mail may be supplemented by telephone, telegram and other electronic means, advertisements and personal solicitation by the directors, officers or employees of Sport Supply Group. No additional compensation will be paid to directors, officers or employees for such solicitation.

You should not send in any stock certificates with your proxy card. A transmittal letter with instructions for the surrender of stock certificates will be mailed to you as soon as practicable after completion of the merger.

Appraisal Rights

The merger agreement and Delaware law provide that Sport Supply Group stockholders may dissent from the merger and receive fair value for their shares in lieu of the cash merger consideration to which they would otherwise be entitled. See “The Merger—Appraisal Rights.”

THE MERGER

The following information describes material aspects of the merger. This description does not provide a complete description of all the terms and conditions of the merger agreement, and is qualified in its entirety by the Annexes hereto, including the text of the merger agreement, which is attached as Annex A to this proxy statement and is incorporated herein by reference. You are urged to read the Annexes in their entirety.

The Merger

The merger agreement provides for the acquisition of Sport Supply Group by Collegiate Pacific pursuant to the merger of CP Merger Sub, Inc., a wholly-owned subsidiary of Collegiate Pacific created for the purpose of the merger, merging with and into Sport Supply Group, with Sport Supply Group surviving the merger and becoming a wholly-owned subsidiary of Collegiate Pacific. For a discussion of the tax consequences of the merger to Sport Supply Group stockholders, see "Material U.S. Federal Income Tax Considerations of the Merger."

What Sport Supply Group Stockholders Will Receive in the Merger

If the merger is completed, each outstanding share of Sport Supply Group common stock (other than shares held by Collegiate Pacific or Sport Supply Group or their respective subsidiaries and shares held by Sport Supply Group stockholders who perfect their appraisal rights) will be converted into and exchanged for the right to receive \$8.80 in cash, without interest. Sport Supply Group stockholders who perfect their appraisal rights will be entitled to receive the value of their shares in cash as determined pursuant to Section 262 of the Delaware General Corporation Law. See "— Appraisal Rights."

If, prior to the effective time of the merger, the outstanding shares of Sport Supply Group will have been changed into a different number of shares or a different class by reason of any reclassification, recapitalization, reorganization, split-up, stock dividend, stock combination, exchange of shares, readjustment or otherwise, as the case may be, then the merger consideration will be correspondingly adjusted.

Background of the Merger

Collegiate Pacific had discussions with Emerson Radio Corp. ("Emerson") and Sport Supply Group in early January 2005 regarding a possible transaction in which Collegiate Pacific might acquire the 53.2% controlling ownership interest in Sport Supply Group held by Emerson or might acquire all of the Sport Supply Group shares. Such discussions terminated the same month.

In April 2005, Sport Supply Group entered into discussions with an unaffiliated third party regarding the sale of Sport Supply Group. Discussions and negotiations between Sport Supply Group and the unaffiliated third party continued through May 2005, at which time such discussions and negotiations were terminated. In early June 2005, Geoffrey P. Jurick, Chief Executive Officer of Emerson and also then the Chief Executive Officer of Sport Supply Group, called Michael Blumenfeld regarding the possible sale of the Sport Supply Group shares held by Emerson, and they discussed a possible sale for a purchase price of \$32 million in cash for Emerson's 53.2% controlling ownership interest in Sport Supply Group, subject to a negotiated purchase agreement.

On July 1, 2005, Collegiate Pacific purchased the controlling 53.2% ownership interest in Sport Supply Group by purchasing 4,476,023 shares of Sport Supply Group common stock from Emerson and Emerson Radio (Hong Kong) Limited for cash at a price of \$6.74 per share, or \$32 million in the aggregate.

Following the July 2005 stock purchase, Collegiate Pacific's management began to consider the possibility of acquiring the remaining outstanding shares of Sport Supply Group held by the public minority stockholders. In mid-August, Collegiate Pacific contacted Sport Supply Group and proposed a transaction in which Collegiate Pacific would acquire the remaining shares of Sport Supply Group at a price of \$6.74 per share in exchange for Collegiate Pacific common stock valued on the 30-day average trading price for Collegiate Pacific.

On August 18, 2005, the Sport Supply Group board of directors held a special meeting to discuss the proposed transaction. Immediately following these discussions, the board of directors, which was comprised of two Collegiate Pacific officers, Arthur Coerver and Harvey Rothenberg, and an outside director, Paul Schlosberg, unanimously approved a resolution to constitute and appoint a special committee, consisting of Paul Schlosberg, an independent and disinterested director, to act for and on behalf of Sport Supply Group in connection with the proposal. The special committee was empowered to, among other things, have the sole authority to negotiate with Collegiate Pacific the terms and conditions of the offer and all merger agreements and other documents proposed to be entered into by Sport Supply Group. The special committee retained Fulbright & Jaworski, LLP ("Fulbright") as its legal advisor, and engaged Marshall & Stevens, Inc. as its independent financial advisor ("Marshall & Stevens"). In September 2005, the special committee also retained Richards, Layton & Finger, P.A. ("RLF") as Delaware legal counsel.

From August 25, 2005 to September 5, 2005, the special committee, together with its legal and financial advisors, considered the advisability of the proposed transaction and negotiated the terms and conditions of a merger agreement with Collegiate Pacific and its legal advisors, Vinson & Elkins L.L.P. ("V&E"). The parties' negotiations focused principally upon issues regarding price protection of the consideration to be offered in the merger, the taxability of the consideration to be received in the merger, the conditions to Collegiate Pacific's obligations to close the merger and termination rights of the parties. The special committee requested that approval of the transaction by a majority of the minority stockholders be a condition to the consummation of the merger, but this condition was refused by Collegiate Pacific.

On the morning of September 6, 2005, Collegiate Pacific's senior management, the special committee and their respective legal advisors met to negotiate the final terms of the proposed transaction. The parties ultimately agreed to a proposed transaction pursuant to which each share of Sport Supply Group common stock would be converted into 0.56 shares of Collegiate Pacific common stock. This conversion equated to a value of \$6.74 per share of Sport Supply Group common stock based upon the 30-day average closing price of Collegiate Pacific's common stock as of September 6, 2005. The terms of the proposed merger agreement included a termination right for Sport Supply Group if the 20-day average closing price of Collegiate Pacific's common stock prior to the closing fell below \$10.83 (representing a 10 percent decrease in Collegiate Pacific's stock price). The parties also agreed that Sport Supply Group would have termination rights for pending material merger-related litigation, if stockholders holding more than 3% of the issued and outstanding Sport Supply Group common shares perfected appraisal rights, or upon Collegiate Pacific's failure to obtain a commitment letter for an increased working capital facility within 45 days after execution of the merger agreement. In addition, the merger agreement would terminate in the event the Sport Supply Group board of directors (acting upon the recommendation of the special committee) withdrew or modified in any adverse manner to Collegiate Pacific its recommendation to the Sport Supply Group stockholders to adopt the plan of merger. The parties further agreed on the reimbursement of Sport Supply Group's fees and expenses up to \$350,000 under certain circumstances. Either party could terminate the merger agreement if the merger had not been consummated by December 31, 2005; provided, such party was not then in breach of the merger agreement. The parties desired the merger to be tax-free to the Sport Supply Group stockholders and to Sport Supply Group, and therefore the merger was structured as a forward merger of Sport Supply Group with and into Collegiate Pacific, with Collegiate Pacific surviving. However, if the merger agreement had not been terminated by Sport Supply Group and immediately prior to the consummation of the merger Collegiate Pacific determined that, based on a number of circumstances, the forward merger structure would in fact be taxable to Sport Supply Group, then Collegiate Pacific could either (i) elect to convert the form of the merger into a reverse merger of Sport Supply Group with a newly formed subsidiary of Collegiate Pacific, with Sport Supply Group surviving, which would result in a taxable transaction to the Sport Supply Group stockholders but not to Sport Supply Group, or (ii) terminate the merger agreement.

On September 7, 2005 Marshall & Stevens rendered to the special committee an opinion to the effect that, as of the date thereof and based upon qualifications, assumptions, limiting conditions and other matters set forth in the opinion, the merger, as described in the opinion, was fair to the stockholders of Sport Supply Group, other than Collegiate Pacific, from a financial point of view, pursuant to the terms and subject to the conditions set forth in the merger agreement. The special committee then provided its recommendation to the Sport Supply Group board of directors that Sport Supply Group enter into the proposed merger agreement with Collegiate Pacific.

On the evening of September 7, 2005, the Sport Supply Group board of directors held a meeting during which the board of directors, after further deliberation, unanimously approved the merger agreement and related transactions and instructed Sport Supply Group's senior management to execute the merger agreement and any related agreements on behalf of Sport Supply Group. Thereafter, Collegiate Pacific and Sport Supply Group executed the merger agreement and the transaction was publicly announced prior to the opening of trading on September 8, 2005.

Following the execution of the merger agreement, V&E began preparing a registration statement on Form S-4 (the "Form S-4") pursuant to which the issuance of the Collegiate Pacific common stock to be issued in the merger would be registered with the Securities and Exchange Commission (the "SEC"). The Form S-4 contained a joint proxy statement of Collegiate Pacific and Sport Supply Group that would be mailed to their respective stockholders in connection with each company's stockholder meeting to approve the merger and the transactions contemplated thereby.

During this time period, Collegiate Pacific's periodic filings filed with the SEC for the fiscal year ending June 30, 2005 were being reviewed by the SEC. Collegiate Pacific concluded that it was unlikely that the Form S-4 would be declared effective by the SEC during such review of the periodic reports. Collegiate Pacific continued to prepare the Form S-4, but determined not to file the Form S-4 with the SEC until such time as the SEC confirmed that the review was completed.

On November 8, 2005, the closing price of Collegiate Pacific's common stock was \$10.83 and over the next few weeks, the price of Collegiate Pacific's common stock continued to decline, closing at \$9.73 on November 18, 2005.

In November 2005, Michael Blumenfeld, the Chairman and Chief Executive Officer of Collegiate Pacific contacted Paul Schlosberg and informed Mr. Schlosberg that Collegiate Pacific desired to extend the December 31, 2005 termination date in the merger agreement given the status of the SEC's review of its periodic reports as well as the decline in Collegiate Pacific's market price. In addition, Mr. Blumenfeld informed Mr. Schlosberg that an institutional stockholder of Sport Supply Group had offered to sell its 1.66 million shares of Sport Supply Group common stock, representing an 18% ownership interest, to Collegiate Pacific for \$5.55 per share in cash, for an aggregate amount of approximately \$9.2 million, and Collegiate Pacific desired to acquire such shares and requested a waiver of the provision in the merger agreement prohibiting Collegiate Pacific's purchase of additional Sport Supply Group shares. In the following days, Mr. Schlosberg, Fulbright, Collegiate Pacific representatives, Marshall & Stevens and V&E discussed the requested extension and waiver as well as the potential termination of the merger agreement.

On November 21, 2005, the Sport Supply Group board of directors held a special meeting to discuss the termination of the merger agreement. The board considered the termination right in the merger agreement if the average closing price fell below \$10.83, the declining price of Collegiate Pacific's common stock, the concerns expressed by Marshall & Stevens as to their ability to confirm their fairness opinion given the decline in Collegiate Pacific's stock price, as well as the likelihood that the transaction could not be completed prior to December 31, 2005, the termination date in the merger agreement, given the pending review of Collegiate Pacific's periodic filings. Acting upon a recommendation of the special committee, the Sport Supply Group board of directors determined it was advisable and in the best interest of Sport Supply Group and its stockholders to terminate the merger agreement, subject to negotiation of acceptable terms of a termination agreement to provide for reimbursement of the expenses incurred by Sport Supply Group in connection with the merger agreement.

On November 22, 2005, the parties entered into a termination agreement pursuant to which the merger agreement was terminated and Collegiate Pacific agreed to reimburse Sport Supply Group for its out-of-pocket expenses related to the proposed merger up to \$350,000 (actual out-of-pocket expenses incurred were approximately \$436,000). That same day, Collegiate Pacific publicly announced the termination of the merger agreement and also its purchase of an additional 18% of the outstanding common stock of Sport Supply Group from an institutional investor for \$9.2 million, or \$5.55 per share, in cash.

Effective February 1, 2006, Dr. Thomas Treichler and Mr. Robert Philip were appointed to the Sport Supply Group board of directors and Paul Schlosberg resigned from the board of directors. Dr. Treichler previously

served as an outside director on the Sport Supply Group board of directors from March 1997 until Collegiate Pacific's stock purchase from Emerson Radio Corp. on July 1, 2005. Mr. Philip previously served as an outside director of Sport Supply Group from 1991 to 1996, and served as a member of the independent committee of the board of directors of Sport Supply Group in connection with Emerson Radio's acquisition of a majority interest in Sport Supply Group in 1996. Mr. Philip also served as an outside director of Collegiate Pacific from 1998 to 2000. After the appointment of Dr. Treichler and Mr. Philip, Harvey Rothenberg and Arthur Coerver resigned from the Sport Supply Group board of directors effective February 1, 2006.

On March 20, 2006, Collegiate Pacific transmitted to Sport Supply Group a proposal to purchase all of the outstanding shares of Sport Supply Group common stock not already owned by Collegiate Pacific for a purchase price of \$6.05 per share payable in Collegiate Pacific common stock. At that time, the Sport Supply Group board consisted only of outside directors Robert Philip and Thomas Treichler.

On March 23, 2006 Mr. Philip and Dr. Treichler interviewed several candidates to serve as independent legal counsel and financial advisors to the board of directors in connection with the proposed transaction. Among the law firms interviewed were RLF, who had previously advised the special committee of the Sport Supply Group Board formed to evaluate Collegiate Pacific's 2005 proposal to acquire the minority shares of Sport Supply Group (the "2005 Committee"), and Connolly Bove Lodge & Hutz. Financial advisors interviewed included Marshall & Stevens, who had previously served as financial advisor to the 2005 Committee, and Hill Schwartz Spilker Keller ("HSSK"). Following these interviews, Mr. Philip and Dr. Treichler engaged RLF as independent legal counsel, based in part upon RLF's familiarity with Sport Supply Group as a result of its representation of the 2005 Committee.

On March 31, 2006 the Sport Supply Group board of directors held a telephonic meeting to discuss the process for evaluating the Collegiate Pacific proposal. The board of directors invited RLF to attend the meeting as outside legal counsel. The directors discussed with RLF the advisability of forming a special committee of independent directors to consider the proposal, in light of the fact that two Collegiate Pacific officers, Mr. Coerver and Mr. Rothenberg, were candidates for election to the Sport Supply Group board and were expected to be elected at the annual meeting of Sport Supply Group stockholders to be held on April 20, 2006. The board of directors then reviewed with RLF the factors bearing on Mr. Philip's and Dr. Treichler's independence in connection with the Collegiate Pacific proposal and their qualification to serve on such a committee, including, without limitation, the fact that the Dr. Treichler had previously served as an outside director of Sport Supply Group and Collegiate Pacific. The directors also consulted with RLF concerning the retention of an independent financial advisor to assist in evaluating the fairness of the transaction to the stockholders of Sport Supply Group, other than Collegiate Pacific, from a financial point of view. The directors requested that RLF contact each of Marshall & Stevens and HSSK and other possible candidates that might be able to take on an assignment of this nature. Thereafter, RLF contacted Marshall & Stevens and HSSK and also made preliminary inquiries to Capitalink and Bluffview Capital regarding their availability and expected fees.

On April 4, 2006 the Sport Supply Group board of directors met by telephone to consider resolutions to establish a special committee. After discussion with RLF, the directors voted unanimously to adopt resolutions forming a special committee and to appoint Mr. Philip and Dr. Treichler as its members (the "Committee"). Immediately after the board of directors meeting, the Committee held a meeting at which the Committee formally retained RLF as its legal advisor. The Committee then discussed with RLF the pros and cons of each of the potential financial advisors/candidates based on the interviews and discussions that had been held with the candidates. Among other things, the Committee considered each candidate's fee for services, independence from Collegiate Pacific and its affiliates, and familiarity with the industry in general and Sport Supply Group specifically. After a careful consideration of each of the firms interviewed and consultation with RLF, the Committee decided to engage Marshall & Stevens as its financial advisor due primarily to Marshall & Stevens' familiarity with Sport Supply Group's business as a result of its work for the 2005 Committee.

The Committee met by telephone on April 17, 2006 with its advisors, and Marshall & Stevens provided the Committee with a brief update of its due diligence, including details of its preliminary meetings with management of Collegiate Pacific and Sport Supply Group, as well as its initial impressions of the performance and future prospects of Sport Supply Group.

On April 20, 2006, at the annual meeting of the stockholders of Sport Supply Group, Arthur Coerver and Harvey Rothenberg, officers of Collegiate Pacific, were elected to the Sport Supply Group board of directors. Thereafter, the board of directors of Sport Supply Group held a meeting at which the members of the Committee provided a status report concerning the Collegiate Pacific merger proposal. Messrs. Rothenberg and Coerver confirmed that they had no knowledge of the terms of the merger proposal and would not become involved in the consideration of the merger proposal in any way, but would be happy to discuss with the members of the Committee the business approaches of Collegiate Pacific and Sport Supply Group.

On April 20, 2006, following the annual meeting of Sport Supply Group's stockholders, the special committee held an in-person meeting in Dallas, Texas with its financial and legal advisors. At this meeting, RLF reviewed with the Committee the role and purpose of the Committee in evaluating a proposed merger transaction and the fiduciary duties owed by the Committee members to the Sport Supply Group minority stockholders. The Committee members were advised by RLF that Sport Supply Group had reported that Collegiate Pacific had requested that Terry Babilla, Sport Supply Group's President and Chief Operating Officer, participate in one or more investor presentations scheduled to be held in May. The Committee members expressed concern about the impact such presentation might have on Collegiate Pacific's stock price. Thereafter, Marshall & Stevens made a presentation summarizing the results of its due diligence, as well as its valuation analyses and preliminary conclusions concerning the valuation of Sport Supply Group on a stand alone basis, of Collegiate Pacific on a stand alone basis, and of the combined entity on a consolidated basis. In the context of the Marshall & Stevens valuation, the Committee also discussed with its advisors concerns about the recent volatility of Collegiate Pacific stock and its effect on the transaction price. The Committee also questioned its advisors about possible alternatives to Collegiate Pacific's proposal and alternatives to the stock-for-stock structure proposed by Collegiate Pacific. The Committee members were also advised that, since Collegiate Pacific had recently acquired its 73% stake in Sport Supply Group in a series of cash transactions, the proposed stock-for-stock transaction would be a taxable event to the minority stock holders of Sport Supply Group.

Following the discussions, the Committee directed RLF to contact counsel for Collegiate Pacific to express that (1) the Committee preferred that Collegiate Pacific not participate in any investor presentations while the proposed Sport Supply Group transaction was under consideration, and (2) should Collegiate Pacific elect to move forward with the presentation, Mr. Babilla should not be involved in any way. The Committee further directed RLF to gauge Collegiate Pacific's interest in a sale of its interest in Sport Supply Group and to express the Committee's preference for a transaction that paid at least a portion of the consideration in cash or gave the Sport Supply Group stockholders an election of cash or stock. By letter dated April 24, 2006, RLF communicated all of these matters to V&E, counsel for Collegiate Pacific.

In response, V&E indicated both telephonically and by letter dated April 25, 2006 that Collegiate Pacific would not consider selling its interest in Sport Supply Group, nor did it intend to revise its proposal to include any cash payment. V&E further clarified that Collegiate Pacific had accepted an invitation to speak in May at an annual conference to be held by one of its existing stockholders and would participate in the conference as it had in each of the prior two years, but that Collegiate Pacific did not intend to discuss the potential Sport Supply Group transaction and would not ask Mr. Babilla to attend or participate in these meetings. By telephone call on April 24, 2006, Adam Blumenfeld, President of Collegiate Pacific, conveyed this same information directly to Mr. Philip.

On April 27, 2006, the Committee met by telephone to discuss V&E's response to the Committee's concerns. Based upon V&E's representations concerning the nature of the investor conference and Collegiate Pacific's agreement that Mr. Babilla would not be asked to participate, the Committee was comfortable with proceeding to consider the proposed transaction without raising any further objection. Marshall & Stevens also updated the Committee on the progress of its valuation of Sport Supply Group, indicating that several issues, including a more detailed analysis of Sport Supply Group's net operating loss carry forward, needed to be addressed before a valuation could be finalized. At the request of the Committee, Marshall & Stevens also discussed the relevance to its valuation work of the two transactions in 2005, by which Collegiate Pacific had acquired Sport Supply Group stock at prices ranging from \$5.55 to \$6.74 per share in cash. Specifically, although Marshall & Stevens had not yet finalized its valuation of Sport Supply Group, Marshall & Stevens indicated that the \$6.05 offer was unlikely to represent fair value of Sport Supply Group, and that the precedent sales of Sport Supply Group stock had little, if any, impact on Marshall & Stevens' determination of present fair value. Marshall & Stevens explained that Sport Supply Group was currently in a stronger financial position than at the time of the earlier transactions and

accordingly its value had risen. Marshall & Stevens further advised that, since any merger would be a taxable transaction, stockholders may have to sell the Collegiate Pacific stock obtained in the transaction to pay their tax liability due upon the merger, and such sales would be expected put downward pressure on the price of Collegiate Pacific's common stock. Therefore, the Committee discussed with Marshall & Stevens the preference to have a portion of the consideration in cash. After this discussion, the Committee directed Marshall & Stevens to convey to Collegiate Pacific that the \$6.05 offer was inadequate, and that it would not be inclined to recommend any offer that did not include a significant cash component.

On May 2, 2006, Marshall & Stevens contacted Adam Blumenfeld to convey the Committee's position. Mr. Blumenfeld indicated that Collegiate Pacific might increase its offer to \$6.74 per share but would not go above that price, and would not revise the offer to include a cash component because Collegiate Pacific was unwilling to incur the additional debt necessary to fund a cash merger.

The Committee met by telephone with Marshall & Stevens on May 5, 2006 to discuss Marshall & Stevens' discussions with Mr. Blumenfeld and its preliminary valuation of Sport Supply Group. Marshall & Stevens detailed its conversation with Mr. Blumenfeld, and further explained the potential tax issues arising from a taxable stock-for-stock transaction. Additionally, although its valuation was not yet final, Marshall & Stevens reported that its preliminary valuation confirmed that the current offer by Collegiate Pacific at \$6.05 per share of Sport Supply Group stock was inadequate, and that even if the offer was increased to \$6.74 per share (which Mr. Blumenfeld had indicated to be Collegiate Pacific's top price), such offer would be well below the mid-point of Marshall & Stevens' preliminary valuation ranges. The Committee agreed that any future offers would have to be at a price significantly above \$6.74, and preferably include a considerable cash component, before the Committee would be in a position to endorse the transaction, and directed Marshall & Stevens to convey that position to Collegiate Pacific.

On May 12, 2006, the Committee met by telephone to receive Marshall & Stevens' preliminary valuation analysis. Marshall & Stevens provided a more detailed review of the assumptions and methodologies underlying Marshall & Stevens' valuation analyses, and again concluded that the current offer by Collegiate Pacific did not reflect fair value for Sport Supply Group. Marshall & Stevens also updated the Committee on its communications with Collegiate Pacific, which had not altered its position that the maximum offer price would be \$6.74 payable in Collegiate Pacific common stock. The Committee directed Marshall & Stevens and RLF to contact Collegiate Pacific and V&E respectively, and reiterate the Committee's conclusion that \$6.74 was inadequate. Additionally, in light of its discussion with the advisors, the Committee further directed Marshall & Stevens and RLF to inform Collegiate Pacific and V&E, respectively, that the Committee believed a fair value to be above \$8.00 per share, with a cash component to cover the taxability of the transaction.

On May 16, 2006, RLF contacted V&E to relay the position of the Committee. V&E repeated that Collegiate Pacific had not revised its prior position that the highest offer price would be \$6.74 payable in Collegiate Pacific stock. V&E conveyed Collegiate Pacific's concern that incurring additional debt to finance the transaction would have a detrimental effect on the Collegiate Pacific stock price. V&E then requested that the Committee share its valuation information with Collegiate Pacific. RLF, acting on behalf of the Committee, indicated that the Committee was not prepared to disclose its valuation to Collegiate Pacific. V&E responded by suggesting that Adam Blumenfeld meet with Marshall & Stevens to discuss Marshall & Stevens' justification for a value in excess of \$8.00 per share for Sport Supply Group. Also on May 16, 2006 Michael Blumenfeld, the Chairman and Chief Executive Officer of Collegiate Pacific, contacted Mr. Philip concerning the process of negotiations. In response, Mr. Philip expressed the Committee's position that any transaction must be at a price above \$8.00 per share with a cash component.

The Committee met by telephone on May 19, 2006 to discuss with its advisors V&E's response to the Committee's position, specifically Collegiate Pacific's concern over incurring additional debt and its request that Marshall & Stevens meet with Adam Blumenfeld. The Committee reviewed with its advisors the structure of the proposed transaction and the potential effects of additional debt to Collegiate Pacific as well as the tax effects on Sport Supply Group stockholders if the transaction price was payable solely in Collegiate Pacific stock. Marshall & Stevens then further detailed its valuation of Sport Supply Group, focusing on the high, low and midpoint of the ranges of value resulting from each of its valuation methodologies. Following further discussion, the Committee authorized Marshall & Stevens to meet with Adam Blumenfeld to discuss the valuation methodologies employed by Marshall & Stevens and Collegiate Pacific and related matters, but not to disclose the specific valuation conclusions

or ranges reached by Marshall & Stevens. Also on May 19, the Committee was advised by Michael Blumenfeld that Collegiate Pacific had decided to retain a financial advisor in connection with the transaction.

On May 20, 2006, Marshall & Stevens was advised by Adam Blumenfeld that Bernstein, Conklin & Balcombe ("Bernstein") had been engaged as Collegiate Pacific's financial advisor in connection with the transaction. Collegiate Pacific proposed that each side agree to a confidentiality agreement regarding the companies' financial information, after which Marshall & Stevens and Bernstein would discuss their respective valuations in an effort to understand the parties' respective positions on valuation. V&E subsequently contacted RLF to discuss the confidentiality agreement and to request certain financial information of Sport Supply Group.

The Committee held a telephonic meeting on May 22, 2006. The Committee discussed with its advisors the scope of information to be shared with Bernstein, as well as the confidential nature of the information. The Committee subsequently authorized RLF to negotiate the terms of the confidentiality agreement with V&E.

On May 23, 2006, Bernstein provided Marshall & Stevens with an information request list. On May 26, 2006, the companies executed a confidentiality agreement for the exchange of financial information, and over the next several weeks, Marshall & Stevens and Bernstein shared certain financial information of Sport Supply Group and met to discuss various factors relating to their respective valuations of Sport Supply Group. After exchanging the relevant financial information, Marshall & Stevens and Bernstein continued discussions concerning their respective valuations of Sport Supply Group. Marshall & Stevens repeatedly confirmed to Bernstein its view that the appropriate valuation of Sport Supply Group stock would exceed \$8.00 per share. In mid-June, Bernstein completed its valuation analysis and met with the Collegiate Pacific board of directors to discuss whether to revise its offer. On June 16, Bernstein contacted Marshall & Stevens stating that Bernstein had been given authority to negotiate a transaction price with the Committee.

On June 21, 2006 the Committee met by telephone with its advisors to discuss the possibility of a revised offer from Collegiate Pacific. Marshall & Stevens discussed with the Committee the status of its valuation analyses, and reviewed with the Committee a revised and updated valuation presentation. Marshall & Stevens addressed several issues, including the methodologies and conclusions underlying the valuation analyses, trends in the industry as a whole and specific to Sport Supply Group, and the volatility of Collegiate Pacific's stock price. Specifically, over the month of June, the Committee had become increasingly concerned about the illiquidity of Collegiate Pacific stock, its trading history and the detrimental effect on Collegiate Pacific's stock price if many Sport Supply Group stockholders were to sell the Collegiate Pacific stock they received in the transaction. Also at this meeting, Marshall & Stevens reported to the Committee that Bernstein had informed Marshall & Stevens that Bernstein valued Sport Supply Group based on a revenue approach, applying Collegiate Pacific's trading multiples to Sport Supply Group's revenues. Marshall & Stevens explained to the Committee that, if this was Bernstein's valuation methodology, it would imply a price of just under \$13 per share. While Marshall & Stevens advised the Committee that this price was at the far upper range of possible values for Sport Supply Group and, in Marshall & Stevens' opinion, above the range of fair value taking all valuation methodologies into account, the Committee authorized and directed Marshall & Stevens to inform Bernstein that the Committee would be prepared to accept a price of \$13 per share, as implied by the valuation methodology advocated by Bernstein. Also at the June 21, 2006 meeting the members of the Committee discussed with their advisors the terms of a proposed Management Services Agreement ("MSA"), which was expected to be presented to the board of directors for approval. The Committee confirmed that Marshall & Stevens was aware of the terms of the proposed MSA, and did not expect that it would impact the value of Sport Supply Group.

On June 22, 2006, Marshall & Stevens communicated the Committee's \$13 proposal to Bernstein. Bernstein responded that a \$13 per share price far exceeded any price that would be acceptable to Collegiate Pacific, and clarified Bernstein's earlier comments concerning its valuation methodology. Marshall & Stevens reiterated to Bernstein the Committee was resolute that any transaction must include a significant percentage of the payment in cash, a collar to protect against swings in Collegiate Pacific stock price and a price reflecting the fair value of Sport Supply Group.

The Committee met again on June 26, 2006 to discuss Marshall & Stevens' communications with Bernstein. After discussing further the Committee's view that any potential transaction must include at least 20 percent cash, an appropriate collar and a fair overall price, the Committee and its advisors discussed again the

potential decline in Collegiate Pacific stock price if Sport Supply Group stockholders sold the Collegiate Pacific stock received in the transaction and various methods to protect Sport Supply Group's stockholders from such a decline. After a discussion, the Committee directed Marshall & Stevens to communicate the Committee's continued concern to Bernstein. Finally, Marshall & Stevens reviewed its current valuation analyses with the Committee.

Later on June 26, Bernstein contacted Marshall & Stevens with a counter-offer of \$7.50 per share, with 10 percent payable in cash and the remainder payable in Collegiate Pacific common stock. The Committee met on June 29, 2006 to review the offer with its advisors and discuss a potential response. The Committee was quite disappointed that, after having been told repeatedly that any revised offer below \$8.00 per share would be unacceptable, Collegiate Pacific had presented an offer below \$8.00. The Committee considered its options in responding to Collegiate Pacific, including consideration of whether it was appropriate at this juncture to respond to Collegiate Pacific with one final take-it-or-leave-it offer, or whether negotiations should be discontinued in light of the latest offer, which the Committee deemed inadequate. The Committee concluded that it would be appropriate to present a counter-offer, and the Committee turned its discussion to the specific terms of the counter-offer. Throughout these discussions the Committee stressed the importance of obtaining a substantial cash component and a price that reflected the fair value of Sport Supply Group, particularly in light of Sport Supply Group's improved performance. During this discussion, Marshall & Stevens indicated that Bernstein had emphasized that Collegiate Pacific would not, in any event, be willing to offer more than 20 percent of the consideration in cash. Ultimately, the Committee, upon advice from Marshall & Stevens, authorized Marshall & Stevens to make a counter-offer of \$9.50 per share, with 20 percent payable in cash and the remaining 80% payable in Collegiate Pacific stock. In addition, the Committee directed Marshall & Stevens to emphasize the need to include a collar in the deal to protect Sport Supply Group stockholders from fluctuations in Collegiate Pacific's stock price, as well as approval by a majority of the minority stockholders as a condition to closing.

On July 3, 2006, Marshall & Stevens informed the Committee that Collegiate Pacific responded to the Committee's counter-offer by requesting that the principals meet to further discuss the Sport Supply Group valuation and terms of a potential transaction. The Committee authorized Marshall & Stevens to meet again with Bernstein. Marshall & Stevens met with Bernstein on July 11, 2006 to discuss their respective financial analyses. Later in the day, on July 11, 2006, the Committee met by telephone, at which time Marshall & Stevens reported that Bernstein disagreed with certain aspects of the Marshall & Stevens discounted cash flow ("DCF") valuation. After receiving RLF's advice on the subject, the Committee found no reason to alter its previously-stated counter-offer. The Committee concluded, however, that it might be willing to consider a price below \$9.50 per share if Collegiate Pacific was willing to substantially increase the percentage payable in cash. Marshall & Stevens was authorized to convey this position to Collegiate Pacific.

On July 12, 2006, Mr. Philip was contacted by Michael Blumenfeld. Mr. Philip spoke with Mr. Blumenfeld on July 13, 2006, and on July 14, 2006, the Committee held a telephonic meeting, at which Mr. Philip summarized his conversations with Mr. Blumenfeld about the differences between the parties' respective valuation methodologies. After further discussion of these differences, the Committee again found no reason to alter its previously-stated counter-offer.

Also on July 14, 2006, the Committee was notified by Robert Mitchell, Sport Supply Group's Chief Financial Officer, that Sport Supply Group would report increasing revenues and profits for the fiscal year ended June 30, 2006, and had retired all of its outstanding bank debt.

Over the next few days, RLF communicated with V&E as to the control premium and minority discount issues. Dr. Treichler and Adam Blumenfeld also communicated directly with one another concerning valuation and structure issues over the weekend of July 15, 2006.

At a Committee meeting held by telephone on July 19, 2006, Mr. Philip summarized a conversation he had with Michael Blumenfeld, during which Mr. Blumenfeld indicated that the Collegiate Pacific board of directors had approved a maximum price of \$8.20 per share. Mr. Blumenfeld indicated he would take a higher figure in the \$8 range to the board of directors of Collegiate Pacific if there was a rational explanation why Collegiate Pacific should exceed \$8.20. Marshall & Stevens explained that, by all measures, Sport Supply Group is a more profitable company than Collegiate Pacific, and the average of the valuation analyses performed by Marshall & Stevens easily supported a price in the range of \$8.80 to \$9.28 per share. The Committee and its advisors discussed this range, and

the Committee noted that \$8.80 may be a good price for Sport Supply Group stock given Sport Supply Group's low trading volume. After Marshall & Stevens expressed its view that \$8.80 would constitute a fair price, the Committee directed Mr. Philip to respond to Mr. Blumenfeld that the Committee would likely be able to recommend a price of \$8.80 per share with 20 percent payable in cash, subject to negotiation of a definitive merger agreement.

In the days that followed, Mr. Blumenfeld indicated to Mr. Philip that, in addition to agreeing on a final price, further issues related to the transaction included the collar on Collegiate Pacific shares, and whether to use a fixed exchange ratio versus a floating exchange ratio. In response to these discussions, the Committee sought the advice of Marshall & Stevens and RLF, and subsequently directed Marshall & Stevens to negotiate with Bernstein on these structural issues. On July 25, following further discussions between Marshall & Stevens and Bernstein, Bernstein transmitted to Marshall & Stevens a preliminary term sheet reflecting the proposed transaction price of \$8.80 per share, payable 20 percent in cash and 80 percent in Collegiate Pacific common stock, and setting forth a proposed structure.

On July 26, 2006, the Committee met to consider the July 25 term sheet. The revised offer consisted of a purchase price of \$8.80 per share, with 20 percent payable in cash and the remainder payable in Collegiate Pacific common stock. The term sheet contained a 25 percent collar to account for price fluctuations in Collegiate Pacific stock. The Committee expressed concern at the 25 percent collar, noting that it would allow a wide fluctuation in Collegiate Pacific stock, which could ultimately deprive Sport Supply Group stockholders of fair value. After discussing the terms with its advisors, the Committee concluded that the price of \$8.80 per share was fair, but it would require a 10 percent collar, a right to terminate the merger agreement if the Collegiate Pacific stock price dropped below that collar, and provision requiring approval by a majority of the minority Sport Supply Group stockholders. These terms were then communicated to Collegiate Pacific by Marshall & Stevens.

The Committee met on July 27, 2006 to consider Collegiate Pacific's response to its concerns about the July 25 term sheet. Marshall & Stevens summarized that Bernstein had indicated that Collegiate Pacific would agree to a 10 percent collar, but would be reluctant to include a termination provision. Bernstein offered two alternatives: (i) the transaction would include a 10 percent collar, but if Collegiate Pacific stock exceeded the 10 percent upside collar, Sport Supply Group stockholders would receive the additional gains rather than being locked in at the 10 percent threshold, or (ii) the transaction would include a 10 percent upside collar, and a 25 percent downside collar. If Collegiate Pacific stock dropped below 10 percent, however, Sport Supply Group stockholders would receive the option to purchase additional Collegiate Pacific stock at the lower price. Under this second alternative, the \$8.80 per share offer price would be reduced up front by the value of the option. After discussion, and upon receiving advice from Marshall & Stevens, both of these alternatives were rejected by the Committee as inadequate protections for Sport Supply Group stockholders. Bernstein also indicated that Collegiate Pacific would not agree to a majority of the minority approval requirement. The Committee conferred with its advisors concerning Collegiate Pacific's position on the termination right and majority of the minority condition, and various alternatives thereto. The Committee members concluded that they were comfortable proceeding without the majority of the minority condition in light of Collegiate Pacific's stated unwillingness to include this term, subject to confirmation by the Committee's advisors as to the holdings of certain large minority stockholders of Sport Supply Group. With regard to the termination right, the Committee concluded that it could recommend a transaction without the right of termination only if an alternative protection were offered, such as a requirement that, in the event that Collegiate Pacific stock fell below the 10 percent collar, Collegiate Pacific would pay in cash what ever amount necessary to lift the price back to the 10 percent threshold. The Committee authorized Marshall & Stevens to continue its negotiations of these terms.

On August 1, 2006 Bernstein transmitted to Marshall & Stevens, a non-binding term sheet reflecting a revised offer from Collegiate Pacific, and conveyed Collegiate Pacific's request that the Committee sign the term sheet before Collegiate Pacific would present it to the Collegiate Pacific board of directors for approval. The Committee held a meeting on August 2, at which time Marshall & Stevens reviewed the terms of the latest term sheet with the Committee. Collegiate Pacific's revised terms again offered \$8.80 per share with 20 percent payable in cash. The remaining 80 percent would be paid in Collegiate Pacific common stock based upon the average closing price for the 20 trading days ending two days prior to closing. The term sheet also provided for a 10 percent upside collar on the Collegiate Pacific stock price and no downside collar, and provided Collegiate Pacific with the right to terminate if Collegiate Pacific's stock price dropped more than 10 percent. Finally, the term sheet allowed Collegiate Pacific to pay the 80 percent non-cash portion of the transaction price in any combination of cash and

stock, at Collegiate Pacific's option. The Committee expressed concern as to the lack of a termination right for Sport Supply Group, and directed Marshall & Stevens to address this issue with Bernstein. After consulting with RLF concerning the implications of signing a non-binding term sheet at this time, the Committee authorized RLF to communicate to V&E the Committee's reluctance to sign a term sheet.

Bernstein transmitted a revised term sheet on August 3, 2006, again with the request that the Committee sign it. Later that day, the Committee held a meeting to review the term sheet, which included a right of termination for both parties. The term sheet explicitly stated that the Committee consented to disclosure of the terms of the term sheet. The Committee discussed further with its advisors the risks associated with signing the term sheet and announcing its terms. After the discussion, the Committee instructed RLF to confer further with Collegiate Pacific's counsel on this issue, and to communicate to Collegiate Pacific's counsel the Committee's concerns in this regard.

Later on August 3, Mr. Philip spoke with Michael Blumenfeld regarding Collegiate Pacific's continuing request that the Committee sign a term sheet. Mr. Blumenfeld indicated that Collegiate Pacific intended to announce the proposed transaction in connection with Collegiate Pacific's announcement that its June financial results would not meet expectations. In return for the Committee agreeing to sign a term sheet, Mr. Blumenfeld proposed that Collegiate Pacific would agree to remove the upside collar on the number of shares issued in connection with the merger. Mr. Philip requested that Mr. Blumenfeld present a term sheet reflecting these terms for consideration by the Committee.

On August 4, 2006, Bernstein transmitted a revised term sheet that modified the collar applicable in the event of an increase in Collegiate Pacific's stock price such that Sport Supply Group stockholders would share in any gains in Collegiate Pacific stock price in the period between announcement of the agreement and closing the transaction. This enhancement to the term sheet was expressly conditioned upon the Committee signing and agreeing to joint disclosure of the terms of the revised term sheet. The Committee met briefly to discuss this revised term sheet and the request that the Committee consent to disclosure of its terms on August 4. Upon consultation with Marshall & Stevens and RLF, the Committee concluded that the enhancement offered by Collegiate Pacific was not significant enough for the Committee to change its position regarding Collegiate Pacific's request for a joint disclosure.

Shortly after the meeting, Collegiate Pacific alerted Sport Supply Group that it intended to make a unilateral announcement of its offer to Sport Supply Group, on the terms set forth in the August 3, 2006 term sheet (without the enhancement offered on August 4). The Committee met on August 7, 2006 at which time the Committee discussed with its advisors various options concerning the proposed unilateral disclosure, including whether the Committee could or should take action to prevent such disclosure and whether, if such disclosure were made, it would be necessary for the Committee to make any independent disclosure to ensure that all material facts - including the history of the negotiations between Collegiate Pacific and the Committee - were disclosed. The Committee also discussed with its advisors whether it would be possible to proceed promptly to negotiate a definitive merger agreement in order to avoid the need to sign or disclose the term sheet. Further, the Committee discussed the fact that the June financial results for Collegiate Pacific would be released soon and concluded that it wished to review those results before entering into a binding agreement. The Committee instructed RLF to contact V&E to express the Committee's concerns and to ensure that any disclosure to be made by Collegiate Pacific reflected accurately the history of negotiations behind the current terms, and directed Marshall & Stevens to request the June financial results before the Committee would move further on the proposed transaction.

In response to this request, the Committee, RLF and Marshall & Stevens received Collegiate Pacific's preliminary financial results for the quarter ending June 30, 2006 and projections for fiscal year 2007. On August 7, 2006 and on August 8, 2006 Marshall & Stevens met with Adam Blumenfeld and Bernstein to discuss Collegiate Pacific's financial results for the June 30, 2006 quarter. Later on August 8, 2006, the Committee met to review Collegiate Pacific's financial results and Collegiate Pacific's analysis of the reasons for the results for the June 30 fiscal quarter. Although Collegiate Pacific's results did not meet expectations, Marshall & Stevens advised the Committee that Collegiate Pacific's current offer still was fair to the minority stockholders, primarily because the transaction was structured with a floating exchange rate, such that any decline in Collegiate Pacific's stock price would result in more shares being issued to Sport Supply Group's stockholders. RLF then addressed the proposed disclosure of the proposal by Collegiate Pacific. Given Collegiate Pacific's intent to unilaterally disclose the proposed terms of the offer, RLF advised that it would provide input on the language to ensure the adequacy of the

disclosure. The Committee concluded that, if Collegiate Pacific would agree to include the enhancement offered in the August 4, 2006 term sheet, the Committee would not object to unilateral disclosure by Collegiate Pacific of the terms of its offer, provided that RLF was comfortable with the adequacy of Collegiate Pacific's disclosure. At an August 9 meeting, RLF confirmed that the requested language was in the new term sheet and its view that the language of the unilateral press release was satisfactory.

On August 9, 2006, Collegiate Pacific issued a press release announcing that:

Regarding Sport Supply Group, Inc. (SSPY.PK), the Company announced it had submitted an offer to the Special Committee of Sport Supply Group to purchase the remaining shares it does not currently own for a value of \$8.80 per Sport Supply Group share, comprised of \$1.76 per share in cash and the remainder in BOO common stock and/or cash at the Company's election. Sport Supply Group formed the Special Committee to evaluate the Company's confidential prior proposal in March 2006 to acquire the Sport Supply Group shares, and the Company and the Sport Supply Group Special Committee have continued to engage in discussions since that time. While the Company is hopeful to move forward towards a mutually acceptable definitive merger agreement in the future, the offer is subject to the approval of the Special Committee and the Company's Board of Directors and there can be no assurance that a definitive merger agreement will be executed or that the merger will be completed.

Thereafter, Collegiate Pacific's advisors informed the Committee's advisors that V&E would begin drafting a merger agreement reflecting the terms of Collegiate Pacific's latest proposal.

On August 22, 2006 V&E delivered to the Committee a preliminary draft of a merger agreement. The Committee met on August 25 to review the draft. RLF identified for the Committee several preliminary issues with the terms of the merger agreement presented by Collegiate Pacific, including (i) the treatment of Sport Supply Group's outstanding options; (ii) Collegiate Pacific's request that certain officers of Sport Supply Group sign affiliate letters which such officers had indicated to RLF they were not willing to sign; (iii) the termination provisions of the draft merger agreement and the circumstances under which Collegiate Pacific would reimburse Sport Supply Group's expenses on termination; and (iv) the absence of any restriction of sale of Collegiate Pacific stock by Messrs. Blumenfeld, and the Committee discussed these issues. The Committee also considered the \$8.80 transaction price in light of Sport Supply Group's favorable July and August financial results. After discussion with its advisors, the Committee directed RLF and Marshall & Stevens to request additional financial information from Collegiate Pacific and Sport Supply Group, including July and August results, for further review of the proposed transaction price. The Committee also authorized RLF to proceed to negotiate the other terms of the merger agreement with V&E, focusing specifically on eliminating downward pressure on the Collegiate Pacific stock due to selling of Collegiate Pacific stock received in the transaction by Sport Supply Group stockholders and by Collegiate Pacific insiders.

After consulting further with Marshall & Stevens and Fulbright, as outside legal counsel to Sport Supply Group, RLF provided comments on the draft agreement to Collegiate Pacific's counsel on August 29. In the revised draft, RLF noted, among other things, that the \$8.80 price was subject to further review of the July and August financial results of the companies. RLF also revised the agreement to provide (i) for all outstanding Sport Supply Group options to be cashed out; (ii) for reimbursement of Sport Supply Group's expenses up to \$1 million; (iii) that Sport Supply Group would obtain a bring-down fairness opinion as a condition to closing; (iv) for reciprocal covenants on the conduct of Collegiate Pacific's business prior to closing; and (v) the elimination of the maximum number of stockholders exercising appraisal rights and financing consent conditions. RLF also proposed a draft of a support agreement by which Adam and Michael Blumenfeld would agree to vote their Collegiate Pacific shares for the transaction, and would agree not to sell any Collegiate Pacific stock for 12 months following closing of the merger.

On August 31, 2006, V&E contacted RLF with its response to RLF's draft of the merger agreement. V&E indicated that Collegiate Pacific would not agree to cash-out the outstanding Sport Supply Group options or agree to the increased expense reimbursement requested by RLF, and added a term requiring Sport Supply Group to reimburse Collegiate Pacific's expenses if the agreement was terminated due to a Sport Supply Group willful breach or by the Committee if required by its fiduciary duties. On September 1, 2006 the Committee met and considered

V&E's response to RLF's revisions to the merger agreement. Later on September 1, V&E provided to RLF its revised draft agreement reflecting the positions that had been conveyed to RLF the day before.

Upon receiving the draft, and consulting with RLF, the Committee concluded that there was no basis to move forward in negotiations given Collegiate Pacific's rejection of virtually all of RLF's proposed revisions, the addition of an expense reimbursement payable upon exercise by the Committee of its fiduciary termination right, and the Committee's desire to await more recent financial results for Sport Supply Group. On September 8, the Committee received Sport Supply Group's August financial results from management, and requested that Marshall & Stevens revise its valuation to reflect the updated results.

On September 12, 2006, RLF was contacted by V&E, who proposed that if the Committee would sign the merger agreement by September 15, 2006, Collegiate Pacific would agree to the Committee's request that Collegiate Pacific cash out the Sport Supply Group options. V&E also relayed Collegiate Pacific's belief that Sport Supply Group's September results may not be as strong as Sport Supply Group's August results, and that if the Committee was not prepared to proceed to sign an agreement, Collegiate Pacific might elect to await September results, and might revise the price downward. Also on September 12 Michael Blumenfeld communicated with Mr. Philip in an attempt to move the negotiations to closure.

On September 13, 2006, Marshall & Stevens provided its updated valuation to the Committee. Later on September 13, the Committee met to discuss the most recent draft of the merger agreement, in light of the final August financial results for Sport Supply Group and Marshall & Stevens' revised analysis, and Collegiate Pacific's request that a merger agreement be signed prior to September 15. Marshall & Stevens reported that as a result of the strong results over the past three months, the value of Sport Supply Group had increased. RLF then summarized the outstanding issues with the draft agreement, including (i) a possible upward revision in price, (ii) restrictions on the sale of stock by Messrs. Blumenfeld, (iii) amount of the expense reimbursement to be paid by Collegiate Pacific to Sport Supply Group if the transaction does not close, (iv) the circumstances in which the expense reimbursement would be payable by Collegiate Pacific to Sport Supply Group and (v) the circumstances in which Sport Supply Group would reimburse Collegiate Pacific's expenses. The Committee resolved that it could recommend the proposed transaction to the Sport Supply Group board if (i) the purchase price were increased from \$8.80 to \$9.45 per share, (ii) Collegiate Pacific agreed to reimburse non-litigation expenses up to \$500,000 and to reimburse all litigation expenses (with no cap) in the event the merger agreement is terminated by Collegiate Pacific under defined circumstances, and (iii) Sport Supply Group would not be required to reimburse expenses if it terminates the agreement unless Sport Supply Group was in breach. Mr. Philip conveyed the Committee's conclusions to Michael Blumenfeld later on September 13. Mr. Blumenfeld and Mr. Philip continued to negotiate over these issues over the evening of September 13 and the morning of September 14, 2006.

On September 14, 2006, in response to the increased price in the counter-offer and to resolve certain other unresolved issues, Michael Blumenfeld proposed to Mr. Philip an all-cash offer of \$8.80 per share. Mr. Philip responded that, while an all-cash offer provided a superior deal for Sport Supply Group stockholders than what was previously offered, the Committee felt that the price should nevertheless reflect the strong July and August financial results of Sport Supply Group. Mr. Blumenfeld stated to Mr. Philip, and Bernstein later stated to Marshall & Stevens, that obtaining the financing for a transaction at \$8.80 already put Collegiate Pacific at its full borrowing capacity, such that no increase in the price was possible.

On September 14 and 15, Mr. Philip made three different attempts to get Mr. Blumenfeld to increase the price above \$8.80, but was told each time that \$8.80 was the most Collegiate Pacific would pay. Mr. Blumenfeld further explained his views that \$8.80 per share in cash was better than \$9.45 in cash and Collegiate Pacific stock due to (i) the immediacy and certainty of closing; (ii) the overhang and stock price risks associated with a stock transaction; (iii) the reduction in legal expense and (iv) the operational benefits of an early closing date.

Later on September 15, 2006, the Committee met to consider the revised all-cash offer from Collegiate Pacific. The revised offer provided that all Sport Supply Group stockholders (and option holders) other than Collegiate Pacific would be cashed out at \$8.80 per share. Mr. Philip reviewed for the Committee his discussions with Michael Blumenfeld concerning the Committee's counter-proposal at \$9.45 per share and reported that, after the discussions, he was convinced that Collegiate Pacific would not pay a higher price in an all-cash deal. Marshall & Stevens expressed its view that the certainty of an \$8.80 all cash deal was preferable to even a nominally higher

priced deal if 80% of the consideration would be paid in Collegiate Pacific stock, given the illiquidity and volatility of Collegiate Pacific's stock. After the discussion, the Committee concluded that it seemed unlikely that Collegiate Pacific would raise its bid further, there was no option of another buyer, and thus the choice was between giving the stockholders a fair but not generous price of \$8.80 or leaving them with an illiquid stock with the hope that at some point in the future Collegiate Pacific would pay more. It was noted that Sport Supply Group was coming off of a very strong three months, and that various operational risks existed, so there was as much risk that the value would go down as that it would increase. After extensive discussion both members of the Committee agreed that a merger with Collegiate Pacific at \$8.80 cash presented the best opportunity available to the stockholders. Marshall & Stevens confirmed that the \$8.80 price was fair to the minority stockholders from a financial point of view, and Marshall & Stevens would be able to deliver a written opinion to that effect. The Committee authorized RLF to proceed to negotiate the terms of a definitive merger agreement reflecting an all-cash merger at \$8.80 per share.

From September 15 to September 20, 2006, V&E, RLF and Fulbright negotiated the terms of a merger agreement reflecting the \$8.80 all-cash proposal. These negotiations related principally to the covenants concerning the conduct of Sport Supply Group and Collegiate Pacific's business during the period after signing of the merger agreement and until closing, and the expense reimbursement provisions, particularly the reimbursement of litigation expenses.

On September 20, 2006 the Committee met with its advisors in Dallas, Texas to review the final terms of the proposed merger agreement. RLF reviewed with the Committee the fiduciary duties owed to Sport Supply Group stockholders. The Committee then reviewed the terms of the merger agreement including, but not limited to the amount and form of consideration to be received by the holders of Sport Supply Group common stock; the treatment of outstanding options; the representations and warranties to be made by Sport Supply Group and Collegiate Pacific, respectively; that the transaction was conditioned upon Collegiate Pacific obtaining financing and the representations and covenants made by Collegiate Pacific in that regard; the covenants made by Sport Supply Group concerning operations from signing to closing; the need for a shareholder meeting and approval (which approval was assured) and the timing issues attendant thereto; the requirement that the Committee recommend the merger to Sport Supply Group's stockholders and the ability of the Committee to change this recommendation under certain circumstances and to terminate the merger agreement; the provisions of the merger agreement relating to indemnification and director and officer insurance; the conditions to closing on both sides and the definitions of a Sport Supply Group material adverse effect; the termination rights and conditions and the provisions relating to reimbursement of Sport Supply Group's transaction and litigation expenses upon termination.

Marshall & Stevens then distributed to the members of the Committee a valuation presentation with respect to the fairness opinion to be issued by Marshall & Stevens. The Committee discussed various factors bearing on the valuation of Sport Supply Group and its common stock, including, among other things, the identity and comparability of the comparable companies selected by Marshall & Stevens, and the Committee's view that Marshall & Stevens' discounted cash flow valuation was a more reliable measure of Sport Supply Group's value than that indicated under the comparable companies approach. Thereafter, Marshall & Stevens confirmed that it was in a position to provide an opinion that the proposed merger was fair to Sport Supply Group's stockholders other than Collegiate Pacific from a financial point of view, pursuant to the terms and subject to the conditions set forth in the merger agreement. The Committee reviewed with its advisors various positive and negative factors bearing on the Committee's consideration of the proposed merger. Following this discussion, upon motion duly made and seconded, the Committee unanimously adopted the resolutions recommending the merger to the Sport Supply Group board.

Immediately following the meeting of the Committee, the Sport Supply Group board of directors convened a special meeting to consider the merger agreement and the transactions contemplated thereby. The Committee made its recommendation that the board of directors approve and adopt the merger agreement and the transactions contemplated thereby, and the Committee recommended that the Sport Supply Group stockholders adopt the merger agreement. After considering the form, terms and provisions of the merger agreement, the Sport Supply Group board of directors, acting upon the recommendation of the Committee, unanimously adopted and approved the merger agreement and the transactions contemplated thereby and further resolved to recommend that the stockholders of Sport Supply Group approve the merger agreement and the transactions contemplated thereby.

Recommendation of the Special Committee and the Board of Directors of Sport Supply Group and Reasons for the Merger

The special committee voted unanimously to recommend, and the Sport Supply Group board of directors voted unanimously to approve and adopt, the merger agreement and the transactions contemplated thereby and each of the special committee and the board of directors determined that the merger agreement and the transactions contemplated thereby are advisable, fair to, and in the best interest of Sport Supply Group and its stockholders. Accordingly, the Sport Supply Group board of directors recommends that Sport Supply Group stockholders vote FOR the approval and adoption of the merger agreement and the transactions contemplated thereby.

In determining that the special committee would recommend the merger agreement, and the transactions contemplated thereby, including the merger, to the board of directors, the special committee considered the following factors which in the view of the special committee supported such determination:

- *Premium Price.* The special committee considered that the \$8.80 cash price was a significant premium over the approximately \$5.50 price at which the stock was quoted prior to the announcement of Collegiate Pacific's submission of its \$8.80 cash/stock offer.
- *Opinion of the Committee's Financial Advisor.* The special committee considered the opinion delivered by Marshall & Stevens to the Committee, to the effect that, based on and subject to the various assumptions and limitations set forth therein, as of the date thereof, the merger consideration was fair from a financial point of view to the stockholders of Sport Supply Group other than Collegiate Pacific.
- *Negotiations.* The special committee considered the fact that the merger agreement and the transactions contemplated thereby were the product of lengthy negotiations among Collegiate Pacific and the special committee and their respective legal and financial advisors, during which the special committee was able to negotiate an increase in the price being paid from \$6.05 to \$8.80 and to have the consideration be paid in cash rather than Collegiate Pacific stock. Based on such negotiations, the special committee concluded that the special committee had obtained the highest price per share of Sport Supply Group common stock that Collegiate Pacific was willing to pay. The special committee formed its belief based on statements made by representatives of Collegiate Pacific that the proposal would not be changed any further to the benefit of the minority public stockholders, and upon its understanding of Collegiate Pacific's borrowing capability.
- *Possible Decline in Market Price of Common Stock.* The special committee considered the possibility that if the merger is not consummated, the price that might be received by the minority public stockholders in the open market or in a future transaction might be less than the consideration to be received by such stockholders in connection with the merger.
- *Form of Consideration.* The special committee evaluated the benefits of the minority public stockholders receiving \$8.80 in cash per share, as opposed to Collegiate Pacific's earlier proposal to pay the merger consideration in stock, and viewed the cash offer as superior given the low trading volume of Collegiate Pacific stock, the large overhang that would have resulted from a stock transaction and the historical volatility of Collegiate Pacific stock.
- *Liquidity.* The special committee considered the fact that the merger provided the minority public stockholders with the ability to dispose of their common stock for cash, which liquidity may not be realized in the public market due to the low level of trading volume of Sport Supply Group common stock and its listing in the "pink sheets".
- *Alternatives to the Merger.* The special committee considered the fact that in light of Collegiate Pacific's controlling ownership and unwillingness to sell its position, there were no other potential buyers for the minority interest in Sport Supply Group.

- *Appraisal Rights.* The special committee also considered that appraisal rights would be available under Delaware law to the minority public stockholders who properly perfect appraisal rights for their shares under Delaware law.
- *Ability to Terminate.* The special committee considered that it has the right to change its recommendation and terminate the merger agreement under certain circumstances if its fiduciary duties require it to do so.
- *Expense Reimbursement Provisions.* The special committee considered that if the merger agreement is terminated for certain reasons that are not the fault of Sport Supply Group, it would be able to recoup its expenses related to the merger agreement from Collegiate Pacific subject to a \$500,000 cap for transaction expenses and no cap for litigation expenses.

In determining to recommend the merger agreement and the transactions contemplated thereby, the special committee also considered certain negative factors, including the following:

- *Potential Increase in Price of Common Stock.* The special committee considered the possibility that, although the price or value of common stock may increase in the future, the minority public stockholders would not benefit from such future increases.
- *Conditions to Closing of the Merger.* The special committee considered the conditions to Collegiate Pacific's consummation of the merger, and the possibility that such conditions might not be satisfied. In particular, the special committee considered the impact that the non-consummation of the merger might have on Sport Supply Group's sales and operating results and Sport Supply Group's ability to attract and retain customers, as well as key management, sales and marketing personnel.
- *Tax Implications.* The special committee considered the taxable nature of the merger to minority public stockholders.
- *Financing Contingency.* The special committee considered that the merger is subject to Collegiate Pacific receiving financing from Merrill Lynch, and that in the event Collegiate Pacific does not receive such financing the merger would not be consummated.

In determining to approve and adopt the merger agreement and the transactions contemplated thereby, the board of directors considered the recommendation of the special committee, and the factors described above.

In the judgment of each of the special committee and the board of directors, respectively, the potential benefits of the merger outweighed the negative factors related to the merger.

The foregoing discussion of factors considered by the special committee and the board of directors is not intended to be exhaustive. Neither the special committee nor the board of directors quantified or otherwise attempted to assign relative weights to the specific factors considered in reaching their respective determinations to recommend and approve the merger. Rather, both the special committee and the board of directors viewed their respective positions and recommendations as being based on the total information presented to and considered by the special committee and the board of directors, respectively.

Opinion of Sport Supply Group's Financial Advisor

In connection with the merger, the special committee engaged Marshall & Stevens, Inc. to act as its financial advisor. On September 20, 2006, Marshall & Stevens rendered its written opinion to the special committee that, as of such date, and based upon qualifications, assumptions, limiting conditions and other matters set forth in the written opinion, the merger, as described in the written opinion, is fair to the stockholders of Sport Supply Group (other than Collegiate Pacific) from a financial point of view, pursuant to the terms and subject to the conditions set forth in the merger agreement.

The special committee selected Marshall & Stevens as its financial advisor in connection with the merger because Marshall & Stevens is a nationally-recognized financial advisory firm that is engaged in providing financial advisory services and rendering fairness opinions in connection with mergers and acquisitions and business and securities valuations for a variety of regulatory and planning purposes.

The full text of Marshall & Stevens' written opinion, which sets forth the assumptions made, matters considered and limits on the review undertaken is attached as Annex B to this proxy statement and is incorporated herein by reference. The fairness opinion analysis as of September 20, 2006, presented to the special committee is attached to this proxy statement as Annex C. The summary of the Marshall & Stevens opinion and related presentation is qualified in its entirety by reference to the full text of the opinion and related materials. Sport Supply Group stockholders are urged to carefully read the opinion in its entirety, including the description of assumptions and limiting conditions included therein.

In reading the description of the Marshall & Stevens fairness opinion set forth below, you should be aware that such fairness opinion (1) was provided to the special committee for its benefit in connection with the merger, (2) does not constitute a recommendation to the special committee in connection with the merger, (3) does not constitute a recommendation to any stockholders of Sport Supply Group as to how to vote in connection with the merger and (4) does not address the underlying business decision to pursue the merger or the relative merits of the merger.

Overview of Marshall & Stevens' Fairness Opinion

Marshall & Stevens evaluated the financial fairness of the merger. The terms and conditions of the merger were determined by negotiations between the special committee and Collegiate Pacific. Marshall & Stevens did not recommend the amount of consideration to be paid as merger consideration. Neither Sport Supply Group nor the special committee provided specific instructions to, imposed any limitations on the scope of investigation by, or put in place any procedures to be followed or factors to be considered by, Marshall & Stevens in performing its analyses or providing its fairness opinion.

In connection with its opinion, Marshall & Stevens made such reviews, analyses and inquiries as it deemed necessary and appropriate under the circumstances. Among other things, Marshall & Stevens reviewed:

- a draft merger agreement;
- Sport Supply Group's business plan for the fiscal year ended June 30, 2007;
- Proforma Income Statement Projections for June 30, 2007, June 30, 2008 and June 30, 2009;
- Sport Supply Group's Annual Report on Form 10-K for the fiscal years ended March 29, 2002 and March 28, 2003;
- Sport Supply Group's audited financial statements for fiscal years ended March 26, 2004 and March 31, 2005;
- Sport Supply Group's unaudited financial statements for the fiscal years ended June 30, 2004, June 30, 2005 and June 30, 2006;
- Sport Supply Group's unaudited financial statements for the two month period ended August 30, 2006;
- a list of holders of options to purchase shares of Sport Supply Group common stock; and
- various product brochures and other literature relative to Sport Supply Group.

In addition to reviewing the above-described information, Marshall & Stevens, among other things:

- met with the special committee and its counsel to discuss the merger;
- reviewed the historical market prices and trading volumes associated with Sport Supply Group's common stock;
- reviewed publicly available financial data for certain companies which Marshall & Stevens deemed comparable to Sport Supply Group;
- considered various aspects of Sport Supply Group, including:
 - the nature of Sport Supply Group's business and history;
 - earnings before interest and taxes ("EBIT");
 - earnings before interest, taxes, depreciation and amortization ("EBITDA");
 - revenues;
 - book capital;
 - total assets for the past five fiscal years (2002-2006) and the latest interim periods;
 - outlook for future EBIT, EBITDA and revenues;
 - financial condition; and
 - dividend-paying capacity;
- analyzed financial statements, prices and other materials regarding comparable publicly traded companies in the sporting goods, physical education, and recreational and leisure products industry; required rates of return on debt and equity capital; materials discussing the economic outlook, in general, and the specific outlook for the recreational equipment industry, and such other materials as Marshall & Stevens deemed appropriate;
- analyzed the financial terms and operating results and financial condition of certain companies, to the extent publicly available, involved in recent business combinations in the sporting goods, physical education and recreational and leisure products industry;
- compared certain statistical and financial information of Sport Supply Group with similar information for certain comparable publicly traded companies in the recreational equipment industry;
- analyzed daily stock prices and trading volumes for Sport Supply Group's common stock for the period September 1, 2003 through September 19, 2006;
- visited Sport Supply Group's headquarters in Farmers Branch, Texas, conducted interviews with management and relied upon their representations concerning the operations, financial condition, future prospects and projected operations and performance of Sport Supply Group; and
- conducted such other financial studies, analyses and inquiries, and considered such other matters as Marshall & Stevens deemed necessary and appropriate for its fairness opinion.

In rendering its opinion, Marshall & Stevens did not independently verify the accuracy and completeness of the financial information or other information furnished by Sport Supply Group orally or in writing, or other

information obtained from publicly available sources. Marshall & Stevens reviewed most current and best available estimates and judgments of the management of Sport Supply Group as to its expected future financial and operating performance and did not undertake any obligation to assess whether such forecasts, estimates or judgments were reasonable or were likely to be accurate, nor did Marshall & Stevens undertake any obligation independently to verify the underlying assumptions made in connection with such forecasts, estimates or judgments. In addition, Marshall & Stevens did not make an independent valuation or appraisal of any particular assets or liabilities of Sport Supply Group. Marshall & Stevens' opinion is based on business, economic, market and other conditions as they existed as of the date of the opinion. Marshall & Stevens assumed that the factual circumstances, agreements and terms, as they existed at the date of the opinion, will remain substantially unchanged through the time the merger is completed. Marshall & Stevens did not (1) opine as to the tax or accounting treatment of the merger or any related matter thereto, (2) assess the impact of compliance with any labor laws, including without limitations, the federal Worker Adjustment and Retraining Notification (WARN) Act, or (3) rely upon any third party appraisals in arriving at its opinion. Additional assumptions and limiting conditions upon which the opinion is based, include, without limitation, the following:

- no investigation of legal title was made by Marshall & Stevens, and Marshall & Stevens rendered no opinion as to ownership of Sport Supply Group or the underlying assets; however, Marshall & Stevens did assume good title as to Sport Supply Group's assets and that the title of such assets was marketable;
- the dollar amount of any value reported by Marshall & Stevens was based upon the purchasing power of the U.S. dollar as of September 20, 2006, the date of the opinion, and Marshall & Stevens assumes no responsibility for economic or physical factors occurring subsequent to the valuation date which may affect the opinion;
- information supplied by others that was considered in Marshall & Stevens' analysis is from sources believed to be reliable, no further responsibility is assumed for its accuracy and Marshall & Stevens reserves the right to make adjustments to its opinion based upon consideration of additional or more reliable data that may become available subsequent to the issuance of its opinion;
- Marshall & Stevens assumes there are no hidden or unexpected conditions of the assets of Sport Supply Group that would adversely affect its opinion or Sport Supply Group's value;
- neither the analysts involved nor any officer or director of Marshall & Stevens has any financial interest in Sport Supply Group; and
- no opinion is intended to be expressed for matters that require legal or specialized expertise, investigation or knowledge beyond that customarily employed by financial analysts.

The following paragraphs summarize the material analyses performed by Marshall & Stevens in arriving at its opinion and reviewed with the board of directors of Sport Supply Group, but do not purport to be a complete description of the analyses performed by Marshall & Stevens.

Valuation Analysis of Sport Supply Group

Marshall & Stevens reviewed Sport Supply Group's background, stock price performance, competitive position, competitive advantages, financial position and operations. Marshall & Stevens also performed a review of Sport Supply Group's industry. Marshall & Stevens evaluated Sport Supply Group's stock value by utilizing the income approach and the public market approach, arriving at a mean per share value of Sport Supply Group common equity of \$9.45.

Income Approach. The income approach is based on the principle of anticipation. The market value of invested capital of a company is equal to the total present value of the perpetual stream of cash flow it is expected to generate. To apply the income approach, Marshall & Stevens projected revenue from the valuation date to the end

of the current fiscal year and for a number of years thereafter, subtracting anticipated expenses. Marshall & Stevens then calculated the present value of periodic cash flow using Sport Supply Group's weighted average cost of capital ("WACC"). Using a range of a long-term rates of growth (3.0% to 5.0%) and a range of WACC (13.0% to 15.0%), Marshall & Stevens found a range of value based upon the income approach of \$67.7 million to \$89.7 million, or \$7.21 per share to \$9.56 per share.

Public Market Approach. The public market approach is based upon the principle of substitution. Marshall & Stevens evaluated nine comparable companies to determine a range of multiples of typical measures of profitability, such as revenue, EBITDA and EBIT with respect to enterprise value and net income and the book value of stockholders' equity with respect to market capitalization. Using a range of revenue multiples (0.7 to 0.85), a range of EBITDA multiples (8.0 to 10.0) and a range of EBIT multiples (11.0 to 13.0), Marshall & Stevens examined two scenarios for the public market approach. Scenario one uses the trailing twelve months (TTM) financials for revenue, EBITDA and EBIT. Scenario two uses the trailing twelve months (TTM) financials and the forecasted 2007 for revenue, EBITDA and EBIT. Marshall & Stevens found a range of value based upon the public market approach of \$78.1 million to \$131.3 million, or \$8.33 per share to \$13.98 per share.

In summary, using the income approach and the public market approach, Marshall & Stevens generated the following summary of value of Sport Supply Group common equity:

Scenario 1

	Per Share		
<i>Summary of Value</i>	Low	Mean	High
Income Approach	\$7.21	\$8.16	\$9.56
Market Approach (TTM)	\$8.33	\$10.74	\$12.89
Value Of Common Equity	\$7.77	\$9.45	\$11.23

Scenario 2

	Per Share		
<i>Summary of Value</i>	Low	Mean	High
Income Approach	\$7.21	\$8.16	\$9.56
Market Approach (TTM and Forecast)	\$8.33	\$11.10	\$13.98
Value Of Common Equity	\$7.77	\$9.63	\$11.77

Other Considerations

The preparation of a fairness opinion is a complex process that involves various judgments and determinations as to the most appropriate and relevant methods of financial and valuation analysis and the application of those methods to the particular circumstances. The opinion is, therefore, not necessarily susceptible to partial analysis or summary description. Marshall & Stevens believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered, without considering all of the analyses and factors, would create a misleading and incomplete view of the processes underlying its opinion. Marshall & Stevens did not form an opinion as to whether any individual analysis or factor, whether positive or negative, considered in isolation, supported or failed to support its opinion. In arriving at its opinion, Marshall & Stevens did not assign any particular weight to any analysis or factor considered by it, but rather made qualitative judgments based upon its experience in providing such opinions and on then-existing economic, monetary, financial, capital markets, general business and other conditions as to the significance of each analysis and factor. In performing its analyses, Marshall & Stevens, at Sport Supply Group's direction and with the consent of the special committee, made assumptions with respect to industry performance, general business conditions and other matters, many of which are beyond the control of Sport Supply Group, the special committee and Marshall & Stevens. Any assumed estimates implicitly contained in Marshall & Stevens' opinion or relied upon by Marshall & Stevens in rendering its opinion do not necessarily reflect actual values or predict future results or values. Any estimates relating to the value of the business or securities do not purport to be appraisals or to necessarily reflect the prices at which companies or securities may actually be sold or traded.

Pursuant to the terms of the engagement letter dated April 6, 2006, Sport Supply Group has agreed to pay Marshall & Stevens a fee of \$69,824 (inclusive of all out-of-pocket costs and expenses incurred by Marshall & Stevens) for its services in connection with its engagement as financial advisor. No portion of Marshall & Stevens' fee was contingent upon the consummation of the merger or the conclusions reached by Marshall & Stevens in its written opinion.

Distribution of Merger Consideration

Promptly after the merger is completed, each Sport Supply Group stockholder at the time of completion of the merger will be mailed a letter of transmittal and instructions for the exchange of the certificates representing shares of Sport Supply Group common stock for the cash payment.

You should not send in your certificates until you receive a letter of transmittal and instructions.

After you surrender to the exchange agent certificates for Sport Supply Group common stock with a properly completed letter of transmittal, the exchange agent will mail you a check for the cash amount you are entitled to receive, without interest. The exchange agent will not be obligated to deliver the merger consideration to you, as a former Sport Supply Group stockholder, until you have surrendered your Sport Supply Group common stock certificates.

If any Sport Supply Group stockholder's stock certificate has been lost, stolen, mislaid or destroyed, the exchange agent will issue the cash upon the stockholder's submission of an affidavit claiming the certificate to be lost, stolen, mislaid or destroyed by the stockholder of record, the posting of a bond in such amount as Collegiate Pacific and the exchange agent may reasonably require as indemnity against any claim that may be made against Collegiate Pacific with respect to the certificate and submission of any other documents necessary to effect the exchange of the shares represented by the certificate.

At the time the merger is completed, the stock transfer books of Sport Supply Group will be closed to Sport Supply Group stockholders and no transfer of shares of Sport Supply Group common stock by any stockholder will thereafter be made or recognized. If certificates for shares of Sport Supply Group common stock are presented for transfer after the merger is completed, they will be canceled and exchanged for the cash merger consideration.

Financing for the Merger

The aggregate amount of funds required by Collegiate Pacific to purchase all of Sport Supply Group's outstanding shares of common stock, make payments to option holders required by the merger agreement, and pay related transaction fees and expenses is expected to be approximately \$25 million. Collegiate Pacific currently expects this amount to be provided through the proceeds of a \$55 million credit facility.

Collegiate Pacific has received a proposal from Merrill Lynch Business Financial Services, who we refer to as "Merrill Lynch" in this proxy statement, whereby Merrill Lynch has proposed to provide senior secured credit facilities in an aggregate amount of up to \$55 million consisting of:

- (1) a term loan facility in an amount equal to \$20 million; and
- (2) a revolving loan facility in an amount equal to \$35 million.

The proceeds provided by the credit facility will be used to refinance a portion of Collegiate Pacific's existing indebtedness, to pay the cash merger consideration and payments to option holders required by the merger agreement, to pay related transaction fees and expenses, and to support Collegiate Pacific's ongoing working capital requirements. The merger is conditioned upon Collegiate Pacific obtaining the financing described in the proposal.

Collegiate Pacific's receipt of the financing is subject to execution of customary loan and security documents, customary conditions included in the loan documents, and certain other conditions required by Merrill Lynch.

Effect of the Merger on Sport Supply Group Stock Options

All options to purchase Sport Supply Group common stock outstanding immediately prior to the merger will vest and be exercisable. All options that are not exercised prior to the merger will be converted into the right to receive a cash payment equal to the product of the number of shares of Sport Supply Group subject to such option multiplied by the excess of \$8.80 per share over the exercise price per share of each such option.

Holders of Sport Supply Group options are encouraged to consult with their own legal advisors as to the consequences of the merger.

Regulatory Approvals Required for the Merger

Sport Supply Group is not aware of any material regulatory filings or approvals required to complete the merger.

Interests of Certain Persons in the Merger

Some of the executive officers and directors of Sport Supply Group, including those who are also officers of Collegiate Pacific, may have interests in the merger that may be different from, or in addition to, the interests of the other stockholders of Sport Supply Group generally. The Sport Supply Group board of directors and its special committee were aware of these interests, to the extent they existed at the time, and considered them, among other matters, in approving the merger, the merger agreement and the transactions contemplated by the merger agreement.

Stock Options and Other Equity Ownership

Under the terms of the merger agreement, all options to purchase Sport Supply Group common stock outstanding immediately prior to the merger will vest and be exercisable. All options that are not exercised prior to the merger will be converted into the right to receive a cash payment equal to the product of the number of shares of Sport Supply Group common stock subject to such option multiplied by the excess of \$8.80 per share over the exercise price per share of each such option.

The following chart sets forth as of October 4, 2006 the number of shares subject to unvested options held by Sport Supply Group's directors and executive officers. The chart does not include stock options that are vested already, which are included in the table setting forth current beneficial ownership of Sport Supply Group common stock on page 41.

<u>Name and Principal Position</u>	<u>Unvested Stock Options</u>
Robert K. Mitchell, Chief Financial Officer	5,000
John C. Bals, Vice President Sales	6,666

For details regarding ownership of Sport Supply Group stock by Sport Supply Group's directors and executive officers, see "Security Ownership of Certain Beneficial Owners and Management" on page 41.

Composition of Sport Supply Group's Board of Directors and Executive Officers

Two out of the four directors of Sport Supply Group—Arthur J. Coerver and Harvey Rothenberg—are current officers of Collegiate Pacific. Immediately upon completion of the merger, the board of directors of CP Merger Sub will continue as the board of directors of Sport Supply Group, as the surviving entity. The executive officers of Sport Supply Group will remain in their positions upon completion of the merger. It is anticipated that Mr. Babilla will become the President and Chief Operating Officer of Collegiate Pacific following the merger.

Indemnification and Insurance

The merger agreement includes provisions relating to indemnification and insurance for directors, officer and employees of Sport Supply Group. See “The Merger Agreement—Indemnification and Insurance” on page 53. Sport Supply Group also has stand-alone indemnification agreements with its directors and executive officers.

Effects on Sport Supply Group if the Merger is Not Completed

In the event that the merger is not completed for any reason, Sport Supply Group stockholders will not receive any payment for their shares in connection with the merger. In that event, we expect that management will operate the business generally in a manner similar to that in which it is being operated today and that Sport Supply Group stockholders will continue to be subject to the same general risks and opportunities that they are currently subject to, including, among other things, the risks associated with operations in the sporting goods industry and economic and market conditions. Accordingly, if the merger is not completed, there can be no assurance as to the effect of these risks and opportunities on the future value of shares of Sport Supply Group common stock.

In the event the merger agreement is terminated, from time to time our board of directors will evaluate and review the business operations, properties and capitalization of Sport Supply Group, among other things, make such changes as are deemed appropriate and continue to seek to enhance stockholder value. If the merger is not completed for any reason, another similar transaction acceptable to us may not be offered, and our business, prospects or results of operations may be adversely impacted.

If the merger agreement is terminated by Collegiate Pacific because our willful action or inaction resulted in our breach of the merger agreement, we will be obligated to pay the reasonable expenses of Collegiate Pacific up to \$500,000. Collegiate Pacific will be obligated to pay our reasonable expenses up to \$500,000 (plus reasonable expenses incurred defending any litigation brought after September 20, 2006 by any of our stockholders challenging the merger) if (1) we terminate the merger agreement because Collegiate Pacific’s willful action or inaction resulted in Collegiate Pacific’s breach of the merger agreement; (2) the merger does not occur because Collegiate Pacific failed to obtain its lender’s consent to the merger; (3) we terminate the merger agreement because the merger has not occurred by January 31, 2007 solely because of Collegiate Pacific’s action or failure to act; (4) the merger agreement is terminated because of an injunction against Collegiate Pacific’s completing the merger; or (5) the merger agreement is terminated because Collegiate Pacific is unable to finance the merger. See “The Merger Agreement—Reimbursement of Certain Expenses” on page 52.

Litigation Related to the Merger

On September 21, 2006, Jeffrey S. Abraham, as trustee of the Law Offices of Jeffrey S. Abraham Money Purchase Plan Dated 12/31/99 F/B/O Jeffrey S. Abraham (the “Plaintiff”), filed a complaint in the Court of Chancery of the State of Delaware in and for New Castle County, C.A. No. 2435-N against Collegiate Pacific, the Chairman and Chief Executive Officer of Collegiate Pacific, Michael J. Blumenfeld, the four directors of Sport Supply Group, Arthur J. Coerver, Harvey Rothenberg, Robert W. Philip and Thomas Treichler, and Sport Supply Group, as a nominal defendant. The Plaintiff is a stockholder of Sport Supply Group and brought the action as a class action on behalf of all Sport Supply Group minority stockholders.

The Plaintiff alleges, among other things, that the \$8.80 cash price per share of Sport Supply Group common stock to be paid to the minority stockholders in the merger is unfair in that it fails to take into account the value of Sport Supply Group, its improving financial results and its value in comparison to similar companies. The Plaintiff also alleges that the process by which the merger agreement was arrived at could not have been the product of good faith and fair dealing in that Collegiate Pacific and Mr. Blumenfeld acted in bad faith by taking various actions to depress the price of Sport Supply Group common stock and dry up the market liquidity in such shares, all in an effort to effect the proposed merger. In addition, the Plaintiff alleges that the directors of Sport Supply Group breached their fiduciary duties of good faith and loyalty to the Plaintiff and the other minority stockholders in the merger agreement negotiations.

The Plaintiff requests that the merger be enjoined or in the alternative, damages be awarded to the Sport Supply Group minority stockholders. The Plaintiff also seeks the costs of bringing the action, including reasonable attorneys fees and experts' fees.

On July 14, 2006, Costa Brava Partnership III L.P., Greenwood Capital, L.P., and Greenwood Investors, L.P. filed a complaint in the Court of Chancery of the State of Delaware against Mr. Jurick, Thomas P. Trieckler, Peter Bunger, Terrence Babilla and Collegiate Pacific, captioned *Costa Brava Partnership III L.P. v. Jurick, et al*, C.A. No. 2277-N. This lawsuit seeks damages against Messrs. Jurick, Trieckler, Bunger and Babilla for alleged breaches of their fiduciary duties to the Sport Supply Group minority shareholders in connection with Emerson's sale of its interest in Sport Supply Group to Collegiate Pacific. The plaintiffs also seek damages from Collegiate Pacific for allegedly aiding and abetting the individual defendants' alleged breaches of fiduciary duty. The complaint incorporates Sport Supply Group company information, obtained by plaintiffs through an action seeking books and records of Sport Supply Group, captioned *Costa Brava Partnership III L.P. v. Sport Supply Group, Inc.*, C.A. No. 1885-N. The books and records case was ultimately dismissed after Sport Supply Group agreed to produce certain documents.

All defendants filed motions to dismiss on August 9, 2006. The defendants filed their opening briefs in support of their motions to dismiss on September 27, 2006. The plaintiffs' response is due October 27, 2006 and the defendants' replies are due November 10, 2006. Oral argument on the motions to dismiss is scheduled for November 28, 2006.

A class action lawsuit was filed on December 15, 2005 in the Court of Chancery of the State of Delaware in and for New Castle County, Civil Action No. 1845-N, charging Emerson Radio Corp. ("Emerson"), Geoffrey P. Jurick, Collegiate Pacific and its directors, Arthur Coerver and Harvey Rothenberg, as well as Sport Supply Group as a nominal defendant, with a number of causes of action. The lawsuit seeks damages against Emerson and Mr. Jurick for breach of fiduciary duty to the Sport Supply Group stockholders and a derivative claim against Collegiate Pacific and the defendant directors for breach of fiduciary duty and unjust enrichment in connection with the use of Sport Supply Group assets without due compensation.

The defendant directors and Collegiate Pacific filed their answer to the complaint on March 15, 2006. Defendants Emerson and Mr. Jurick filed a Motion to Dismiss Count I of the complaint alleging breach of fiduciary duty as to Emerson and Mr. Jurick. The Court issued its opinion on July 5, 2006 and ordered that Count I as to Emerson and Mr. Jurick be dismissed for failure to state a claim upon which relief can be granted. Proceedings in this case have been stayed indefinitely by agreement of the parties.

On October 5, 2005 two class action lawsuits were filed in the Court of Chancery of the State of Delaware in and for New Castle County, Civil Action Nos. 1688-N and 1689-N, by stockholders of Sport Supply Group with respect to the September 7, 2005 merger agreement between Collegiate Pacific and Sport Supply Group. The suit named as defendants Collegiate Pacific, Sport Supply Group and alleged members of the board of directors of Sport Supply Group. The lawsuits alleged, among other things, that the proposed acquisition was for inadequate consideration and was a breach of fiduciary duties owed to Sport Supply Group minority stockholders. The lawsuits sought to enjoin consummation of the merger or, alternatively, rescind the merger and/or recover damages in an unspecified amount. A voluntary dismissal without prejudice was filed for both lawsuits on June 26, 2006 as to all defendants.

Appraisal Rights

Delaware law entitles the holders of record of shares of Sport Supply Group common stock who follow the procedures specified in Section 262 of the Delaware General Corporation Law to have their shares appraised by the Delaware Court of Chancery. In such a proceeding, the dissenting stockholder receives the "fair value" of those shares as of the completion of the merger as determined by the court in place of the merger consideration. In order to exercise these rights, a stockholder must demand and perfect its appraisal rights in accordance with Section 262. The following is a summary of the material provisions of Section 262 and is qualified in its entirety by reference to Section 262, a copy of which is attached to this proxy statement as Annex D. Stockholders should carefully review Section 262 as well as the information discussed below.

If a stockholder of Sport Supply Group elects to exercise its right to an appraisal under Section 262, that stockholder must do all of the following:

- File with Sport Supply Group at its main office in Farmers Branch, Texas, a written demand for appraisal of the shares of Sport Supply Group common stock held by such stockholder, which demand must identify the stockholder and expressly request an appraisal, **before the vote** is taken on the merger agreement at the special meeting. This written demand for appraisal must be in addition to, and separate from, any proxy or vote against the merger agreement. Neither voting against, abstaining from voting nor failing to vote on the merger agreement will constitute a demand for appraisal within the meaning of Section 262.
- Not vote in favor of the merger agreement. A failure to vote or abstaining from voting will satisfy this requirement, but a vote in favor of the merger agreement, by proxy or in person, or the return of a signed proxy that does not specify an abstention or a vote against approval and adoption of the merger agreement, will constitute a waiver of the stockholder's right of appraisal and will nullify any previously filed written demand for appraisal.
- Continuously hold the shares of record until the completion of the merger.

All written demands for appraisal should be addressed to Sport Supply Group, Inc., Attention: General Counsel, 1901 Diplomat Drive, Farmers Branch, Texas 75234, **before the vote** is taken on the merger agreement at the special meeting. The demand must reasonably inform Sport Supply Group of the identity of the stockholder and that the stockholder is demanding appraisal of its shares of Sport Supply Group common stock.

The written demand for appraisal must be executed by or for the record holder of shares of Sport Supply Group common stock, fully and correctly, as the holder's name appears on the certificates for its shares. If the shares of Sport Supply Group common stock are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand must be made in that capacity, and if the shares are owned of record by more than one person, such as in a joint tenancy or tenancy in common, the demand must be executed by or for all joint owners. An authorized agent, including one of two or more joint owners, may execute the demand for appraisal for a holder of record; however, the agent must identify the record owners and expressly disclose the fact that, in executing the demand, the agent is acting as agent for the record owners.

A beneficial owner of shares of Sport Supply Group common stock held in "street name" who desires appraisal should take actions as may be necessary to ensure that a timely and proper demand for appraisal is made by the record holder of the shares. Shares of Sport Supply Group common stock held through brokerage firms, banks and other financial institutions are frequently deposited with and held of record in the name of a nominee of a central security depository, such as Cede & Co. and others. Any beneficial owner desiring appraisal who holds shares of Sport Supply Group common stock through a brokerage firm, bank or other financial institution is responsible for ensuring that the demand for appraisal is made by the record holder. The beneficial holder of the shares should instruct the firm, bank or institution that the demand for appraisal should be made by the record holder of the shares which may be the nominee of a central security depository if the shares have been so deposited. As required by Section 262, a demand for appraisal must reasonably inform Sport Supply Group of the identity of the holders of record, which may be a nominee as described above, and of the holder's intention to seek appraisal of the shares of Sport Supply Group common stock.

A record holder, such as a broker, fiduciary, depository or other nominee, who holds shares of Sport Supply Group common stock as a nominee for others, may exercise appraisal rights with respect to the shares held for all or less than all beneficial owners of the shares as to which the person is the record owner. In that case, the written demand must set forth the number of shares of Sport Supply Group common stock covered by the demand. Where the number of shares is not expressly stated, the demand will be presumed to cover all shares of Sport Supply Group common stock outstanding in the name of the record owner.

Within ten days after the completion of the merger, the surviving corporation of the merger will give written notice of the date of the completion of the merger to each stockholder of Sport Supply Group who has

properly demanded appraisal and satisfied the requirements of Section 262, referred to in this document as a dissenting stockholder. Within 120 days after the completion of the merger, the surviving corporation or any dissenting stockholder may file a petition in the Delaware chancery court demanding a determination of the fair value of the shares of Sport Supply Group common stock that are held by all dissenting stockholders. Any dissenting stockholder desiring to file this petition is advised to file the petition on a timely basis unless the dissenting stockholder receives notice that a petition has already been filed by the surviving corporation or another dissenting stockholder.

If a petition for appraisal is timely filed, the court will determine which stockholders are entitled to appraisal rights and will determine the fair value of the shares of Sport Supply Group common stock held by dissenting stockholders, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, to be paid on the amount determined to be fair value. In determining fair value, the court will take into account all relevant factors. The court may determine fair value to be more than, less than or equal to the consideration that the dissenting stockholder would otherwise have been entitled to receive pursuant to the merger agreement. If a petition for appraisal is not timely filed, then the right to an appraisal will cease. The costs of the appraisal proceeding will be determined by the court and taxed against the parties as the court determines to be equitable under the circumstances. Upon application of a stockholder, the court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including reasonable attorneys' fees and the fees and expenses of experts, to be charged pro rata against the value of all shares of Sport Supply Group common stock entitled to appraisal.

From and after the completion of the merger, no dissenting stockholder will have any rights of a Sport Supply Group stockholder with respect to that holder's shares for any purpose, except to receive payment of its fair value and to receive payment of dividends or other distributions on the holder's shares of Sport Supply Group common stock, if any, payable to Sport Supply Group stockholders of record as of a date prior to the completion of the merger. If a dissenting stockholder delivers to the surviving corporation a written withdrawal of the demand for an appraisal within 60 days after the completion of the merger or subsequently with the written approval of the surviving corporation, or, if no petition for appraisal is filed within 120 days after the completion of the merger, then the right of that dissenting stockholder to an appraisal will cease and the dissenting stockholder will be entitled to receive only the merger consideration. Once a petition for appraisal is filed with the Delaware court, the appraisal proceeding may not be dismissed as to any stockholder without the approval of the court.

If you wish to exercise your appraisal rights, you must not vote in favor of the merger agreement and must strictly comply with the procedures set forth in Section 262 of the Delaware General Corporation Law.

If you fail to take any required step in connection with the exercise of appraisal rights, it will result in the termination or waiver of these rights.

**SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information concerning the shares of Sport Supply Group's common stock beneficially owned by (1) each beneficial owner, to the best of Sport Supply Group's knowledge, of more than 5% of the outstanding shares of Sport Supply Group common stock, (2) each of Sport Supply Group's directors, (3) Sport Supply Group's executive officers and (4) Sport Supply Group's directors and executive officers as a group. This information is presented as of October 4, 2006. As of October 4, 2006 there were 8,963,991 shares of our common stock outstanding. Except as otherwise noted, we believe that the persons listed below have sole investment and voting power with respect to the shares of common stock beneficially owned by them.

Name and Address of Beneficial Owner ⁽¹⁾	Number of Common Stock Shares Beneficially Owned	Percentage of Class
Robert Philip (2)	3,125	*
Thomas Treichler (3)	21,875	*
Arthur Coerver (4)	-	*
Harvey Rothenberg (4)	-	*
Terrence M. Babilla (5)	256,855	2.7%
Robert K. Mitchell (6)	10,000	*
John C. Bals (7)	73,333	*
Directors/executive officers as a group	365,188	3.9%
Collegiate Pacific Inc. 13950 Senlac Drive, Suite 100 Dallas, Texas 75234	6,562,931	69.9%

* Less than 1%

- (1) Unless otherwise indicated, the address for all persons listed above is c/o Sport Supply Group, Inc., 1901 Diplomat Drive, Farmers Branch, Texas 75234.
- (2) Includes options to purchase 3,125 shares of Sport Supply Group common stock exercisable within 60 days.
- (3) Includes options to purchase 3,125 shares of Sport Supply Group common stock exercisable within 60 days.
- (4) Address is 13950 Senlac Drive, Suite 100, Dallas, Texas 75234.
- (5) Includes options to purchase 250,000 shares of Sport Supply Group common stock exercisable within 60 days.
- (6) Includes options to purchase 10,000 shares of Sport Supply Group common stock exercisable within 60 days. The table does not include unvested options to purchase 5,000 shares of Sport Supply Group common stock that, pursuant to the terms of the merger agreement, will vest and become exercisable immediately prior to the consummation of the merger. For details regarding such accelerated vesting of stock options held by Mr. Mitchell, see "Interests of Certain Persons in the Merger" on page 36.

- (7) Includes options to purchase 13,333 shares of Sport Supply Group common stock exercisable within 60 days. The table does not include unvested options to purchase 6,666 shares of Sport Supply Group common stock that, pursuant to the terms of the merger agreement, will vest and become exercisable immediately prior to the consummation of the merger. For details regarding such accelerated vesting of stock options held by held by Mr. Bals, see “Interests of Certain Persons in the Merger” on page 36.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS OF THE MERGER

The following is a general discussion of material United States, or U.S., federal income tax consequences of the merger to holders of our common stock. We base this summary on the provisions of the Internal Revenue Code of 1986, as amended, which we sometimes refer to as the Code, applicable current and proposed U.S. Treasury Regulations, judicial authority, administrative rulings and practice and other applicable authorities, all of which are subject to change, possibly with a retroactive effect, or differing interpretations.

For purposes of this discussion, we use the term “U.S. holder” to mean:

- a citizen or individual resident alien of the U.S. for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S., any State, the District of Columbia or any U.S. political subdivision;
- a trust if it (1) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person; or
- an estate the income of which is subject to U.S. federal income tax regardless of its source.

A non-U.S. holder is a person (other than a partnership) that is not a U.S. holder.

This discussion assumes that a holder holds the shares of Sport Supply Group common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all aspects of U.S. federal income tax that may be relevant to a holder in light of its particular circumstances, or that may apply to a holder that is subject to special treatment under the U.S. federal income tax laws. Holders that may be subject to special treatment under the U.S. federal income tax laws include but are not limited to:

- insurance companies;
- dealers in securities or foreign currencies;
- traders in securities who elect the mark-to-market method of accounting for their securities;
- shareholders subject to the alternative minimum tax;
- persons that have a functional currency other than the U.S. dollar;
- tax-exempt organizations;
- financial institutions;
- mutual funds;
- partnerships or other entities treated as a partnership for U.S. federal income tax purposes;
- controlled foreign corporations;
- passive foreign investment companies;
- certain expatriates;

- corporations that accumulate earnings to avoid U.S. federal income tax;
- stockholders who hold shares of our common stock as part of a hedge, straddle, constructive sale or conversion transaction;
- stockholders who do not hold their shares as capital assets;
- stockholders who are or may become subject to the alternative minimum tax;
- stockholders who acquired their shares of our common stock through the exercise of employee stock options or other compensation arrangements; or
- real estate investment trusts.

In addition, the discussion does not address any tax considerations under state, local or foreign laws or U.S. federal laws other than those pertaining to the U.S. federal income tax that may apply to holders. **This summary is not a substitute for an individual analysis of the tax consequences of the merger to any particular holder. Holders are urged to consult their own tax advisors to determine the particular tax consequences, including the application and effect of any state, local or foreign income and other tax laws, of the receipt of cash in exchange for Sport Supply Group common stock pursuant to the merger.**

No ruling has been or will be obtained from the Internal Revenue Service regarding any matter relating to the merger and no assurance can be given that the Internal Revenue Service will not assert, or that a court will not sustain, a position contrary to any of the tax consequences described below.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) holds Sport Supply Group common stock, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding Sport Supply Group common stock, you should consult your tax advisors.

Internal Revenue Service Circular 230 Notice

You should be aware that:

- the discussion with respect to U.S. federal tax matters in this proxy statement was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;
- such discussion was written to support the promotion or marketing (within the meaning of Internal Revenue Service Circular 230) of the transactions or matters addressed by such discussion; and
- each taxpayer should seek advice based on his or her particular circumstances from an independent tax advisor.

This notice is given solely for purposes of ensuring compliance with Internal Revenue Service Circular 230.

U.S. Holders

The receipt of cash pursuant to the merger by U.S. holders of Sport Supply Group common stock will be a taxable transaction for U.S. federal income tax purposes (and may also be a taxable transaction under applicable state, local and foreign tax laws). In general, for U.S. federal income tax purposes, a U.S. holder of Sport Supply Group common stock will recognize gain or loss equal to the difference, if any, between:

- the amount of cash received in exchange for the common stock; and
- the U.S. holder's adjusted tax basis in the common stock surrendered in the merger.

If the holding period in Sport Supply Group common stock surrendered in the merger is greater than one year as of the date of the merger, the gain or loss will be long-term capital gain or loss. The deductibility of a capital loss recognized on the exchange is subject to limitations under the Code. If a U.S. holder acquired different blocks of Sport Supply Group common stock at different times and different prices, the adjusted tax basis and holding period must be determined separately with respect to each block of common stock.

Under the Code, a U.S. holder of Sport Supply Group common stock may be subject to information reporting on the cash received pursuant to the merger unless the U.S. holder is a corporation or other exempt recipient. Backup withholding will also apply (currently at a rate of 28%) with respect to the amount of cash received, unless the U.S. holder provides proof of an applicable exemption or a correct taxpayer identification number, certifies that such number is correct and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against a U.S. holder's U.S. federal income tax liability, if any, provided that the U.S. holder furnishes the required information to the Internal Revenue Service in a timely manner.

Non-U.S. Holders

Any gain realized on the receipt of cash pursuant to the merger by a non-U.S. holder generally will not be subject to United States federal income tax unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (or, if required by an applicable income tax treaty, is attributable to a United States permanent establishment of the non-U.S. holder);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or
- we are or have been a "United States real property holding corporation" for U.S. federal income tax purposes and the non-U.S. holder owned more than 5% of our common stock at any time during the five years preceding the merger. However, we believe we are not, have not been at any time and do not anticipate becoming, a "United States real property holding corporation" for U.S. federal income tax purposes.

A non-U.S. holder described in the first bullet point immediately above will be subject to tax on the net gain derived from the merger under regular graduated U.S. federal income tax rates. An individual non-U.S. holder described in the second bullet point immediately above will be subject to a flat 30% tax on the gain derived from the merger, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States. If a non-U.S. holder that is a foreign corporation falls under the first bullet point immediately above, it will be subject to tax on its net gain in the same manner as if it were a United States person as defined under the Code and, in addition, may be subject to the branch profits tax. In general, the branch profits tax is applied to effectively connected earnings and profits, as adjusted, at a statutory rate of 30% (which rate may be reduced by an income tax treaty, if applicable).

Information reporting and backup withholding (currently at a rate of 28%) will apply to the cash received pursuant to the merger unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code) or such owner otherwise establishes an exemption. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against a non-U.S. holder's U.S. federal income tax liability, if any, provided that the non-U.S. holder furnishes the required information to the Internal Revenue Service in a timely manner.

The U.S. federal income tax discussion set forth above is for general information only. It is a summary and does not address all aspects of U.S. federal income taxation that may be relevant to particular holders in light of their particular circumstances. Holders should consult their tax advisors as to the particular tax consequences to them of the merger, including the effect of any federal, state, local, foreign or other tax laws.

THE MERGER AGREEMENT

This section of the proxy statement describes certain material provisions of the merger agreement. Because the description of the merger agreement contained in this proxy statement is a summary, it does not contain all the information that may be important to you. You should carefully read the entire copy of the merger agreement attached as Annex A to this proxy statement before you decide how to vote.

The summary of the terms of the merger agreement provided below is intended to provide information about the terms of the merger. It is not intended to provide any other factual information about us or Collegiate Pacific. The merger agreement contains representations and warranties made by us to Collegiate Pacific and CP Merger Sub and representations and warranties made by Collegiate Pacific and CP Merger Sub to us. The assertions embodied in those representations and warranties were made solely for purposes of the merger agreement and may be subject to important qualifications and limitations agreed by the parties in a confidential disclosure schedule that the parties have exchanged in connection with signing the merger agreement. Moreover, some of those representations and warranties may not be accurate or complete as of any particular date because they are subject to a contractual standard of materiality or material adverse effect different from that generally applicable to public disclosures to stockholders or used for the purpose of allocating risk between the parties to the merger agreement rather than establishing matters of fact. For the foregoing reasons, you should not rely on the representations and warranties contained in the merger agreement as statements of factual information. The representations and warranties and other provisions in the merger agreement should not be read alone, but should be read together with the other information regarding the companies and the merger that is contained in this proxy statement as well as in the filings that Collegiate Pacific makes with the SEC.

The Merger

The merger agreement contemplates that CP Merger Sub, Inc., a wholly-owned subsidiary of Collegiate Pacific, will merge into Sport Supply Group with Sport Supply Group continuing as the surviving corporation and becoming a wholly-owned subsidiary of Collegiate Pacific.

Merger Consideration

The merger agreement provides that each share of Sport Supply Group common stock outstanding immediately prior to the effective time of the merger, other than shares of treasury stock of Sport Supply Group, shares of Sport Supply Group common stock held by Collegiate Pacific or any of its subsidiaries or owned by any subsidiary of Sport Supply Group and shares of Sport Supply Group common stock held by stockholders who exercise their appraisal rights, will be converted at the effective time of the merger into the right to receive \$8.80 in cash, without interest.

Closing and Effective Time of the Merger

Closing. Unless the parties agree otherwise, the closing of the merger will take place on the second full American Stock Exchange trading day after the date on which all closing conditions have been satisfied or waived or such other time as agreed to in writing by Collegiate Pacific and Sport Supply Group. The closing is expected to take place shortly after the approval and adoption of the merger and the merger agreement by Sport Supply Group's stockholders.

Effective Time. The merger will be effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as Collegiate Pacific and Sport Supply Group may agree and specify in the certificate of merger. The filing of the certificate of merger is expected to be made simultaneously with the closing of the transactions contemplated by the merger agreement.

Conditions to the Merger

Conditions to Each Party's Obligations to Consummate the Merger. The respective obligations of Collegiate Pacific and Sport Supply Group to effect the merger are subject to fulfillment, prior to the closing date of the merger, of the following conditions:

- Stockholder Approval. The merger and the merger agreement will have been approved by the vote of the stockholders of Sport Supply Group that is required by applicable law.
- Financing. Collegiate Pacific will have obtained debt financing sufficient to pay the merger consideration in full, pay the cash consideration to the holders of outstanding options to purchase Sport Supply Group common stock, and to make all other payments necessary to consummate the transactions contemplated by the merger agreement.
- Required Governmental Approvals. All authorizations, consents, orders or approvals of, or declarations or filings with any governmental entity that are necessary for the consummation of the transactions contemplated by the merger agreement will have been filed or obtained, other than those that the failure to file or obtain would not reasonably be expected to have a material adverse effect.
- No Injunctions or Restraints. No temporary restraining order, injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the merger will be in effect, and no proceeding brought by any governmental entity will be pending which would reasonably be expected to restrain or prohibit the consummation of the merger, and no action taken, or any statute rule regulation or order enacted, entered or enforced which would make the merger illegal or otherwise would prohibit the merger.

Additional Conditions to the Obligations of Collegiate Pacific. The obligation of Collegiate Pacific and CP Merger Sub to effect the merger is further subject to fulfillment, on or prior to the closing date of the merger, of the following additional conditions, unless waived by Collegiate Pacific:

- Representations and Warranties. Sport Supply Group's representations and warranties contained in the merger agreement (without giving effect to any materiality qualifications or limitations therein) will be true and correct on and as of the effective time as if made at and as of the effective time, except for any inaccuracies that in the aggregate would not reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of Sport Supply Group and its subsidiaries taken as a whole, impact the ability of Sport Supply Group to perform its obligations under the merger agreement or prevent the consummation of the merger.
- Performance of Obligations. Sport Supply Group will have performed in all material respects all of its obligations and covenants required to be performed by it under the merger agreement at or prior to closing.
- No Material Adverse Effect. Since the date of the merger agreement, no change, circumstance or event will have occurred that has had or would reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of Sport Supply Group and its subsidiaries taken as a whole, impact the ability of Sport Supply Group to perform its obligations under the merger agreement or prevent the consummation of the merger.
- Lender Consent. Collegiate Pacific will have received the consent of its senior secured lender, Merrill Lynch, to the merger and the other transactions contemplated by the merger agreement.

Additional Conditions to the Obligations of Sport Supply Group. The obligation of Sport Supply Group to effect the merger is further subject to fulfillment, on or prior to the closing date of the merger, of the following additional conditions, unless waived by Sport Supply Group:

- Representations and Warranties. Collegiate Pacific's and CP Merger Sub's representations and warranties contained in the merger agreement will be true and correct on and as of the effective time as if made at and as of the effective time.
- Performance of Obligations. Collegiate Pacific and CP Merger Sub will have performed in all material respects all of their respective obligations and covenants required to be performed by them under the merger agreement at or prior to closing.

Representations and Warranties of Collegiate Pacific and Sport Supply Group

The merger agreement contains various customary representations and warranties of Sport Supply Group and Collegiate Pacific relating to, among other things:

- proper organization and good standing of Sport Supply Group, Collegiate Pacific and their respective subsidiaries;
- board approval of the merger and the merger agreement;
- the corporate authorization and enforceability of the merger agreement;
- the absence of any conflicts between the consummation of the merger and the organizational documents or material agreements of Sport Supply Group, Collegiate Pacific and their respective subsidiaries;
- required filings and consents with governmental bodies;
- the filing of reports by Collegiate Pacific with the SEC and the preparation of Collegiate Pacific's and Sport Supply Group's financial statements;
- information supplied in this proxy statement; and
- broker's or finder's fees or commissions.

The merger agreement contains additional customary representations and warranties of Sport Supply Group relating to, among other things:

- capitalization;
- compliance with laws;
- votes required by Sport Supply Group's stockholders;
- litigation;
- the absence of certain changes and events;
- employee benefit matters;
- the opinion of Sport Supply Group's financial advisor; and
- no undisclosed material liabilities.

The merger agreement contains additional customary representations and warranties of Collegiate Pacific relating to, among other things:

- ownership of Sport Supply Group common stock;
- operations of CP Merger Sub;
- sufficiency of funds; and
- solvency.

Conduct of the Business of Collegiate Pacific and Sport Supply Group Prior to the Merger

Pursuant to the merger agreement, Sport Supply Group has agreed that, prior to the effective time of the merger or earlier termination of the merger agreement, it will, and will cause each of its subsidiaries to:

- conduct their respective businesses in the ordinary and usual course and consistent with past practice and in compliance with all applicable laws and regulations;
- not declare, set aside or pay any dividend or distribution in respect of its capital stock (other than a dividend or distribution payable from any of Sport Supply Group's wholly-owned subsidiaries to Sport Supply Group or another wholly-owned subsidiary of Sport Supply Group);
- not split, combine or reclassify any of its capital stock, or issue or authorize any securities in respect of, in lieu of, or in substitution for its capital stock or repurchase, redeem, or otherwise acquire any shares of its capital stock;
- not issue, deliver, pledge, encumber or sell any shares of capital stock or securities convertible into capital stock, or any rights, warrants, or options to acquire any such shares of capital stock or other convertible securities, except for issuances to Sport Supply Group or one of its wholly-owned subsidiaries or issuances upon exercise or conversion of outstanding options or other convertible securities outstanding on the date of the merger agreement;
- not authorize any change in its equity capitalization or amend any of the financial or other economic terms of such securities or any agreement relating to such securities;
- not amend their respective organizational documents;
- not take any action that would reasonably be expected to result in any of the closing conditions not being satisfied;
- not merge or consolidate with any other person or acquire any assets or capital stock of any other person, other than acquisitions of assets in the ordinary course of business, such as inventory or relating to the ordinary operations of the Company;
- not sell, lease, encumber or otherwise dispose of, or agree to any of the foregoing, other than sales and dispositions of inventory in the ordinary course of business consistent with past practice and sales and dispositions of other assets in the ordinary course of business that are not material individually or in the aggregate;
- not incur any indebtedness for borrowed money or guarantee any such indebtedness of another person or increase indebtedness for money borrowed outstanding under any current agreement other than in the ordinary course of business;
- not authorize or make any capital expenditures, other than capital expenditures that are part of Sport Supply Group's then existing budget or in the ordinary course of business consistent with past practice;

- not authorize, recommend, propose or announce an intention to adopt a plan of complete or partial liquidation or dissolution of Sport Supply Group;
- not make any change to any method, practice or principle of accounting, or change in any material respect its methods of reporting income and deductions for federal income tax purposes, except as required by law, regulation or generally accepted accounting principles;
- not enter into any new employment agreements or increase the compensation of any officer or director, other than annual sales bonus plans, annual bonuses, awards, vesting accelerations and salary increases in the ordinary course of business consistent with past practices and as otherwise required by law or by written agreements in effect as of the date of the merger agreement, or otherwise amend in any material respect any existing agreements with officers or directors of Sport Supply Group;
- not become obligated under any new benefit plan, use its discretion to amend any existing benefit plan or accelerate the vesting or payment under any benefit plan, other than annual sales bonus plans, annual bonuses, awards, vesting accelerations and salary increases in the ordinary course of business consistent with past practices and as otherwise required by law or by written agreement in effect as of the date of the merger agreement, or amend in any material respect any existing agreements with any such person;
- not enter into any transaction with any current or former officer or director other than as provided for in the terms of any agreement in effect on or prior to the date of the merger agreement;
- not modify, terminate or amend in any material respect any material contract or enter into any material contract, other than modifications and terminations in the ordinary course of business that would not cause a material adverse effect on Sport Supply Group;
- not settle or compromise any material litigation, arbitration or other judicial or administrative dispute relating to Sport Supply Group or any of its subsidiaries other than settlements in the ordinary course of business; or
- not authorize or enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

Pursuant to the merger agreement, Collegiate Pacific has agreed that prior to the effective time of the merger or earlier termination of the merger agreement, it will not take any action that would reasonably be expected to result in any the closing conditions not being satisfied. Collegiate Pacific has agreed to use best efforts to perform and comply with all obligations and conditions required by the financing proposal of Merrill Lynch to be performed or satisfied on its part and will not take any action, or omit to take any action, which would constitute or result in a breach thereunder or otherwise result in a termination of the financing proposal.

Conduct of the Business of the Combined Companies Following the Merger

Following the merger, Sport Supply Group will survive as a wholly-owned subsidiary of Collegiate Pacific, and the certificate of incorporation and bylaws of CP Merger Sub as in effect immediately prior to the effective time will be the certificate of incorporation and bylaws of the surviving entity until thereafter amended as provided therein or by applicable law.

Termination

The merger agreement may be terminated at any time prior to the effective time, whether before or after the approval by the stockholders of Sport Supply Group:

- by the mutual written consent of Sport Supply Group and Collegiate Pacific;

- by either Sport Supply Group or Collegiate Pacific if the merger will not have been consummated by January 31, 2007 (other than due to the action or failure to act by the party seeking to terminate the merger agreement whose action or failure to act has been the cause of or resulted in the failure of the merger to occur and such action or failure to act constitutes a breach of the merger agreement);
- by either Sport Supply Group or Collegiate Pacific if a court of competent jurisdiction or other governmental entity will have issued an order, decree or ruling or taken any other action having the effect of permanently restraining, enjoining or otherwise prohibiting the merger and such order, decree, ruling or other action is or will have become final and nonappealable;
- by the special committee of Sport Supply Group's board of directors if the special committee determines in good faith after consultation with its financial and legal advisors that a change in its recommendation that Sport Supply Group's stockholders approve and adopt the merger agreement and the termination of the merger agreement is necessary in order for the special committee to comply with its fiduciary obligations to Sport Supply Group's public stockholders under applicable laws;
- by Sport Supply Group, upon a breach of any representation, warranty, covenant or agreement on the part of Collegiate Pacific or CP Merger Sub set forth in the merger agreement which breach would cause one of Sport Supply Group's additional conditions to the merger (see "—Conditions to the Merger") to have become incapable of fulfillment and such breach will not have been waived by Sport Supply Group; or
- by Collegiate Pacific, upon a breach of any representation, warranty, covenant or agreement on the part of Sport Supply Group set forth in the merger agreement which breach would cause one of Collegiate Pacific's additional conditions to the merger (see "—Conditions to the Merger") to have become incapable of fulfillment and such breach will not have been waived by Collegiate Pacific.

Reimbursement of Certain Expenses

Collegiate Pacific has agreed to (1) reimburse Sport Supply Group for its reasonable expenses related to the merger agreement and the merger in an amount not to exceed \$500,000 and (2) reimburse Sport Supply Group for all of its reasonable expenses incurred in defending any litigation brought after September 20, 2006 by any Sport Supply Group stockholder challenging the merger, including judgments and amounts paid in settlement (with the approval of Collegiate Pacific not to be unreasonably withheld) if:

- the merger agreement is terminated by Sport Supply Group because of a breach of any representation, warranty, covenant or agreement on the part of Collegiate Pacific or CP Merger Sub set forth in the merger agreement if the breach which gives rise to the termination is due to Collegiate Pacific's willful action or inaction with respect to the breached representation, warranty, covenant or agreement;
- the closing of the merger does not occur solely due to the failure of Collegiate Pacific to obtain the consent of its senior secured lender, Merrill Lynch, to the merger and the other transactions contemplated by the merger agreement;
- the merger agreement is terminated by Sport Supply Group because the closing of the merger has not occurred by January 31, 2007 solely because of Collegiate Pacific's action or failure to act;
- the merger agreement is terminated because of an injunction entered by a court against Collegiate Pacific proceeding with the merger; or

- the merger agreement is terminated because of Collegiate Pacific's inability to obtain adequate financing to enable it to pay the merger consideration in full and to make all other payments necessary under the merger agreement.

Sport Supply Group has agreed to reimburse Collegiate Pacific for its reasonable expenses related to the merger agreement and the merger in an amount not to exceed \$500,000 if the merger agreement is terminated by Collegiate Pacific because of a breach of any representation, warranty, covenant or agreement on the part of Sport Supply Group set forth in the merger agreement if the breach which gives rise to the termination is due to Sport Supply Group's willful action or inaction with respect to the breached representation, warranty, covenant or agreement.

Indemnification and Insurance

The merger agreement provides that all rights to indemnification by Sports Supply Group now existing in favor of the current and former directors and officers of Sports Supply Group or any of its subsidiaries, employees of Sports Supply Group or any of its subsidiaries or any person who acts as a fiduciary under any of Sports Supply Group's employee benefit plans will survive the merger and will remain in full force and effect with respect to all losses, claims, damages, liabilities, fees, expenses, judgments and fines arising in whole or in part out of actions or omissions in such person's capacity as such occurring at or prior to the effective time of the merger. The right to indemnification will be as provided in Sport Supply Group's certificate of incorporation or bylaws in effect on the date of the merger agreement, or pursuant to any other agreements in effect on the date of the merger agreement, including provisions relating to the advancement of expenses incurred in the defense of any action or suit.

Collegiate Pacific has agreed to obtain and maintain in effect, for a period of six years after the effective time, policies of directors' and officers' liability insurance covering each director and officer of Sport Supply Group serving in such capacity on the date of the merger agreement or prior to the effective time of the merger who was covered under such policies as of the date of the merger agreement and immediately prior to the effective time of the merger at no cost to the beneficiaries thereof with respect to acts or omissions occurring prior to the effective time. The coverage provided must be substantially the same as and contain substantially similar terms and conditions as existing policies in an amount and scope at least as favorable as Collegiate Pacific's existing policies; provided, that Collegiate Pacific will not be required to expend in the aggregate in connection with the purchase of such insurance coverage an amount in excess of two times Collegiate Pacific's current annual premium for such coverage. If the premium exceeds that amount, then Collegiate Pacific must obtain the maximum amount of coverage that is available for such amount.

MARKET PRICE AND DIVIDENDS

Sport Supply Group common stock is traded on Pink Sheet LLC's Pink Sheets under the symbol "SSPY." The following table sets forth, for the indicated periods, the high and low closing sale prices for the Sport Supply Group common stock as reported by the Pink Sheets. The stock prices do not include retail mark-ups, mark-downs or commissions.

	Sport Supply Group Common Stock	
	High	Low
Calendar 2006		
July 1 – September 30	\$ 8.70	\$ 4.95
April 1 – June 30	5.45	5.15
January 1 – March 31	5.20	4.14
Calendar 2005		
October 1 – December 31	\$ 6.40	\$ 4.80
July 1 – September 30	7.05	3.75
April 1 – June 30	3.65	2.75
January 1 – March 31	3.00	2.63
Calendar 2004		
October 1 – December 31	\$ 2.79	\$ 1.35
July 1 – September 30	1.75	1.05
April 1 – June 30	1.25	1.05
January 1 – March 31	2.24	1.10

Sport Supply Group has not declared dividends in the past three fiscal years. Pursuant to the Loan and Security Agreement that Sport Supply Group has with Wachovia Capital Finance (formerly known as Congress Financial), Sport Supply Group is restricted from paying cash dividends without the lender's prior consent. Sport Supply Group does not intend to pay cash dividends in the foreseeable future.

EXPERTS

The consolidated financial statements of Collegiate Pacific and its subsidiaries from its Annual Report on Form 10-K and Form 10-KSB for the fiscal years ended June 30, 2006 and June 30, 2005, respectively, included in this proxy statement have been audited by Grant Thornton LLP, independent registered public accounting firm, as indicated in their report with respect thereto which has been included herein in reliance upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Sport Supply Group as of and for the period ended June 30, 2006 included in this proxy statement have been audited by Grant Thornton LLP, independent certified public accountants, as indicated in their report with respect thereto which has been included herein in reliance upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

Collegiate Pacific is subject to the informational requirements of the Exchange Act and in accordance therewith files reports and other information with the SEC. For further information regarding Collegiate Pacific, you may desire to review reports and other information filed under the Exchange Act. Such reports and other information may be inspected and copied at the public reference room maintained by the SEC at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Copies can be obtained by mail at prescribed rates by writing to the public reference room mentioned above. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site on the Internet at <http://www.sec.gov>. Collegiate Pacific's reports and other information filed by them with the SEC can be downloaded from the SEC's website and can also be inspected at the offices of the American Stock Exchange, 86 Trinity Place, New York, New York 10006.

Sport Supply Group maintains an Internet website where you can find more information, www.sportsupplygroup.com, the contents of which are not a part of this proxy statement. Sport Supply Group common stock is quoted on Pink Sheet LLC's Pink Sheets (www.pinksheets.com) under the symbol "SSPY."

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors of Sport Supply Group, Inc.:

We have audited the accompanying consolidated balance sheets of Sport Supply Group, Inc. and its subsidiary as of June 30, 2006 and 2005, and the related consolidated statement of operations, stockholders' equity and cash flows for the year ended June 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sport Supply Group, Inc. and its subsidiary as of June 30, 2006 and 2005, and the results of their operations and their cash flows for the year ended June 30, 2006 in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Dallas, Texas
September 15, 2006

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

	June 30,	
	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,435,053	\$ 863,887
Accounts receivable, net of allowance for doubtful accounts of \$337,839 and \$302,826, respectively	9,983,985	10,826,894
Inventories	18,083,466	16,299,531
Current portion of deferred income taxes	1,692,199	1,257,052
Prepaid expenses and other current assets	454,377	349,568
Deferred catalog expenses	1,085,533	879,255
Total current assets	<u>32,734,613</u>	<u>30,476,187</u>
 PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$18,299,127 and \$17,401,300, respectively	 4,599,071	 5,518,374
INTANGIBLE ASSETS, net of accumulated amortization of \$1,437,550 and \$1,326,353, respectively	2,609,306	2,717,385
DEFERRED INCOME TAXES	1,639,533	2,129,809
OTHER ASSETS, net	237,842	287,521
 Total assets	 <u><u>\$ 41,820,365</u></u>	 <u><u>\$ 41,129,276</u></u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,698,030	\$ 6,345,241
Accrued liabilities	1,851,757	1,545,334
Accrued customer deposits	668,054	1,308,122
Current portion of long-term debt	--	25,202
Total current liabilities	<u>8,217,841</u>	<u>9,223,899</u>
 NOTES PAYABLE AND OTHER LONG-TERM DEBT	 --	 2,866,901
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value, 100,000 shares authorized, no shares issued	--	--
Common stock, \$0.01 par value, 20,000,000 shares authorized; 9,414,864 and 9,362,364 shares issued and 8,963,991 and 8,917,211 shares outstanding, respectively	94,149	93,624
Additional paid-in capital	48,220,686	48,101,331
Accumulated deficit	(10,883,573)	(15,355,197)
Treasury stock at cost, 450,873 and 445,153 shares, respectively	(3,828,738)	(3,801,282)
Total stockholders' equity	<u>33,602,524</u>	<u>29,038,476</u>
Total liabilities and stockholders' equity	<u><u>\$ 41,820,365</u></u>	<u><u>\$ 41,129,276</u></u>

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

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS

	For the Fiscal Year Ended June 30, 2006
Net sales	\$ 92,179,062
Cost of sales	61,380,495
Gross profit	30,798,567
Selling, general and administrative expenses	25,792,341
Operating profit	5,006,226
Other (income) expense:	
Interest income	(8,277)
Interest expense	292,240
Other expense	34,264
Total other expense	318,227
Income before taxes	4,687,999
Income tax provision	216,375
Net income	\$ 4,471,624
Weighted average number of shares outstanding:	
Basic	8,952,765
Diluted	9,239,279
Net income per share of common stock – basic	\$ 0.50
Net income per share of common stock – diluted	\$ 0.48

The accompanying notes are an integral part of this consolidated financial statement.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the fiscal year ended June 30, 2006

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Treasury Stock		Total
	Shares	Amount			Shares	Amount	
Balance, July 1, 2005	9,362,364	\$93,624	\$48,101,331	\$(15,355,197)	445,153	\$(3,801,282)	\$29,038,476
Stock based compensation			16,850				16,850
Issuance of common stock	52,500	525	102,505				103,030
Purchase of stock for cash					5,720	(27,456)	(27,456)
Net income				4,471,624			4,471,624
Balance, June 30, 2006	9,414,864	\$94,149	\$48,220,686	\$(10,883,573)	450,873	\$(3,828,738)	\$33,602,524

The accompanying notes are an integral part of this consolidated financial statement.

**SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS**

	For the fiscal year ended June 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 4,471,624
Adjustments to reconcile net income to cash provided by (used in) operating activities:	
Provision for uncollectible accounts receivable	343,731
Stock-based compensation expense	16,850
Depreciation expense	1,361,148
Amortization expense	162,186
Loss on disposition of property and equipment	29,670
Deferred taxes	55,129
Changes in operating assets and liabilities:	
Accounts receivable	499,178
Inventories	(1,783,935)
Prepaid expenses and other current assets	(431,087)
Accounts payable	(647,211)
Accrued expenses	(333,645)
Taxes payable	120,000
Net cash provided by operating activities:	3,863,638
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(471,515)
Cash paid for trademarks and other assets	(4,428)
Net cash used in investing activities:	(475,943)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from bank line of credit	91,991,128
Payments on notes payable and line of credit	(94,883,231)
Cash paid for treasury shares	(27,456)
Proceeds from issuance of common stock	103,030
Net cash used in financing activities:	(2,816,529)
Net change in cash and cash equivalents	571,166
Cash and cash equivalents at beginning of year	863,887
Cash and cash equivalents at end of year	\$ 1,435,053
Supplemental Cash Flow Disclosures:	
Cash paid for interest	\$ 289,163
Cash paid for income taxes	128,246
Cash refunded for income taxes	\$ (133,930)

The accompanying notes are an integral part of this consolidated financial statement

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General:

Background. Sport Supply Group, Inc. ("SSG") was incorporated in 1982. Effective July 1, 2005, SSG became a majority-owned subsidiary of Collegiate Pacific Inc. ("CP"), a public company (AMEX:BOO). The accompanying consolidated financial statements do not include the push down of any purchase accounting adjustments resulting from CP's acquisition of SSG. SSG's operations are all within one financial reporting segment: direct marketing of sports related equipment, physical education products and leisure products to institutional customers in the United States. SSG sources most of the products it sells and manufactures some of the products it sells. Manufactured products include, but are not limited to: 1) football, baseball and track and field equipment; 2) tennis, volleyball, and other sports nets; 3) steel and aluminum construction items, such as football, basketball, soccer and field hockey goals and field bleachers; and 4) gymnastics and physical education mats.

Principles of Consolidation and Basis of Presentation. The consolidated financial statements include the accounts of SSG and its wholly owned subsidiary, Sport Supply Group Asia Limited, a Hong Kong corporation ("SSGA"). SSG and SSGA are generally referred to herein as the "Company." All intercompany accounts and transactions have been eliminated in consolidation.

Change in Fiscal Year. In January 2006, SSG changed its financial reporting year-end from a March year-end to a June year-end in order to match CP's fiscal year end.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. SSG reviews all significant estimates affecting the financial statements on a recurring basis and records the effect of any necessary adjustments prior to their issuance.

2. Summary of Significant Accounting Policies:

Cash and Cash Equivalents. The Company includes as cash and cash equivalents all investments with maturities of three months or less at the date of purchase.

Financial Instruments and Credit Risk Concentrations. Financial instruments, which are potentially subject to concentrations of credit risk, consist principally of cash and cash equivalents, accounts receivable and accounts payable. The Company places cash deposits with high credit, quality financial institutions to minimize risk. Accounts receivable are unsecured. The carrying value of these financial instruments approximates their fair value due to their short-term nature.

Accounts Receivable. The Company's accounts receivable are due primarily from customers in the institutional and sporting goods dealer market. Credit is extended based on evaluation of each customer's financial condition and, generally, collateral is not required. Accounts receivable generally are due within 30 days and are stated in amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than contractual payment terms are considered past due. The Company records allowances by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance in the period the payment is received.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes in the Company's allowance for doubtful accounts for the fiscal year ended June 30, 2006 are as follows:

Balance at beginning of period	\$ 302,826
Provision for uncollectible accounts receivable	343,731
Accounts written off, net of recoveries	<u>(308,718)</u>
Balance at end of period	<u>\$ 337,839</u>

Inventories. Inventories are carried at the lower of cost or market using the weighted-average cost method for items purchased for resale and the standard cost method (which approximates average cost) for manufactured items. Inventory adjustments for estimated obsolescence or diminution in market value are recorded in an amount equal to the difference between the cost of inventories and the estimated market value, based on market conditions from time to time.

As of June 30, 2006 and 2005, inventories consisted of the following:

	<u>2006</u>	<u>2005</u>
Raw materials	\$ 1,491,756	\$ 1,422,302
Work-in-process	38,269	69,208
Finished and purchased goods	<u>17,916,881</u>	<u>16,489,621</u>
	19,446,906	17,981,131
Allowance for obsolete or slow moving items	<u>(1,363,440)</u>	<u>(1,681,600)</u>
Inventories, net	<u>\$ 18,083,466</u>	<u>\$ 16,299,531</u>

The allowance for obsolete or slow moving items is determined based upon SSG's periodic assessment of the net realizable value of its inventories and represents the difference between the cost of the inventories and their estimated fair market value.

Advertising and Deferred Catalog Expenses. SSG expenses advertising costs as incurred, except for production costs related to direct-response catalog activities, which are capitalized. Direct response catalogs are product and order reference books for SSG's customers. Production and distribution costs, primarily printing and postage, associated with catalogs are initially capitalized and then amortized over twelve months, which approximates customer usage of the catalogs produced. SSG's catalog amortization for the fiscal year ended June 2006 was approximately \$2,984,000.

Property and Equipment. Property and equipment are stated at cost and depreciated over the estimated useful lives of the related assets using the straight-line method. Leasehold improvements, property, and equipment leased under capital lease obligations are amortized over the term of the related leases or their estimated useful lives, whichever is shorter. The costs of maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are capitalized and depreciated over the remaining estimated useful lives of the related assets.

Depreciation of property and equipment is provided by the straight-line method as follows:

Buildings	Thirty to forty years
Warehouse and Manufacturing Equipment	Five to ten years
Computer Equipment and Software	Three to ten years
Furniture and Fixtures	Five years
Leasehold Improvements	Shorter of lease term or the useful lives of the related assets

Intangible Assets. Intangible assets consist of trademarks related to costs incurred in connection with the acquisition of licensing agreements for the use of certain trademarks and service marks in conjunction with the sale of SSG's products. Other intangible assets are classified as other assets and consist principally of deposits and capitalized loan and financing fees. Capitalized loan and financing fees are amortized over the term of the related credit agreement.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amortization of intangible assets is provided by the straight-line method over their estimated useful lives as follows:

Trademarks and service marks	Five to forty years
Patents	Seven to eleven years

Impairment of Long-Lived Assets. The Company periodically evaluates the carrying value of depreciable and amortizable long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. If the total of the expected future undiscounted cash flows attributable to those assets is less than the carrying amount of the assets, a loss is recognized in the amount that the carrying value of the assets exceeds their fair value, which is determined based on quoted market prices in active markets, if available, prices of other similar assets, or other valuation techniques. There has been no impairment charge recorded by the Company.

Revenue Recognition. The Company recognizes revenue from product sales when title passes and the risks and rewards of ownership have passed to the customer. Title passes generally upon shipment to the customer. Reserves for estimated returns are established based upon historical rates of return experienced by the Company and recorded as reductions of sales.

Shipping and Handling Costs and Fees. Shipping and handling costs are included in cost of sales, while amounts billed to customers are included in net sales.

Stock Based Compensation. Effective July 1, 2005, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), *Share-Based Payments* ("SFAS 123(R)") and selected the modified prospective method to initially report stock-based compensation amounts in the consolidated financial statements. The Company is currently using the Black-Scholes option pricing model to determine the fair value of all option grants. See Note 8 below. Stock-based compensation expenses in the amount of \$16,850 are reflected in net income for fiscal 2006.

Income Taxes. The Company utilizes the asset and liability approach in its reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized.

Income Per Share. Basic income per common share is computed by dividing net income by the weighted average number of shares of common stock outstanding. Diluted income per share is computed based on the weighted average number of shares outstanding increased by the effect of stock options and warrants when dilutive.

Recent Accounting Pronouncements. In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("Interpretation 48"). Interpretation 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with the FASB's Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* ("SFAS 109"). Interpretation 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interpretation 48 is effective for fiscal years beginning after December 15, 2006. The Company has not determined the impact, if any, of the implementation of Interpretation 48 on its financial position and results of operations.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Property and Equipment:

Property and equipment at June 30, 2006 and 2005 consisted of the following:

	Estimated Useful Lives (Years)	2006	2005
Land	indefinite	\$ 8,663	\$ 8,663
Buildings	30 - 40	1,605,102	1,605,102
Computer equipment and software	3 - 10	11,274,771	11,028,904
Warehouse and manufacturing equipment	5 - 10	5,925,877	6,038,532
Furniture and fixtures	5	1,156,158	1,310,846
Leasehold improvements	*	2,927,627	2,927,627
Total property and equipment		22,898,198	22,919,674
Less: accumulated depreciation		(18,299,127)	(17,401,300)
Property and equipment, net		<u>\$ 4,599,071</u>	<u>\$ 5,518,374</u>

* Shorter of useful lives of related assets or lease term

4. Intangible Assets:

Intangible assets at June 30, 2006 and 2005 consisted of the following:

	2006	2005
Amortizable intangible assets:		
Trademarks	\$ 3,945,196	\$ 3,942,078
Patents	101,660	101,660
Accumulated amortization	(1,437,550)	(1,326,353)
Intangible assets, net	<u>\$ 2,609,306</u>	<u>\$ 2,717,385</u>

Amortization expense related to intangible assets totaled approximately \$111,000 during the fiscal year ended June 30, 2006. The aggregate estimated amortization expense for intangible assets for each of the years ending June 30 is as follows:

2007	\$ 107,200
2008	106,077
2009	105,789
2010	105,789
2011	103,296
Thereafter	2,081,155
Total	<u>\$ 2,609,306</u>

5. Long-Term Debt and Line of Credit:

SSG has an amended Loan and Security Agreement with Wachovia Capital Finance (formerly Congress Financial Corporation) ("Line of Credit") to finance its 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

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

inventories. SSG is required to maintain certain net worth levels and as of June 30, 2006, SSG was in compliance with this requirement. As of June 30, 2006, SSG had total available borrowings under its Line of Credit of approximately \$16.7 million and had no borrowings outstanding. The interest rate on borrowed funds is prime rate or LIBOR plus 2.25%. A 0.25% unused line fee is payable on any unused portion of the Line of Credit up to \$15 million. Amounts outstanding under the Line of Credit are collateralized by substantially all the assets of the Company. Pursuant to the Loan and Security Agreement, SSG is restricted from, among other things, paying cash dividends and entering into certain transactions without the lender's prior consent.

At June 30, 2006, SSG had no amounts due under its Line of Credit.

6. Income Taxes:

The Company accounts for income taxes under SFAS No. 109. Deferred income tax assets and liabilities are determined based upon the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income taxes are as follows:

	2006	2005
Deferred tax assets:		
Inventories	\$ 953,636	\$ 1,095,094
Intangible assets	916,235	1,085,264
Other accrued liabilities	618,504	182,553
Bad debt allowance	120,059	110,896
Net operating loss carry-forwards	4,850,349	7,409,203
Tax credits	650,928	513,402
Property and equipment	--	331,471
Other	6,103	461,733
	8,115,814	11,189,616
Less valuation allowance	(4,303,865)	(7,802,755)
Total deferred tax assets	3,811,949	3,386,861
Deferred tax liabilities:		
Property and equipment	(480,217)	--
Net deferred taxes	\$ 3,331,732	\$ 3,386,861

The Company has not had a consistent history of earnings and, as a result, has provided a valuation allowance against deferred tax assets not expected to be realized in fiscal 2007 and fiscal 2008.

Deferred tax assets and liabilities at June 30, 2006 and 2005 are as follows:

	2006	2005
Current deferred tax asset	\$ 1,692,199	\$ 1,388,543
Non-current deferred tax asset	5,943,398	9,801,073
Less valuation allowance	(4,303,865)	(7,802,755)
Balance at end of period	\$ 3,331,732	\$ 3,386,861

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The components of the income tax provision for the year ended June 30, 2006 are as follows:

Current federal income taxes	\$ 120,353
State income taxes	22,805
Change in state tax rates	55,129
Other	18,088
Total income tax provision	<u>\$ 216,375</u>

Following is a reconciliation of income taxes at the federal statutory rate to income tax provision for the year ended June 30, 2006:

	<u>2006 Provision</u>	<u>Rate</u>
Tax provision at federal statutory rate	\$ 1,640,800	35.00%
State taxes net of federal benefit	243,883	5.20%
Change in valuation allowance, net of operating losses utilized	(1,778,026)	-37.93%
Change in state tax rates	55,129	1.18%
Other	54,589	1.17%
Tax provision and effective tax rate	<u>\$ 216,375</u>	<u>4.62%</u>

The Company has available at June 30, 2006, unused net operating loss carry forwards of approximately \$13.8 million that may be applied against future taxable income. The net operating loss carry forwards expire in various years from 2012 through 2023.

7. Related Party Transactions:

During the year ended June 30, 2006, the Company provided certain services and leased office space to CP. The Company received approximately \$58,000 in rent from CP for additional office and warehouse storage space in SSG's Dallas, Texas facilities and \$132,000 for other management services. On August 14, 2006, the Company entered into a Services Agreement with CP. Under the terms of the Services Agreement, SSG will provide CP with additional warehouse storage and office space at SSG's Dallas, Texas facilities, as well as provide CP and its wholly-owned subsidiaries with various payroll processing, human resource and risk management services. Prior to August 14, 2006, services provided to CP by the Company were on a month-to-month basis.

8. Stock Options:

SSG maintains a stock option plan that provides up to 2,000,000 shares of common stock for awards of incentive and non-qualified stock options to directors and employees. Under the stock option plan, the exercise price of options will not be less than: (i) the fair market value of the common stock at the date of grant or (ii) not less than 110% of the fair market value for incentive stock options granted to certain employees, as more fully described in the Amended and Restated Stock Option Plan. Options expire ten years from the grant date or five years from the grant date for incentive stock options granted to certain employees or such earlier date as determined by the Board of Directors (or a Stock Option Committee comprised of members of SSG's Board of Directors).

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2006, the Company recorded \$16,850 for stock-based compensation. The Company recorded this amount in selling, general and administrative expenses. The financial statement impact of recording stock-based compensation expense in the fiscal year ended June 30, 2006 is as follows:

Income from continuing operations	\$16,850
Income before income taxes	16,850
Net income	16,072
Net income per common share – basic	0.00
Net income per common share – diluted	0.00
Cash flows from operating activities	16,850
Cash flows from financing activities	--

A summary of the Company's stock option activity for the fiscal year ended June 30, 2006 is as follows:

	Shares	Weighted Average Exercise Price
Outstanding at July 1, 2005	558,867	\$3.02
Granted	9,375	\$4.34
Forfeited	(26,875)	\$7.56
Exercised	(52,500)	\$1.96
Outstanding at June 30, 2006	488,867	\$2.91
Exercisable at June 30, 2006	418,832	\$3.22

At June 30, 2006, there was unrecognized compensation costs of \$14,700 related to unvested stock options remaining to be recognized. There were no excess tax benefits from the exercise of stock options during the twelve months ended June 30, 2006. The total intrinsic value of the options granted in the fiscal year ended June 30, 2006 was \$0. The total intrinsic value of options exercised in the fiscal year ended June 30, 2006 was approximately \$210,000. The fair value of the shares related to the options vested during the fiscal year ended June 30, 2006 was approximately \$249,000. The total intrinsic value of unexercised options at June 30, 2006 was approximately \$1,219,000.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes information about stock options outstanding at June 30, 2006:

<u>Outstanding</u>			<u>Exercisable</u>			
<u>Exercise price</u>	<u>Shares</u>	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	<u>Shares</u>	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)
\$1.05 - \$4.63	364,375	8.1	\$1.13	294,340	\$1.15	8.1
\$7.50	41,992	2.8	\$7.50	41,992	\$7.50	2.8
\$8.38 - \$8.63	82,500	3.1	\$8.39	82,500	\$8.39	3.1
	<u>488,867</u>			<u>418,832</u>		

All options granted under the stock option plan contain exercise prices equal to or greater than the fair market value of SSG's stock on the date of the grant.

The fair value for options granted during the fiscal year ended June 30, 2006 was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for the year ended June 30, 2006: (i) risk-free interest rate of 4.43%; (ii) dividend yield of 0%; (iii) expected volatility of 56%; and (iv) weighted average expected life for each option of 5 years. The weighted average fair value of options granted in the fiscal year ended June 30, 2006 was \$1.80 per share.

9. Leases:

The Company leases office and warehouse facilities under the terms of operating leases, which expire at various dates through December 2010. Rent expense for the fiscal year ended June 30, 2006 was approximately \$1,112,000.

Future minimum lease commitments on all operating leases with terms in excess of one year are as follows:

<u>Year Ending June 30,</u>	
2007	\$ 1,409,337
2008	1,440,358
2009	1,286,737
2010	1,003,518
2011	508,541
Thereafter	--
Total minimum future lease payments	<u>\$ 5,648,491</u>

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Income Per Share:

The table below outlines the determination of the number of diluted shares of common stock used in the calculation of diluted earnings per share as well as the calculation of diluted earnings per share for the period presented:

Determination of diluted number of shares:

Average common shares outstanding	8,952,765
Assumed conversion of dilutive stock options	<u>286,514</u>
Diluted average common shares outstanding (b)	<u>9,239,279</u>

Calculation of diluted earnings per share:

Net income (a)	\$ <u>4,471,624</u>
Diluted earnings per share (a/b)	\$ <u>0.48</u>

For the fiscal year ended June 30, 2006, stock options for 124,492 shares were excluded in the computation of diluted income per share because their effect was antidilutive.

11. Employee Benefit Plan:

Effective June 1, 1993, SSG established a defined contribution profit sharing plan ("401(k) Plan") for the benefit of eligible employees. All employees with 90 days of service and who have attained the age of 21 are eligible to participate in the 401(k) Plan. Employees may contribute up to 20% of their compensation, subject to certain limitations, which qualifies under the compensation deferral provisions of Section 401(k) of the United States Internal Revenue Code.

SSG's 401(k) Plan contains provisions that allow it to make discretionary contributions during each plan year. There were no employer contributions for the fiscal year ended June 30, 2006. SSG pays all administrative expenses of the 401(k) Plan.

12. Legal Proceedings:

On October 5, 2005, two stockholders of the Company, Martin Kleinbart and William Stahl, each filed a separate lawsuit in the Court of Chancery of the State of Delaware in and for New Castle County against the Company, certain former members of the Company's board of directors, and CP's Chairman and Chief Executive Officer, Michael J. Blumenfeld. The plaintiffs filed the lawsuits as a class action on behalf of the public stockholders of the Company in connection with the September 8, 2005, Agreement and Plan of Merger pursuant to which CP was to have acquired the remaining outstanding capital stock of the Company that it did not already own at that time. On November 22, 2005, for reasons unrelated to the pending lawsuit, the Company and CP entered into a Termination Agreement, dated November 22, 2005, which terminated the Agreement and Plan of Merger. The lawsuits alleged the consideration to be paid to the public shareholders of the Company was inadequate and that the defendants breached certain fiduciary duties owed to the Company's public stockholders. On July 2, 2006, the plaintiffs voluntarily dismissed the lawsuits.

On December 15, 2005, a stockholder of the Company, Jeffrey S. Abraham, as Trustee of the Law Offices of Jeffrey S. Abraham Money Purchase Plan, dated December 31, 1999, f/b/o Jeffrey S. Abraham, filed a class action lawsuit in the Court of Chancery of the State of Delaware in and for New Castle County against Emerson Radio Corp., the Company's former majority stockholder, Geoffrey P. Jurick, Arthur J. Coerver, Harvey Rothenberg, and Michael J. Blumenfeld. The plaintiff filed the lawsuit as a derivative claim against CP and defendants Coerver and Rothenberg (members of the Company's Board of Directors and officers of CP) for breach

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

of fiduciary duty and unjust enrichment in connection with the alleged use by CP of the Company's assets without due compensation to the Company. See Note 13 "Subsequent Events."

On July 14, 2006, Costa Brava Partnership III L.P., Greenwood Capital L.P., and Greenwood Investors, L.P., each a stockholder of the Company, filed a lawsuit in the Court of Chancery of the State of Delaware in and for New Castle County, against CP and Geoffrey P. Jurick, Thomas P. Triechler, Peter Bunker, and Terrence Babilla. The lawsuit alleges that the individual defendants breached their fiduciary duties to the Company's stockholders by improperly diverting the Company's interest in a merger transaction with all the Company's stockholders into a separate stock-purchase transaction that only benefited one Company stockholder, Emerson Radio Corp. The lawsuit also alleges that CP knowingly aided and abetted the alleged breaches of fiduciary duty in order to obtain control of the Company.

The Company is a party to various other litigation matters, in most cases involving ordinary and routine claims incidental to the Company's business. We cannot estimate with certainty our ultimate legal and financial liability with respect to such pending litigation matters. However, we believe, based on our examination of such matters, that our ultimate liability will not have a material adverse effect on our financial position, results of operations or cash flows.

13. Subsequent Events (unaudited):

On September 21, 2006, the Company announced it had entered into an Agreement and Plan of Merger pursuant to which CP will acquire the remaining 26.8% of the capital stock of the Company that it does not already own for approximately \$24 million. Under the terms of the merger agreement, a wholly owned subsidiary of CP will be merged with and into the Company, with the Company as the surviving corporation. Except for shares of the Company's common stock already owned by CP, any subsidiary of CP, or any dissenting shareholder, each issued and outstanding share of the Company's common stock will be converted into the right to receive \$8.80 in cash, without interest.

The merger requires the approval of the stockholders of the Company. CP, which owns 73.2% of the Company's voting power, has agreed to vote its shares of the Company in favor of the merger at the Company's meeting of stockholders. The merger is also conditional, among other things, on CP entering into a new credit facility with its lender to finance the transaction.

On September 21, 2006, a stockholder of the Company, Jeffrey S. Abraham, as Trustee of the Law Offices of Jeffrey S. Abraham Money Purchase Plan, dated December 31, 1999, f/b/o Jeffrey S. Abraham, filed a class action lawsuit in the Court of Chancery of the State of Delaware in and for New Castle County against CP, Arthur J. Coerver, Harvey Rothenberg, Michael J. Blumenfeld, Robert W. Philip, Thomas P. Treichler and the Company for breach of fiduciary duty in connection with the proposed merger described above. The complaint seeks to, among other things, enjoin the proposed merger.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA —COLLEGIATE PACIFIC INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Stockholders and Board of Directors of Collegiate Pacific Inc.:

We have audited the accompanying consolidated balance sheets of Collegiate Pacific Inc. and its subsidiaries as of June 30, 2006 and 2005, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three fiscal years in the period ended June 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Collegiate Pacific Inc. and its subsidiaries as of June 30, 2006 and 2005, and the results of their operations and their cash flows for each of the three fiscal years in the period ended June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule II is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Grant Thornton LLP

Dallas, Texas
September 15, 2006

COLLEGIATE PACIFIC INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>June 30,</u>	
	<u>2006</u>	<u>2005</u>
	(In thousands, except share and per share amounts)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,079	\$ 40,326
Accounts receivable, net of allowance for doubtful accounts of \$1,496 and \$1,042, respectively	31,004	18,132
Inventories	37,185	17,479
Current portion of deferred income taxes	2,625	775
Prepaid income taxes	1,607	645
Prepaid expenses and other current assets	<u>2,199</u>	<u>601</u>
Total current assets	78,699	77,958
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$2,755 and \$1,294, respectively	10,087	1,501
DEFERRED DEBT ISSUANCE COSTS, net of accumulated amortization of \$1,076 and \$393, respectively	2,782	3,017
INTANGIBLE ASSETS, net of accumulated amortization of \$2,188 and \$853, respectively	9,014	1,863
GOODWILL	40,280	23,848
DEFERRED INCOME TAXES	3,156	--
OTHER ASSETS, net	<u>417</u>	<u>409</u>
Total assets	<u>\$ 144,435</u>	<u>\$ 108,596</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 14,802	\$ 9,782
Accrued liabilities	5,896	1,725
Dividends payable	256	255
Accrued interest	329	250
Current portion of long-term debt	2,210	330
Deferred tax liability	<u>15</u>	<u>--</u>
Total current liabilities	23,508	12,342
DEFERRED TAX LIABILITY	3,259	700
NOTES PAYABLE AND OTHER LONG-TERM DEBT	62,284	50,448
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST IN SUBSIDIARY	8,150	--
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized; no shares issued	--	--
Common stock, \$0.01 par value, 50,000,000 shares authorized; 10,315,191 and 10,205,780 shares issued and 10,229,165 and 10,119,754 shares outstanding, respectively	103	102
Additional paid-in capital	43,162	41,911
Retained earnings	4,626	3,750
Treasury stock at cost, 86,026 shares	<u>(657)</u>	<u>(657)</u>
Total stockholders' equity	<u>47,234</u>	<u>45,106</u>
Total liabilities and stockholders' equity	<u>\$ 144,435</u>	<u>\$ 108,596</u>

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

COLLEGIATE PACIFIC INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	For the fiscal years ended June 30,		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(In thousands, except per share data)		
Net sales	\$ 224,238	\$ 106,339	\$ 39,562
Cost of sales	<u>149,159</u>	<u>70,385</u>	<u>25,606</u>
Gross profit	75,079	35,954	13,956
Selling, general and administrative expenses	66,767	28,651	11,109
Operating profit	<u>8,312</u>	<u>7,303</u>	<u>2,847</u>
Other income (expense):			
Interest income	117	581	22
Interest expense	(4,545)	(2,160)	(52)
Other income	<u>223</u>	<u>174</u>	<u>18</u>
Total other expense	<u>(4,205)</u>	<u>(1,405)</u>	<u>(12)</u>
Income before minority interest in income of consolidated subsidiary and income taxes	4,107	5,898	2,835
Income tax provision	1,603	2,297	1,162
Minority interest in income of consolidated subsidiary, net of tax	<u>608</u>	<u>--</u>	<u>--</u>
Net income	<u>\$ 1,896</u>	<u>\$ 3,601</u>	<u>\$ 1,673</u>
Weighted average number of shares outstanding:			
Basic	<u>10,182,428</u>	<u>10,031,314</u>	<u>6,324,950</u>
Diluted	<u>10,399,130</u>	<u>10,279,185</u>	<u>7,571,910</u>
Net income per share of common stock – basic	<u>\$ 0.19</u>	<u>\$ 0.36</u>	<u>\$ 0.26</u>
Net income per share of common stock – diluted	<u>\$ 0.18</u>	<u>\$ 0.35</u>	<u>\$ 0.22</u>
Dividends declared per share of common stock	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>

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

COLLEGIATE PACIFIC INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the fiscal years ended June 30, 2006, 2005 and 2004

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL		RETAINED EARNINGS	TREASURY STOCK		TOTAL
	SHARES	AMOUNT				SHARES	AMOUNT	
Balances at July 1, 2003	4,308,169	\$ 43	\$ 6,387	\$ 201		80,326	\$ (617)	\$ 6,014
Issuance of stock for cash, net of offering costs of \$589,721	4,399,161	44	21,253	--	--	--	--	21,297
Issuance of stock for business acquisitions	1,176,812	12	3,830	--	--	--	--	3,842
Cash dividends declared	--	--	--	(712)	--	--	--	(712)
Purchase of stock for cash	--	--	--	--	--	5,700	(40)	(40)
Net income	--	--	--	1,673	--	--	--	1,673
Balances at June 30, 2004	9,884,142	\$ 99	\$ 31,470	\$ 1,162		86,026	\$ (657)	\$ 32,074
Issuance of stock for cash	89,850	1	506	--	--	--	--	507
Issuance of stock for business acquisitions	231,788	2	2,685	--	--	--	--	2,687
Redeemable common stock	--	--	7,250	--	--	--	--	7,250
Cash dividends declared	--	--	--	(1,013)	--	--	--	(1,013)
Net income	--	--	--	3,601	--	--	--	3,601
Balances at June 30, 2005	10,205,780	\$ 102	\$ 41,911	\$ 3,750		86,026	\$ (657)	\$ 45,106
Issuance of stock for cash	22,950	--	185	--	--	--	--	185
Stock based compensation	--	--	60	--	--	--	--	60
Issuance of stock for business acquisitions	86,461	1	1,006	--	--	--	--	1,007
Cash dividends declared	--	--	--	(1,020)	--	--	--	(1,020)
Net income	--	--	--	1,896	--	--	--	1,896
Balances at June 30, 2006	10,315,191	\$ 103	\$ 43,162	\$ 4,626		86,026	\$ (657)	\$ 47,234

(In thousands, except share data)

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

COLLEGIATE PACIFIC INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended June 30,		
	2006	2005	2004
	(In thousands, except share data)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 1,896	\$ 3,601	\$ 1,673
Adjustments to reconcile net income to cash provided by (used in) operating activities:			
Provision for uncollectible accounts receivable	982	574	195
Depreciation expense	2,080	432	241
Amortization expense	1,356	742	476
Amortization of deferred debt issuance costs	683	393	--
Loss on disposition of property and equipment	60	--	--
Deferred taxes	1,060	(25)	25
Stock-based compensation expense	60	--	--
Minority interest in consolidated subsidiary	608	--	--
Changes in operating assets and liabilities (net of effects of acquisitions):			
Accounts receivable	(2,793)	(3,598)	(1,225)
Inventories	(2,083)	(4,255)	(1,222)
Prepaid expenses and other current assets	(1,248)	43	(53)
Other assets, net	(145)	104	(177)
Accounts payable	(1,338)	353	323
Accrued liabilities	(388)	119	(749)
Taxes payable	(962)	(1,345)	646
Net cash provided by (used in) operating activities:	(172)	(2,862)	153
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(1,694)	(664)	(216)
Cash used in business acquisitions, net of cash acquired of \$864, \$219 and \$799, respectively	(44,395)	(9,419)	(12,647)
Net cash used in investing activities:	(46,089)	(10,083)	(12,863)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from bank line of credit	174,895	13,375	6,572
Payments on notes payable and line of credit	(164,046)	(13,669)	(7,438)
Proceeds from issuance of senior subordinated notes, net of deferred issuance costs	--	46,590	--
Purchase of treasury stock	--	--	(40)
Payment of dividends	(1,020)	(1,005)	(573)
Proceeds from issuance of common stock	185	507	21,297
Net cash provided by financing activities:	10,014	45,798	19,818
Net change in cash and cash equivalents	(36,247)	32,853	7,108
Cash and cash equivalents, beginning of year	40,326	7,473	365
Cash and cash equivalents, end of year	\$ 4,079	\$ 40,326	\$ 7,473
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	\$ 3,795	\$ 1,517	\$ 52
Cash paid for income taxes	\$ 1,612	\$ 3,668	\$ 480
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES (See Note 3 for non-cash acquisition disclosures)			

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

COLLEGIATE PACIFIC INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS
June 30, 2006 and 2005

1. General:

Collegiate Pacific Inc. ("CPI") was incorporated on April 10, 1997 and commenced business in February 1998. CPI is a Delaware corporation and is a marketer, manufacturer and distributor of sporting goods equipment, soft good athletic apparel and footwear products ("soft goods"), physical education, recreational and leisure products primarily to the institutional market in the United States. The institutional market generally consists of youth sports programs, park and recreational organizations, schools, colleges, churches, government agencies, athletic teams, athletic clubs and dealers. Products are sold directly to customers primarily through the distribution of unique, informative catalogs and fliers, strategically located road sales professionals, telemarketers and the Internet.

2. Summary of Significant Accounting Policies:

Consolidation. The consolidated financial statements include the balances and results of operations of CPI and its subsidiaries Tomark Sports, Inc. ("Tomark"), Kessler's Team Sports, Inc. ("Kessler's"), Dixie Sporting Goods Co., Inc. ("Dixie"), CMS of Central Florida, Inc. d/b/a Orlando Team Sports ("OTS"), Salkeld and Sons, Inc. ("Salkeld"), and Sport Supply Group, Inc. ("SSG"). CPI, together with Tomark, Kessler's, Dixie, OTS, Salkeld and SSG are generally referred to herein as the "Company." All intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents. The Company includes as cash and cash equivalents all investments with maturities of three months or less at the date of purchase.

Financial Instruments and Credit Risk Concentrations. Financial instruments, which are potentially subject to concentrations of credit risk, consist principally of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The Company places cash deposits with high credit, quality financial institutions to minimize risk. Accounts receivable are unsecured. The carrying value of these financial instruments approximates their fair value due to their short-term nature or their index tied to market rates. The fair value of the Convertible Senior Subordinated Notes due 2009 exceeded the carrying value of such debt by \$12.8 million and \$11.1 million at June 30, 2006 and 2005, respectively.

Accounts Receivable. The Company's accounts receivable are due primarily from customers in the institutional and sporting goods dealer market. Credit is extended based on evaluation of each customer's financial condition and, generally, collateral is not required. Accounts receivable generally are due within 30 days and are stated in amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than contractual payment terms are considered past due. The Company records allowances by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance in the period the payment is received.

Changes in the Company's allowance for doubtful accounts for the fiscal years ended June 30, 2006 and 2005 are as follows:

	(In thousands)	
	<u>2006</u>	<u>2005</u>
Balance at beginning of period	\$ 1,042	\$ 636
Provision for uncollectible accounts receivable	982	574
Effect of business acquisitions	--	264
Accounts written off, net of recoveries	(528)	(432)
Balance at end of period	<u>\$ 1,496</u>	<u>\$ 1,042</u>

Inventories. Inventories are carried at the lower of cost or market using the weighted-average cost method for items purchased for resale and the standard cost method (which approximates average cost) for manufactured items. Inventory adjustments for estimated obsolescence or diminution in market value are recorded in an amount equal to the difference between the cost of inventories and the estimated market value, based on market conditions from time to time.

COLLEGIATE PACIFIC INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS
June 30, 2006 and 2005

Property and Equipment. Property and equipment includes office equipment, furniture and fixtures, warehouse and manufacturing equipment, leasehold improvements and vehicles. These assets are stated at cost and are depreciated over their estimated useful lives of 2 to 10 years using the straight-line method. The cost of maintenance and repairs is expensed as incurred and significant renewals and betterments that extend the asset useful lives are capitalized.

Intangible Assets. The Company has made significant acquisitions and as a result has acquired certain identifiable intangible assets in conjunction with those acquisitions. Intangibles, such as license agreements, customer relationships, contractual backlog, and non-compete covenants, with a definite life are amortized over 3 months to 10 years using the straight-line basis, except customer relationships related to the acquisitions of Kesslers, OTS, and Salkeld, which are amortized on a double declining basis.

Trademarks represent amounts paid to acquire the rights to brand specific products or categories of products with recognizable brands in certain sporting goods categories. Trademarks with a definite life are amortized on a straight line basis over 10 to 15 years. Trademarks acquired as part of the Company's acquisition of SSG have an indefinite life and thus are not subject to periodic amortization. In support of the assessment that the trademarks have an indefinite life, the Company took into account the 40-year term of the trademark agreement under which SSG has the rights to use the trademarks, which includes an automatic renewal option for an additional 40-year term.

Goodwill. Goodwill represents the excess of the purchase price paid and liabilities assumed over the estimated fair market value of assets acquired and identifiable intangible assets. Goodwill is tested for impairment change annually and whenever impairment indicators are present. If the fair value of goodwill is less than the carrying amount of goodwill, an impairment charge will be recorded. There have been no impairments of recorded goodwill.

Impairment of Long-Lived Assets. The Company periodically evaluates the carrying value of depreciable and amortizable long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. If the total of the expected future undiscounted cash flows is less than the carrying amount of the assets, a loss is recognized in the amount that the carrying value of the assets exceeds their fair value, which is determined based on quoted market prices in active markets, if available, prices of other similar assets, or other valuation techniques. There has been no impairment charge recorded by the Company.

Revenue Recognition. The Company recognizes revenue from product sales when title passes and the risks and rewards of ownership have passed to the customer. Title passes generally upon shipment or upon receipt by the customer, based on the terms of sale, except for sports equipment that requires installation and related services. If installation or other post-shipment services are required, title passes upon the completion of all installation and related services and the acceptance of the installed product by the customer. In fiscal years ended June 30, 2006, 2005 and 2004, less than 1%, 2% and 3%, respectively, of the Company's consolidated revenues were from the sale of sports equipment that required any installation or other post-shipment services. Reserves for estimated returns are established based upon historical rates of return experienced by the Company and recorded as reductions of sales.

Shipping and Handling Costs and Fees. Shipping and handling costs are included in cost of sales, while amounts billed to customers are included in net sales.

Advertising. Advertising costs are expensed as incurred. Advertising expenses for the fiscal years ended June 30, 2006, 2005 and 2004 were approximately \$7.2 million, \$2.9 million and \$1.9 million, respectively.

Stock Based Compensation. Prior to fiscal 2006 (beginning July 1, 2005), the Company accounted for its stock options under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25 and related interpretations ("APB 25"). Effective July 1, 2005, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123 (Revised 2004), *Share-Based Payments* ("SFAS 123(R)") and selected the modified prospective method to initially report stock-based compensation amounts in the consolidated financial statements. The Company is currently using the Black-Scholes option pricing model to determine the fair value of all option grants. See Note 11 below. Stock-based compensation expenses in the amount of \$60 thousand

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are reflected in net income for fiscal 2006. The following table illustrates the effect on net income and income per share if the Company had applied the fair value recognition provisions of SFAS 123(R) to prior periods:

	<u>2005</u>	<u>2004</u>
	(In thousands)	
Net income, as reported	\$ 3,601	\$ 1,673
Add: stock-based employee compensation expense included in net income	--	--
Deduct: stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	<u>(1,867)</u>	<u>(442)</u>
Pro forma net income	<u>\$ 1,734</u>	<u>\$ 1,231</u>
Net income per share common stock:		
Basic – as reported	<u>\$ 0.36</u>	<u>\$ 0.26</u>
Basic – pro forma	<u>\$ 0.17</u>	<u>\$ 0.19</u>
Diluted – as reported	<u>\$ 0.35</u>	<u>\$ 0.22</u>
Diluted – pro forma	<u>\$ 0.17</u>	<u>\$ 0.16</u>

Income Taxes. The Company utilizes the asset and liability approach in its reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized.

Income Per Share. Basic income per common share is computed by dividing net income by the weighted average number of shares of common stock outstanding. Diluted income per share is computed based on the weighted average number of shares outstanding increased by the effect of stock options, warrants and common stock underlying the convertible senior subordinated notes when dilutive.

Segment Reporting. The Company and its subsidiaries are all engaged in the business of marketing, manufacturing and distributing sporting goods equipment, soft goods, physical education, recreational and leisure products to the institutional market in the United States. The Company's operations consist of two operating segments, which the Company refers to as the Catalog Group and the Team Dealer Group. The segments meet the aggregation criteria of paragraph 17 of SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information" and, accordingly, for disclosure purposes, the Company has aggregated its operating segments into one reportable operating segment. Both of the Company's operating segments offer the same line of products, which are acquired from the same resources, to a common customer base.

Use of Estimates in Financial Statements. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements:

In July, 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("Interpretation 48"). Interpretation 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with the FASB's Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* ("SFAS 109"). Interpretation 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties,

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accounting in interim periods, disclosure and transition. Interpretation 48 is effective for fiscal years beginning after December 15, 2006. The Company has not determined the impact, if any, of the implementation of Interpretation 48 on its financial position and results of operations.

3. Business Combinations:

On January 9, 2004, the Company completed its acquisition of Tomark by merging Tomark with and into a wholly-owned subsidiary of the Company. The Company paid the former stockholders of Tomark a total of \$5.25 million, which consisted of \$2.5 million in cash, \$250 thousand in promissory notes, and 270,562 shares of the Company's common stock valued at \$2.5 million based on an average of the closing prices of the Company's common stock three days before and three days after the announcement of the acquisition.

The acquisition of Tomark was accounted for using the purchase method of accounting, and accordingly, the net assets and results of operations of Tomark have been included in the Company's consolidated financial statements since the date of acquisition. The purchase price was allocated to assets acquired and liabilities assumed based on their respective estimated fair values at the date of acquisition. After determining that the value of any identifiable intangible assets was not material, the excess of the purchase price over the fair value of the net assets acquired has been recorded as goodwill in the amount of \$4.7 million.

On April 1, 2004, the Company completed its acquisition of substantially all of the operating assets of Kesslers Sport Shop, Inc., an Indiana corporation. Under the terms of the purchase agreement, the Company paid Kesslers \$19.8 million for substantially all of its operating assets. The payment consisted of \$6.5 million in cash, which included a \$250 thousand holdback that was paid in fiscal 2005, and 906,250 shares of Collegiate Pacific's common stock (the "Shares") valued at \$8.6 million, which was based on the average closing price of the Company's common stock three days before and three days after the date the acquisition was announced. The Company also paid certain liabilities of Kesslers at closing in the approximate amount of \$4.7 million and assumed certain other specified liabilities of Kesslers related to the acquired operating assets. The Company also agreed to either (a) repurchase from Kesslers or its stockholders, as the case may be, for cash any of the Shares that had not been sold by Kesslers prior to the second anniversary of the effective date of the registration statement (August 20, 2006) covering the Shares for a per share price of \$8.00 (the same per share price used to determine the number of Shares issued at closing) or (b) if all of the Shares had been sold as of the second anniversary of the effective date of the registration statement covering the Shares, pay Kesslers an amount in cash equal to the difference between \$7.25 million and the total sales proceeds received by Kesslers from the sale of the Shares. As a result, the Company recorded a liability of \$7.25 million for redeemable common stock at June 30, 2004. The Company also entered into a lease for the Richmond, Indiana, location owned by RPD Services, Inc., an Indiana corporation f/k/a Kesslers Sport Shop, Inc. RPD Services, Inc. is owned by Bob Dickman, Phil Dickman and Dan Dickman, all of whom are employed by our wholly owned subsidiary, Kesslers.

On September 29, 2004, the Company entered into an amendment (the "Amendment") to the purchase agreement to eliminate the Company's contingent obligation to pay the sellers an amount of up to \$7.25 million. Accordingly, the Company was no longer required to carry a liability for redeemable common stock and, consequently, increased its stockholders' equity at June 30, 2005, by \$7.25 million.

The acquisition of substantially all of the assets of Kesslers was accounted for using the purchase method of accounting, and accordingly, the net assets and results of operations of Kesslers have been included in the Company's consolidated financial statements since the date of acquisition. Identifiable intangible assets acquired included customer relationships valued at \$1.07 million, which are being amortized on a double declining value basis over their estimated useful lives of 10 years, and contractual backlog valued at \$140 thousand, which was amortized on a straight-line basis over its estimated useful life of 3 months. The purchase price was allocated to assets acquired, which included the identifiable intangible assets, and liabilities assumed based on their respective estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired has been recorded as goodwill in the amount of \$10.6 million.

On July 26, 2004, the Company completed its acquisition of all of the outstanding capital stock of Dixie. Dixie is a supplier of soft goods and sporting goods equipment throughout the Mid-Atlantic United States. The Company

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paid the former stockholders of Dixie a total of approximately \$7.0 million, which consisted of \$4.0 million in cash, \$500 thousand in promissory notes, up to an additional \$1.0 million in the form of an earnout if the net income of Dixie exceeded certain target levels in the 17-month period ended December 31, 2005, and 148,662 shares of the Company's common stock valued at \$1.5 million. The Company's wholly-owned subsidiary, Dixie, employs the former Dixie management team. During the fiscal quarter ended September 30, 2005, the earnout target was achieved and the Company paid the former Dixie stockholders an additional \$1.0 million. Consequently, goodwill related to the Dixie acquisition increased by \$1.0 million.

The acquisition of Dixie was accounted for using the purchase method of accounting and, accordingly, the net assets and results of operations of Dixie have been included in the Company's consolidated financial statements since the date of acquisition. Identifiable intangible assets acquired included customer relationships valued at \$57 thousand, which are being amortized on a straight-line basis over their estimated useful lives of 10 years, and contractual backlog valued at \$10 thousand, which was amortized on a straight-line basis over its estimated useful life of 3 months. The purchase price was allocated to assets acquired, which included the identifiable intangible assets, and liabilities assumed, based on their respective estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired has been recorded as goodwill in the amount of \$4.1 million.

On December 10, 2004, the Company completed its acquisition of all of the outstanding capital stock of OTS. OTS is a supplier of soft goods and sporting goods equipment in the State of Florida. The Company paid the former OTS stockholders a total of approximately \$3.7 million, which consisted of \$1.8 million in cash, \$100 thousand in a promissory note, and 83,126 shares of the Company's common stock valued at \$1.2 million, which was based on the average closing price of the Company's common stock three days before and three days after the date the acquisition was announced. The Company also paid certain liabilities of OTS at closing in the approximate amount of \$600 thousand. The Company entered into a lease with McWeeney Smith Partnership (the "Partnership") for its 12 thousand square foot warehouse and distribution facility in Sanford, Florida. The former OTS stockholders are partners in the Partnership. The term of the lease runs through June 2010, and the monthly rental rate is approximately \$6,400. The Company's wholly owned subsidiary, OTS, employs the former OTS management team.

The acquisition of OTS was accounted for using the purchase method of accounting, and accordingly, the net assets and results of operations of OTS have been included in the Company's consolidated financial statements since the date of acquisition. Identifiable intangible assets acquired included customer relationships valued at \$363 thousand, which are being amortized on a double declining value basis over their estimated useful lives of 10 years, and contractual backlog valued at \$13 thousand, which was amortized on a straight-line basis over an estimated useful life of 3 months. The purchase price was allocated to assets acquired, which includes the identifiable intangible assets, and liabilities assumed based on their respective estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired has been recorded as goodwill in the amount of \$3.0 million.

On May 11, 2005, the Company completed its acquisition of all of the outstanding capital stock of Salkeld. Salkeld is a supplier of soft goods and sporting goods equipment in the State of Illinois. The Company paid the former Salkeld stockholders total consideration of approximately \$2.9 million, exclusive of transaction related costs, which consisted of approximately \$2.5 million in cash and \$230 thousand in promissory notes. The Company also paid certain liabilities of Salkeld at closing in the amount of approximately \$126 thousand. In addition, the Company agreed to pay the former Salkeld stockholders up to an additional \$1.1 million in the form of an earnout if Salkeld's gross profit exceeded a certain target level during the 12-month period ending April 30, 2006. The earnout target was achieved in February 2006 and two-thirds of the \$1.1 million earnout were paid in cash and one-third by the issuance of 33,213 shares of the Company's common stock. The Company's wholly owned subsidiary, Salkeld, employs the former Salkeld management team.

The acquisition of Salkeld was accounted for using the purchase method of accounting, and accordingly, the net assets and results of operations of Salkeld have been included in the Company's consolidated financial statements since the date of acquisition. Identifiable intangible assets acquired included customer relationships valued at \$433 thousand, which are being amortized on a double declining value basis over their estimated useful

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lives of 10 years, and contractual backlog valued at \$42 thousand, which was amortized on a straight-line basis over an estimated useful life of 3 months. The purchase price was allocated to assets acquired, which includes the identifiable intangible assets, and liabilities assumed based on their respective estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired has been recorded as goodwill in the amount of approximately \$2.8 million.

On July 1, 2005, the Company completed the acquisition of 53.2% of the outstanding capital stock of SSG from Emerson Radio Corp and Emerson Radio (Hong Kong) Limited for \$32 million in cash. SSG is a direct marketer and Business-To-Business ("B2B") e-commerce supplier of sporting goods and physical education equipment to the institutional and youth sports market. The acquisition of 53.2% of SSG was accounted for using the purchase method of accounting and, accordingly, the net assets and results of operations of SSG have been included in the Company's consolidated financial statements since the date of acquisition. The purchase price was allocated to assets acquired of approximately \$40.5 million, plus identifiable intangible assets acquired, which included \$3.2 million for non-compete agreements, \$1.3 million for customer relationships, \$660 thousand for a customer database, \$327 thousand for significant contracts, \$221 thousand for contractual backlog, \$43 thousand for photo library and \$14 thousand for bid database calendar, and liabilities assumed based on their respective estimated fair values of approximately \$26.8 million at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired has been recorded as goodwill in the amount of approximately \$11.9 million.

On September 8, 2005, the Company announced it entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which the Company would have acquired the remaining 46.8% of the outstanding capital stock of SSG that it did not already own. Under the terms of the merger agreement, each SSG stockholder would have received 0.56 shares of the Company's common stock for each share of SSG common stock, which valued each SSG share at \$6.74 per share, which is the same per share price the Company paid in cash for its purchase of 53.2% of the outstanding capital stock of SSG on July 1, 2005. On November 22, 2005, however, the Company announced it had entered into an agreement with SSG to terminate the Merger Agreement after determining the merger was unlikely to close in a timely fashion under previously contemplated terms. Under the terms of the Termination Agreement, dated November 22, 2005, the Company agreed to reimburse SSG for up to \$350 thousand for the fees and expenses incurred by SSG in connection with the Merger Agreement.

On November 22, 2005, the Company announced its purchase of 1,661,900 shares of SSG, or an additional 18% of SSG's outstanding common shares, for approximately \$9.2 million in cash from an institutional holder, representing a purchase price of \$5.55 per share, as well as purchased an additional 155,008 shares of SSG for \$746 thousand in open market transactions at an average price of \$4.81 per share. The Company's ownership interest in SSG is currently approximately 73.2%. The purchase of these additional shares of SSG increased goodwill by approximately \$4.3 million.

On August 1, 2005, the Company completed the acquisition of substantially all of the operating assets of Team Print from Mr. Albert Messier, one of the former principal stockholders of Salkeld, for approximately \$1.0 million in cash and the issuance of 53,248 shares of the Company's common stock to Mr. Messier, which were valued at approximately \$641 thousand, which was based on the average closing price of the Company's common stock three days before and three days after the date the acquisition was announced. Team Print is an embroiderer and screen printer of sports apparel and accessories. The Company entered into a lease for a 16 thousand square foot screen print and distribution facility owned by Mr. Messier and located in Bourbonnais, Illinois. The term of the lease runs through July 2010, and the monthly rental rate is approximately \$11 thousand. The Company's wholly owned subsidiary, Salkeld, employs Mr. Messier. The excess of the purchase price over the fair value of the net assets acquired has been recorded as goodwill in the amount of \$1.2 million.

The Company acquired Tomark, Kesslers, Dixie, OTS, Salkeld and SSG, as well as the operating assets of Team Print after considering the historic levels of earnings achieved by the acquired companies. The consideration paid was agreed upon after the Company determined the potential impact on future earnings of the integrated companies or operating assets acquired.

For income tax purposes, only the goodwill associated with the Company's acquisition of Kesslers, OTS and Team Print is deductible over a period of 15 years. The goodwill acquired by the Company in connection with the

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other acquisitions, each of which was an acquisition of stock, is not deductible for income tax purposes. Although the acquisition of OTS was an acquisition of stock, the parties to the transaction made a Section 338(h)(10) election under the Internal Revenue Code to tax the transaction as if it was an acquisition of assets.

The following presents the unaudited pro forma results for the Company for the fiscal years ended June 30, 2006 and 2005, as if the acquisitions of Dixie (July 2004), OTS (December 2004), Salkeld (May 2005), SSG (July 2005) and Team Print (August 2005) had been consummated at July 1, 2004. The pro forma results are prepared for comparative purposes only and do not necessarily reflect the results that would have occurred had the acquisitions occurred at the beginning of the periods presented or the results that may occur in the future.

	<u>2006</u>	<u>2005</u>
	(Unaudited, in thousands)	
Net sales	\$ 224,487	\$ 206,534
Net income	<u>\$ 1,917</u>	<u>\$ 3,027</u>
Net income per share of common stock:		
Basic	<u>\$ 0.19</u>	<u>\$ 0.30</u>
Diluted	<u>\$ 0.18</u>	<u>\$ 0.29</u>

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed as of the respective acquisition dates with respect to the acquisitions completed during the years ended June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
	(In thousands)	
Current assets	\$ 29,851	\$ 9,288
Property and equipment	9,032	438
Other assets	311	54
Intangible assets	8,391	918
Goodwill	<u>17,408</u>	<u>7,886</u>
Total assets acquired	<u>\$ 64,993</u>	<u>\$ 18,584</u>
Current liabilities	\$ 10,342	\$ 5,143
Non-current liabilities	<u>2,867</u>	<u>381</u>
Total liabilities assumed	<u>\$ 13,209</u>	<u>\$ 5,524</u>

4. Net Sales:

The Company's net sales to external customers are attributable to sales of sporting goods equipment and soft goods. The following table details the Company's consolidated net sales by these product lines for the fiscal years ended June 30, 2006, 2005 and 2004:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
		(In thousands)	
Sporting Goods Equipment	\$ 148,610	\$ 61,880	\$ 34,168
Soft Goods	<u>75,628</u>	<u>44,459</u>	<u>5,394</u>
Net Sales	<u>\$ 224,238</u>	<u>\$ 106,339</u>	<u>\$ 39,562</u>

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5. Inventories:

Inventories at June 30, 2006 and 2005 consisted of the following (in thousands):

	<u>2006</u>	<u>2005</u>
Raw materials	\$ 1,893	\$ 516
Work in progress	116	75
Finished goods	35,176	16,888
Inventories	<u>\$ 37,185</u>	<u>\$ 17,479</u>

6. Property and Equipment:

Property and equipment at June 30, 2006 and 2005 consisted of the following (in thousands):

	Estimated Useful Lives (Years)	<u>2006</u>	<u>2005</u>
Office equipment	2 – 10	\$ 7,242	\$ 496
Furniture and fixtures	2 – 10	2,177	863
Warehouse and manufacturing equipment	3 – 15	1,229	551
Leasehold improvements	*	1,368	492
Vehicles	3-7	351	393
Assets under capital lease	17	475	--
Total property and equipment		12,842	2,795
Less: accumulated depreciation		<u>(2,755)</u>	<u>(1,294)</u>
Property and equipment, net		<u>\$ 10,087</u>	<u>\$ 1,501</u>

* Shorter of remaining useful lives of related assets or lease term

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7. Intangible Assets:

Intangible assets at June 30, 2006 and 2005 consisted of the following:

	<u>Asset Life (Years)</u>	<u>Gross Carrying Value</u>	<u>June 30, 2006 Accumulated Amortization</u>	<u>Net Carrying Value</u>	<u>Gross Carrying Value</u>	<u>June 30, 2005 Accumulated Amortization</u>	<u>Net Carrying Value</u>
(In thousands)							
Amortizable intangible assets:							
Trademarks	10-15	\$ 343	\$ 166	\$ 177	\$ 343	\$ 152	\$ 191
Non-compete agreements	10	3,200	320	2,880	--	--	--
Customer relationships	10	3,343	788	2,555	1,923	324	1,599
Contractual backlog	.25-.50	427	427	--	206	195	11
Customer database	3	660	220	440	--	--	--
Significant contracts	5	327	65	262	--	--	--
License agreements and other	3-10	<u>292</u>	<u>202</u>	<u>90</u>	<u>244</u>	<u>182</u>	<u>62</u>
Total amortizable intangible assets		<u>\$ 8,592</u>	<u>\$ 2,188</u>	<u>\$ 6,404</u>	<u>\$ 2,716</u>	<u>\$ 853</u>	<u>\$ 1,863</u>
Non-amortizable intangible assets:							
Trademarks		<u>\$ 2,610</u>	<u>--</u>	<u>\$ 2,610</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total non-amortizable intangible assets		<u>\$ 2,610</u>	<u>--</u>	<u>\$ 2,610</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total intangible assets		<u>\$ 11,202</u>	<u>\$ 2,188</u>	<u>\$ 9,014</u>	<u>\$ 2,716</u>	<u>\$ 853</u>	<u>\$ 1,863</u>
Goodwill – June 30, 2005		\$ 23,848					
Changes in deferred tax valuation allowance (see note 10)		(3,076)					
Acquisitions (see note 3)		19,508					
Goodwill – June 30, 2006		<u>\$ 40,280</u>					

Amortization expense related to intangible assets totaled approximately \$1,400 thousand, \$400 thousand and \$300 thousand during the fiscal years ended June 30, 2006, 2005 and 2004, respectively. The aggregate estimated amortization expense for intangible assets for each of the years ending June 30 is as follows:

<u>Year Ending June 30,</u>	<u>(In thousands)</u>
2007	\$ 1,079
2008	1,015
2009	726
2010	683
2011	617
Thereafter	<u>2,284</u>
Total	<u>\$ 6,404</u>

8. Accrued Liabilities:

Accrued liabilities at June 30, 2006 and 2005 included the following (in thousands):

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	<u>2006</u>	<u>2005</u>
Accrued compensation and benefits	\$ 2,032	\$ 636
Customer deposits	1,105	421
Taxes other than income taxes	964	166
Gift certificates	691	18
Other	<u>1,104</u>	<u>484</u>
Total accrued liabilities	<u>\$ 5,896</u>	<u>\$ 1,725</u>

9. Long-Term Debt and Line of Credit:

On November 26, 2004, the Company announced the completion of its sale of \$40.0 million principal amount of 5.75% Convertible Senior Subordinated Notes due 2009 (the "Notes"). The Notes were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). Thomas Weisel Partners LLC ("Thomas Weisel") was the initial purchaser of the Notes. On December 3, 2004, the Company announced the completion of its sale of an additional \$10.0 million principal amount of Notes pursuant to the exercise by Thomas Weisel of the option granted to it in connection with the initial offering of the Notes. The issuance of the Notes resulted in aggregate proceeds of \$46.6 million to the Company, net of issuance costs.

The Notes are governed by the Indenture dated as of November 26, 2004, between the Company and The Bank of New York Trust Company N.A., as trustee (the "Indenture"). The Indenture provides, among other things, that the Notes will bear interest of 5.75% per year, payable semi-annually, and will be convertible at the option of the holder of the Notes into the Company's common stock at a conversion rate of 68.2594 shares per \$1 thousand principal amount of Notes, subject to certain adjustments. This is equivalent to a conversion price of approximately \$14.65 per share. On or after December 31, 2005, the Company may redeem the Notes, in whole or in part, at the redemption price, which is 100% of the principal amount, plus accrued and unpaid interest and additional interest, if any, to, but excluding, the redemption date only if the closing price of the Company's common stock exceeds 150% of the conversion price for at least 20 trading days in any consecutive 30-day trading period. If the Company calls the Notes for redemption on or before December 10, 2007, the Company will be required to make an additional payment in cash in an amount equal to \$172.50 per one thousand principal amount of the Notes, less the amount of any interest actually paid on the Notes before the redemption date. In addition, upon the occurrence of a change in control of the Company, holders may require the Company to purchase all or a portion of the Notes in cash at a price equal to 100% of the principal amount of Notes to be repurchased, plus accrued and unpaid interest and additional interest, if any, to, but excluding, the repurchase date, plus the make whole premium, if applicable.

In connection with the completion of the sale of the Notes, on November 26, 2004, the Company entered into a registration rights agreement with Thomas Weisel (the "Registration Rights Agreement"). Under the terms of the Registration Rights Agreement, the Company was required to file a registration statement on Form S-3 (the "Registration Statement") with the SEC for the registration of the Notes and the shares issuable upon conversion of the Notes. On February 28, 2006, the SEC declared effective the Registration Statement.

The Company's principal external source of liquidity is its new senior secured credit facility (the "Credit Facility") with Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc. ("MLBFS"), individually as a lender, as administrative agent, sole book runner and sole lead manager ("Merrill Lynch"), which is collateralized by all of the assets of the Company and its wholly-owned subsidiaries. On June 29, 2006, the Company terminated its existing credit facility with MLBFS and entered into the Credit Facility. The terminated facility consisted of a \$20 million revolving credit facility that was set to expire on September 30, 2006. Total availability under the old credit facility was determined by a borrowing formula based on 80% of eligible trade receivables and 50% of eligible inventories, but not to exceed \$20 million. Interest under the old credit facility accrued at the rate of 1.75% plus the one-month London Inter-Bank Offered Rate ("LIBOR") and the Company was obligated to pay an unused line fee of .375% per annum. The old credit facility contained customary covenants and required the Company to maintain certain financial ratios pertaining to its fixed charges and total debt to total net worth and earnings before interest, taxes, depreciation and amortization ("EBITDA").

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The Credit Facility establishes a commitment to the Company to provide up to \$45.0 million in the aggregate of loans and other financial accommodations consisting of (a) a three year senior secured loan in the aggregate principal amount of \$10.0 million (the "Term Loan") and (b) a three year senior secured revolving credit facility in an aggregate principal amount of \$20.0 million, which upon the approval of Merrill Lynch may be increased by up to \$15.0 million to consummate certain permitted acquisitions (the "Revolving Facility") and, together with the Term Loan, the "Senior Secured Credit Facility"). The Revolving Facility includes a sub-limit of up to an aggregate amount of \$4.0 million in letters of credit and an accordion feature, which at the Company's option and subject to Merrill Lynch's approval would increase the aggregate amount of the Revolving Facility by \$10.0 million.

Total availability under the Revolving Facility is determined by a borrowing formula based on eligible trade receivables and inventories that provides for borrowings against up to 85% of the Company's eligible trade receivables and 50% of the Company's eligible inventories, not to exceed the total availability under the Revolving Facility. As of June 30, 2006, the Company had approximately \$10.0 million outstanding under the Term Loan and approximately \$4.0 million outstanding under the Revolving Facility, thereby leaving the Company with approximately \$9.0 million of availability under the terms of the borrowing base formula of the Revolving Facility.

All borrowings under the Senior Secured Credit Facility will bear interest at either (a) LIBOR plus a spread ranging from 1.50% to 2.25%, with the amount of the spread at any time based on the Company's ratio of total debt, excluding sub-debt, to the Company's EBITDA on a trailing 12-month basis (the "Senior Leverage Ratio"), or (b) an alternative base rate equal to the higher of (i) the Federal Funds Rate plus 0.50% or (ii) the Merrill Lynch prime rate, plus an additional spread ranging from 0.00% to 0.75%, with the amount of the spread at any time based on the Company's Senior Leverage Ratio on a trailing 12-month basis. Until January 1, 2007, the interest rate spreads will be 1.75% for LIBOR loans and 0.25% for base rate loans. The effective interest rate on borrowings under the Credit Facility at June 30, 2006 was 8.5%.

The Senior Secured Credit Facility includes covenants that the Company maintain certain financial ratios on a trailing 12-month basis. The Company's Senior Leverage Ratio on a trailing 12-month basis may not exceed 2.50 to 1.0 and its ratio of EBITDA to the sum of the Company's fixed charges (interest expense, taxes, cash dividends and scheduled principal payments) on a trailing 12-month basis (the "Fixed Charge Coverage Ratio") must be at least 1.10 to 1.0, and after the Revolving Facility has been increased by up to \$15 million to consummate permitted acquisitions, the Fixed Charge Coverage Ratio must be at least 1.20 to 1.0.

The Senior Secured Credit Facility is guaranteed by each of the Company's wholly-owned subsidiaries and is secured by, among other things, a pledge of all of the issued and outstanding shares of stock of each of the Company's wholly-owned subsidiaries and a first priority perfected security interest on all of the assets of the Company and each of its wholly-owned subsidiaries.

The Senior Secured Credit Facility contains customary representations, warranties and covenants (affirmative and negative) and the Senior Secured Credit Facility is subject to customary rights of the lenders and the administrative agent upon the occurrence and during the continuance of an event of default, including, under certain circumstances, the right to accelerate payment of the loans made under the Senior Secured Credit Facility and the right to charge a default rate of interest on amounts outstanding under the Senior Secured Credit Facility.

The Company was in compliance with all of its financial covenants under the Senior Secured Credit Facility at June 30, 2006. The Notes are subordinated in right of payment to the prior payment in full, in cash, of all amounts payable under the Senior Secured Credit Facility.

SSG, the Company's 73.2% majority owned subsidiary, has its own revolving line of credit with Wachovia Capital Finance (the "SSG Credit Facility"), which is collateralized by all of SSG's assets. The total availability under the SSG Credit Facility may not exceed the lesser of \$20 million or a borrowing base formula based on specified percentages of eligible accounts receivable and inventories. The SSG Credit Facility expires on October 31, 2007. Under the terms of the SSG Credit Facility, SSG is required to maintain certain net worth levels and as of June 30, 2006, was in compliance with those requirements. In addition, SSG is restricted under the terms of the SSG Credit Facility from, among other things, paying cash dividends and entering into certain transactions without its lender's prior approval. As of June 30, 2006, SSG had no borrowings outstanding under the SSG Credit Facility,

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with approximately \$16.7 million of availability. SSG was in compliance with all of its financial covenants under the SSG Credit Facility as of June 30, 2006. The Company does not have any obligations under the SSG Credit Facility and is not a guarantor of that facility.

On July 26, 2004, the Company issued promissory notes to the former stockholders of Dixie in the aggregate amount of \$500 thousand. Payments of principal are paid monthly and interest accrues at the rate of 4% per annum on any past due principal amount of the notes. The notes mature on July 31, 2009. Principal payments made in the fiscal year ended June 30, 2006 were \$90 thousand and the remaining principal payments of \$294 thousand are due through the fiscal year ending June 30, 2010.

On May 11, 2005, the Company issued promissory notes to the former stockholders of Salkeld in the aggregate amount of \$230 thousand. Payments of principal are paid monthly and interest accrues at the rate of 4% per annum on any past due principal amount of the notes. The notes mature on April 30, 2007. Principal payments made in the fiscal year ended June 30, 2006, were \$115 thousand, and the remaining principal payments of \$96 thousand are due through the fiscal year ending June 30, 2007.

Future payments on long-term debt are as follows:

<u>Year Ending June 30,</u>	
	(In thousands)
2007	\$ 2,210
2008	2,121
2009	10,110
2010	50,053
Thereafter	--
Total future payments	<u>\$ 64,494</u>

10. Income Taxes:

The Company accounts for income taxes under SFAS No. 109. Deferred income tax assets and liabilities are determined based upon the differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income taxes are as follows (in thousands):

	<u>2006</u>	<u>2005</u>
Deferred tax assets attributed to:		
Accounts receivable	\$ 552	\$ 453
Inventories	1,544	395
Net operating loss carry-forwards	5,541	106
Compensation accruals	49	49
Accrued insurance	178	--
Prepaid advertising expenses	79	--
Tax credits	652	--
Accrued expenses	235	42
Other	<u>34</u>	<u>9</u>
Total deferred tax assets	8,864	1,054
Less valuation allowance	<u>(3,083)</u>	<u>--</u>
Total deferred tax assets	<u>5,781</u>	<u>1,054</u>
Deferred tax liabilities attributed to:		
Property and equipment	(1,838)	(222)

COLLEGIATE PACIFIC INC. AND SUBSIDIARIES
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Intangible assets	(1,418)	(757)
Other	(18)	--
Total deferred tax liabilities	(3,274)	(979)
Net deferred taxes	<u>\$ 2,507</u>	<u>\$ 75</u>

Deferred tax assets and liabilities at June 30, 2006 and 2005 are as follows (in thousands):

	<u>2006</u>	<u>2005</u>
Current deferred tax asset	\$ 2,625	\$ 775
Non-current deferred tax asset	6,239	--
Current deferred tax liability	(15)	--
Non-current deferred tax liability	(3,259)	(700)
Less valuation allowance	(3,083)	--
Balance at end of period	<u>\$ 2,507</u>	<u>\$ 75</u>

The components of the income tax provision (benefit) are as follows (in thousands):

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Federal			
Current	\$ 510	\$ 1,999	\$ 1,214
Deferred	925	(132)	(289)
State			
Current	33	469	264
Deferred	135	(39)	(27)
Total provision for income taxes	<u>\$ 1,603</u>	<u>\$ 2,297</u>	<u>\$ 1,162</u>

Following is a reconciliation of income taxes at the federal statutory rate to income tax provision for the years ended June 30, 2006, 2005 and 2004 (in thousands):

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Tax expense at the federal statutory rate	\$ 1,396	\$ 2,005	\$ 964
State income taxes, net of federal benefit	77	284	211
Alternative minimum tax	144	--	--
Other	(14)	8	(13)
Income tax provision	<u>\$ 1,603</u>	<u>\$ 2,297</u>	<u>\$ 1,162</u>

The Company has available at June 30, 2006, unused net operating loss carry forwards of approximately \$14,227 thousand that may be applied against future taxable income. The net operating loss carry forwards will expire in various years from 2012 through 2023. In conjunction with the acquisition of SSG, the Company acquired net operating loss carryforwards of \$14,227 thousand and tax credits of \$652 thousand. At the date of acquisition of SSG, a valuation allowance of approximately \$6.2 million was initially recorded. During fiscal 2006, SSG was profitable and approximately \$1.2 million of this valuation allowance was used. Due to the profits from SSG in fiscal 2006, the Company reassessed its ability to utilize the acquired net operating loss carryforwards and, accordingly, reduced the valuation allowance by approximately \$1.9 million at June 30, 2006. The reduction of this valuation allowance reduced goodwill. Because of limitations of their use due to the change of control of stock of SSG and the collective weight of negative evidence as to the likelihood of the utilization of these acquired tax assets, the Company has provided a partial valuation allowance of approximately \$3.1 million on these acquired tax assets. When the valuation allowances are used, if at all, goodwill recorded at the acquisition date will be reduced.

11. Related Party Transactions:

During the years ended June 30, 2006, 2005 and 2004, the Company paid approximately \$137 thousand, \$137 thousand and \$34 thousand, respectively, in rent for the Kesslers facility located in Richmond, Indiana. This

COLLEGIATE PACIFIC INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENTS
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location is owned by RPD Services, Inc., an Indiana corporation f/k/a Kesslers Sport Shop, Inc., from which the Company acquired substantially all of its operating assets in April 2004. Bob Dickman, Phil Dickman and Dan Dickman, all of whom are employed by the Company's wholly-owned subsidiary, Kesslers, own RPD Services, Inc. The lease term for the facility expires in March 2009.

During the years ended June 30, 2006 and 2005, the Company paid approximately \$77 thousand and \$43 thousand, respectively, in rent for the OTS facility located in Sanford, Florida. This location is owned by McWeeney Smith Partnership, a Florida general partnership, and is controlled by the former stockholders of OTS, from which the Company acquired all of the outstanding capital stock in December 2004. The former OTS stockholders are employed by the Company's wholly-owned subsidiary, OTS. The lease term for the facility expires in June 2010.

During the year ended June 30, 2006, the Company paid approximately \$116 thousand in rent for the Team Print facility located in Bourbonnais, Illinois. This location is owned by Albert A. Messier, a former Salkeld stockholder and the former owner of the Team Print business. Mr. Messier is employed by the Company's wholly-owned subsidiary, Salkeld. The lease term for the facility expires in July 2010.

During the year ended June 30, 2006, the Company paid approximately \$58 thousand in rent to SSG, its 73.2% majority owned subsidiary, for additional office and warehouse storage space in SSG's Dallas, Texas facilities and \$132 thousand for other management services. On August 14, 2006, the Company entered into a Services Agreement with SSG. Under the terms of the Services Agreement, SSG will provide the Company with additional warehouse storage and office space at SSG's Dallas, Texas facilities, as well as provide the Company and its wholly-owned subsidiaries with various payroll processing, human resource and risk management services. Prior to August 14, 2006, services provided to the Company by SSG were on a month-to-month basis. The effects of these transactions are eliminated in the consolidation of subsidiary results of operations.

12. Stock Options and Warrants:

On December 11, 1998, the Company's stockholders approved a stock option plan, (the "1998 Collegiate Pacific Inc. Stock Option Plan"). This plan authorized the Company's Board of Directors to grant employees, directors and consultants of the Company up to an aggregate of 400,000 shares of the Company's common stock, \$0.01 par value per share. The options vest in full upon the employee's one-year anniversary date of employment with the Company or the award date if the employee has been employed for at least one year on the grant date. The number of shares available under the 1998 Collegiate Pacific Inc. Stock Option Plan was increased to 1,000,000 upon approval by the Company's stockholders on March 20, 2001, and increased to 1,500,000 upon approval by the Company's stockholders on January 15, 2004. The remaining outstanding options expire at various dates through June 2015. There are 5,300 options available for grant under the 1998 Collegiate Pacific Inc. Stock Option Plan.

Prior to fiscal 2006, the Company accounted for its stock options under the recognition and measurement provisions of APB 25. Effective July 1, 2005, the Company adopted the provisions of SFAS 123(R) and selected the modified prospective method to initially report stock-based compensation amounts in the consolidated financial statements. The Company is currently using the Black-Scholes option pricing model to determine the fair value of all option grants.

For the fiscal year ended June 30, 2006, the Company recorded approximately \$60 thousand for stock-based compensation expense related to the vesting of stock options previously granted. The Company recorded this amount in selling, general and administrative expenses. The financial statement impact of recording approximately \$60 thousand of stock-based compensation expense in the fiscal year ended June 30, 2006 is as follows (in thousands):

Income from continuing operations	\$ 60
Income before income taxes	\$ 60
Net income	\$ 36
Net income per common share — basic	\$ 0.00
Net income per common share — diluted	\$ 0.00

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Cash flows from operating activities	\$	60
Cash flows from financing activities	\$	—

At June 30, 2006, there was no unrecognized compensation costs related to unvested stock options remaining to be recognized. There were no excess tax benefits from the exercise of stock options during the twelve months ended June 30, 2006, 2005 and 2004.

A summary of the Company's stock option activity for the three fiscal years ended June 30, 2006 is as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding at July 1, 2003	772,900	\$ 5.25
Granted	300,000	9.31
Exercised	(213,800)	4.49
Forfeited or cancelled	(1,000)	6.08
Outstanding at June 30, 2004	<u>858,100</u>	<u>6.85</u>
Granted	406,300	11.54
Exercised	(89,850)	5.65
Forfeited or cancelled	(4,000)	9.29
Outstanding at June 30, 2005	<u>1,170,550</u>	<u>8.56</u>
Granted	0	—
Exercised	(22,950)	8.06
Forfeited or cancelled	(3,000)	9.29
Outstanding at June 30, 2006	<u>1,144,600</u>	<u>\$ 8.56</u>
Exercisable at June 30, 2004	<u>683,100</u>	<u>\$ 6.21</u>
Exercisable at June 30, 2005	<u>992,550</u>	<u>\$ 8.44</u>
Exercisable at June 30, 2006	<u>1,144,600</u>	<u>\$ 8.56</u>

The Company utilized the following assumptions in calculating the estimated fair value of each stock option grant on the date of grant using the Black-Scholes option-pricing model:

	<u>2005</u>	<u>2004</u>
Expected volatility	34 – 35%	33%
Risk-free interest rate	3.41 – 3.99%	3.58%
Dividend yield	0.90 – 1.10%	1.5%
Expected lives	5 years	5 years

The weighted average fair value of options granted in the fiscal years ended June 30, 2005 and 2004 was \$3.73 and \$2.84 per share, respectively. There were no options granted in the fiscal year ended June 30, 2006.

The total intrinsic value of options exercised in the fiscal years ended June 30, 2006, 2005 and 2004 was approximately \$68 thousand, \$491 thousand, and \$1,082 thousand, respectively. The total fair value of options vested during the fiscal years ended June 30, 2006, 2005 and 2004 was approximately \$60 thousand, \$1,867 thousand and \$442 thousand, respectively. The total intrinsic value of unexercised options at June 30, 2006, was approximately \$3,111 thousand.

COLLEGIATE PACIFIC INC. AND SUBSIDIARIES
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The following table summarizes additional information about stock options at June 30, 2006:

Exercise price	Outstanding			Exercisable		
	Shares	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (In Years)
\$3.89 - \$4.81	120,500	4.9	\$3.91	120,500	\$3.91	4.9
\$4.90 - \$6.13	319,250	4.6	\$5.85	319,250	\$5.85	4.6
\$9.38	31,500	2.5	\$9.38	31,500	\$9.38	2.5
\$8.73 - \$9.73	466,350	8.0	\$9.30	466,350	\$9.30	8.0
\$10.70 - \$14.34	<u>207,000</u>	8.5	\$13.68	<u>207,000</u>	\$13.68	8.5
	<u>1,144,600</u>			<u>1,144,600</u>		

On April 14, 2004, the Company announced its Board of Directors had unanimously authorized the Company to call for cancellation effective as of May 21, 2004, all outstanding warrants. On May 26, 2000, each record holder of the Company's common stock received a special dividend from the Company of one warrant for each share of common stock owned by the record holder. The Company issued the warrants pursuant to a warrant agreement between the Company and Continental Stock Transfer and Trust Company, Inc. Each warrant entitled the holder to purchase from the Company, for cash, one share of common stock at \$5.00 per share. The total number of warrants issued was 4,244,607. Of the warrants that were originally issued, 4,199,599 were exercised and 45,008 were cancelled, which required the Company to pay those former holders a total of approximately \$2,250 upon cancellation.

13. Leases:

The Company leases office and warehouse facilities under the terms of operating leases, which expire at various dates through December 2010. Rent expense for the fiscal years ended June 30, 2006, 2005 and 2004 was approximately \$3,093 thousand, \$1,513 thousand and \$581 thousand, respectively.

Future minimum lease commitments on all operating leases with terms in excess of one year are as follows:

<u>Year Ending June 30,</u>	(In thousands)
2007	\$ 3,089
2008	2,716
2009	2,126
2010	1,375
2011	553
Thereafter	---
Total minimum future lease payments	<u>\$ 9,859</u>

14. Income Per Share:

The table below outlines the determination of the number of diluted shares of common stock used in the calculation of diluted earnings per share as well as the calculation of diluted earnings per share for the periods presented:

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	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(In thousands except share and per share data)		
<u>Determination of diluted number of shares:</u>			
Average common shares outstanding	10,182,428	10,031,314	6,324,950
Assumed conversion of dilutive stock options and warrants	<u>216,702</u>	<u>247,871</u>	<u>1,246,960</u>
Assumed conversion of subordinated debentures	<u>--</u>	<u>--</u>	<u>--</u>
Diluted average common shares outstanding (b)	<u>10,399,130</u>	<u>10,279,185</u>	<u>7,571,910</u>
<u>Calculation of diluted earnings per share:</u>			
Net income	\$ 1,896	\$ 3,601	\$ 1,673
Add: interest component on assumed conversion of subordinated debentures, net of taxes	<u>--</u>	<u>--</u>	<u>--</u>
Net income, adjusted (a)	\$ 1,896	\$ 3,601	\$ 1,673
Diluted earnings per share (a/b)	<u>\$ 0.18</u>	<u>\$ 0.35</u>	<u>\$ 0.22</u>

The impact of SSG's issuance of its common stock to parties other than CPI has been reflected in the above earnings per share calculations.

For the fiscal years ended June 30, 2006, 2005 and 2004, stock options and warrants of 433,900, 150,975 and 1,246,960 shares, respectively, were excluded in the computations of diluted income per share because their effect was antidilutive. During the fiscal years ended June 30, 2006 and 2005, the assumed conversion of 3,412,969 shares from the convertible senior subordinated notes was antidilutive.

15. Quarterly Operating Data (unaudited):

	<u>First</u>	<u>Second</u>	<u>Quarter Third</u>	<u>Fourth</u>	<u>Year</u>
	(In thousands except per share data)				
	(Unaudited)				
<u>Fiscal 2006:</u>					
Net sales	\$ 65,275	\$ 46,401	\$ 59,418	\$ 53,144	\$ 224,238
Gross profit.....	21,314	15,143	20,997	17,625	75,079
Net income (loss)	<u>\$ 2,575</u>	<u>\$ (971)</u>	<u>\$ 1,232</u>	<u>\$ (940)</u>	<u>\$ 1,896</u>
Earnings (loss) per share:					
Basic.....	<u>\$ 0.25</u>	<u>\$ (0.10)</u>	<u>\$ 0.12</u>	<u>\$ (.09)</u>	<u>\$ 0.19</u>
Diluted.....	<u>\$ 0.22</u>	<u>\$ (0.10)</u>	<u>\$ 0.12</u>	<u>\$ (.09)</u>	<u>\$ 0.18</u>
Cash dividend per share	\$ 0.025	\$ 0.025	\$ 0.025	\$ 0.025	\$ 0.10
Stock prices:					
High	\$ 12.68	\$ 11.60	\$ 10.85	\$ 11.19	\$ 12.68
Low	\$ 10.30	\$ 8.71	\$ 9.12	\$ 9.76	\$ 8.71

	<u>First</u>	<u>Second</u>	<u>Quarter Third</u>	<u>Fourth</u>	<u>Year</u>
	(In thousands except per share data)				
	(Unaudited)				
<u>Fiscal 2005:</u>					
Net sales	\$ 27,710	\$ 23,795	\$ 27,018	\$ 27,816	\$ 106,339
Gross profit.....	9,127	7,910	9,474	9,443	35,954
Net income	<u>\$ 1,877</u>	<u>\$ 581</u>	<u>\$ 788</u>	<u>\$ 355</u>	<u>\$ 3,601</u>

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Earnings per share:

Basic.....	\$ 0.19	\$ 0.06	\$ 0.08	\$ 0.03	\$ 0.36
Diluted.....	\$ 0.19	\$ 0.06	\$ 0.08	\$ 0.02	\$ 0.35
Cash dividend per share	\$ 0.025	\$ 0.025	\$ 0.025	\$ 0.025	\$ 0.10

Stock prices:

High	\$ 11.39	\$ 14.75	\$ 14.23	\$ 11.40	\$ 14.75
Low	\$ 8.45	\$ 9.60	\$ 10.70	\$ 8.73	\$ 8.45

16. Employee Benefit Plan

The Company implemented an employee savings plan (the “plan”) during fiscal 2005 pursuant to Section 401(k) of the Internal Revenue Code. All employees who have been credited with at least 520 hours of service are eligible to participate in the plan. Employees may elect to contribute to the plan through payroll deductions in an amount not to exceed the amount permitted under the Internal Revenue Code. The Company has the discretion to make matching contributions on behalf of the participants. Employees are fully vested in their contributions. Company contributions are not vested until after completion of two years of service. Thereafter, contributions vest at a rate of 20% per year on each participant’s anniversary date in the plan if the participant has completed 1,000 hours of service with the Company as of such date. During fiscal 2006 and 2005, the Company did not contribute to the plan.

SSG established a defined contribution profit sharing plan (the “SSG plan”) for the benefit of eligible employees effective June 1, 1993. All employees with 90 days of service and who have attained the age of 21 are eligible to participate in the SSG plan. Employees may contribute up to 20% of their compensation, subject to certain limitations, which qualifies under the compensation deferral provisions of Section 401(k) of the Internal Revenue Code.

The SSG plan contains provisions that allow it to make discretionary contributions during each plan year. SSG did not make contributions for the fiscal year ended June 30, 2006.

17. Legal Proceedings:

On October 5, 2005, two stockholders of SSG, Martin Kleinbart and William Stahl, each filed a separate lawsuit in the Court of Chancery of the State of Delaware in and for New Castle County against the Company, including the Company’s Chairman and Chief Executive Officer, Michael J. Blumenfeld, SSG and certain former members of SSG’s board of directors. The plaintiffs filed the lawsuits as a class action on behalf of the public stockholders of SSG in connection with the September 8, 2005, Agreement and Plan of Merger pursuant to which the Company was to have acquired the remaining outstanding capital stock of SSG that it did not already own at that time. On November 22, 2005, for reasons unrelated to the pending lawsuit, the Company and SSG entered into a Termination Agreement, dated November 22, 2005, which terminated the Agreement and Plan of Merger. The lawsuits alleged the consideration to be paid to the public shareholders of SSG was inadequate and that the defendants breached certain fiduciary duties owed to the SSG public stockholders. On July 2, 2006, the plaintiffs voluntarily dismissed the lawsuits.

On December 15, 2005, a stockholder of SSG, Jeffrey S. Abraham, as Trustee of the Law Offices of Jeffrey S. Abraham Money Purchase Plan, dated December 31, 1999, f/b/o Jeffrey S. Abraham, filed a lawsuit in the Court of Chancery of the State of Delaware in and for New Castle County against Emerson Radio Corp., Geoffrey P. Jurick, Arthur J. Coerver, Harvey Rothenberg, the Company and Michael J. Blumenfeld. The plaintiff filed the lawsuit as a class action on behalf of the public stockholders of SSG in connection with the September 8, 2005, Agreement and Plan of Merger pursuant to which the Company was to have acquired the remaining shares of the outstanding capital stock of SSG that it did not already own and the Company’s subsequent acquisition of an additional 1.66 million shares of SSG for approximately \$9.2 million cash from an institutional stockholder. The lawsuit alleges the defendants breached certain fiduciary duties owed to SSG’s stockholders and the Company was unjustly enriched from its use of certain SSG assets. The Company believes the claims asserted by the plaintiff are without merit and the purported derivative lawsuit is defective.

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June 30, 2006 and 2005

On July 14, 2006, Costa Brava Partnership III L.P., Greenwood Capital L.P., and Greenwood Investors, L.P., each a stockholder of SSG, filed a lawsuit in the Court of Chancery of the State of Delaware in and for New Castle County, against the Company and Geoffrey P. Jurick, Thomas P. Trieckler, Peter Bunker, and Terrence Babilla. The lawsuit alleges that the individual defendants breached their fiduciary duties to SSG's stockholders by improperly diverting the Company's interest in a merger transaction with all SSG stockholders into a separate stock-purchase transaction that only benefited one SSG stockholder, Emerson Radio Corp. The lawsuit also alleges the Company knowingly aided and abetted the alleged breaches of fiduciary duty in order to obtain control of SSG. The Company believes the claims asserted by the plaintiff are without merit.

The Company is a party to various other litigation matters, in most cases involving ordinary and routine claims incidental to the Company's business. The Company cannot estimate with certainty the ultimate legal and financial liability with respect to such pending litigation matters. However, the Company believes, based on an examination of such matters, that the ultimate liability will not have a material adverse effect on the financial position, results of operations or cash flows.

18. Subsequent Events (unaudited):

On September 21, 2006, the Company announced it had entered into an Agreement and Plan of Merger pursuant to which the Company will acquire the remaining 26.8% of the capital stock of SSG that it does not already own for approximately \$24 million. Under the terms of the merger agreement, a wholly-owned subsidiary of the Company will be merged with and into SSG, with SSG as the surviving corporation. Except for shares of SSG common stock held by the Company, any subsidiary of the Company or any dissenting shareholder, each issued and outstanding share of SSG's common stock will be converted into the right to receive \$8.80 in cash, without interest.

The merger requires the approval of the stockholders of SSG. Collegiate Pacific, which controls 73.2% of SSG's voting power, has agreed to vote its shares of SSG in favor of the merger at the SSG meeting of stockholders. The merger is also conditional, among other things, on the Company entering into a new credit facility with Merrill Lynch to finance the transaction.

ANNEX A
AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER

by and among

COLLEGIATE PACIFIC INC.,

CP MERGER SUB, INC.

and

SPORT SUPPLY GROUP, INC.

Dated as of September 20, 2006

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EXHIBITS

Exhibit A – Form of Option Surrender Agreement

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of September 20, 2006 (this "Agreement"), by and among Collegiate Pacific Inc., a Delaware corporation ("Parent"), CP Merger Sub, Inc., a Delaware corporation ("Merger Sub"), and Sport Supply Group, Inc., a Delaware corporation (the "Company").

A. The boards of directors of Parent, Merger Sub and the Company deem it advisable and in the best interests of their respective corporations and stockholders that Parent and the Company enter into a business combination pursuant to which Parent would acquire the issued and outstanding shares of the Company that it does not already own.

B. To effect such business combination, upon the terms and subject to the conditions set forth herein, Merger Sub will be merged with and into the Company with the Company continuing as the surviving entity in such merger as a direct wholly owned subsidiary of Parent (the "Merger").

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth in this Agreement, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I CERTAIN DEFINITIONS

As used in this Agreement, the following terms shall have the respective meanings set forth below:

"affiliate" of a specified person means a person who, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such specified person; provided that, for purposes of this Agreement, the Company and its Subsidiaries shall be deemed not to be affiliates of Parent and its Subsidiaries, and Parent and its Subsidiaries shall be deemed not to be affiliates of the Company and its Subsidiaries.

"Agreement" has the meaning set forth in the introductory paragraph of this Agreement.

"AMEX" means the American Stock Exchange.

"Book Entry Shares" has the meaning set forth in Section 3.3(b)(i).

"Business Day" means any day on which banks are not required or authorized to close in New York, New York or Dallas, Texas.

"Certificate" has the meaning set forth in Section 3.3(b)(i).

"Certificate of Merger" has the meaning set forth in Section 2.2.

"Change in the Company Recommendation" has the meaning set forth in Section 5.5(a).

"Closing" has the meaning set forth in Section 2.4.

"Closing Date" has the meaning set forth in Section 2.4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the introductory paragraph of this Agreement.

"Company Banker" has the meaning set forth in Section 4.1(h).

“Company Benefit Plan” means any “employee benefit plan” (within the meaning of Section 3(3) of ERISA), and any severance, change in control or employment plan, program or agreement, and vacation, incentive, bonus, stock option, stock purchase and restricted stock plan, program or policy and any other employee benefit plan, agreement, program or other arrangement sponsored or maintained by the Company, in which present or former employees thereof participate or the Company has any present or future or future liability.

“Company Common Stock” means common stock, par value \$0.01 per share, of the Company.

“Company Confidentiality Agreement” has the meaning set forth in Section 5.1(b).

“Company Disclosure Schedule” has the meaning set forth in Section 4.1.

“Company Financial Statements” has the meaning set forth in Section 4.1(f)(i).

“Company Indemnified Party” has the meaning set forth in Section 5.8(b).

“Company Material Adverse Effect” has the meaning set forth in Section 4.1(a).

“Company Option Plan” has the meaning set forth in Section 4.1(b)(i).

“Company Preferred Stock” means preferred stock, par value \$0.01 per share, of the Company.

“Company Recommendation” has the meaning set forth in Section 5.5(a).

“Company Stock Options” has the meaning set forth in Section 4.1(b)(i).

“Company Stockholder Approval” has the meaning set forth in Section 4.1(c)(i).

“Company Stockholders Meeting” has the meaning set forth in Section 5.5(a).

“Confidentiality Agreements” has the meaning set forth in Section 5.1(c).

“Contract” has the meaning set forth in Section 4.1(d)(i).

“Delaware Secretary” means the Secretary of State of the State of Delaware.

“DGCL” means the Delaware General Corporation Law, as amended.

“Dissenting Shares” has the meaning set forth in Section 3.3(f)(ii).

“Effective Time” has the meaning set forth in Section 2.2.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Exchange Agent” has the meaning set forth in Section 3.3(a).

“Exchange Fund” has the meaning set forth in Section 3.3(a).

“Expenses” has the meaning set forth in Section 7.3(b).

“Financing” has the meaning set forth in Section 4.2(i).

"Financing Letter" has the meaning set forth in Section 4.2(i).

"GAAP" means U.S. generally accepted accounting principles.

"Governmental Entity" means any supranational, national, state, municipal or local government, foreign or domestic, any instrumentality, subdivision, court, administrative agency or commission or other authority thereof, or any quasi-governmental body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority.

"knowledge" or "known" means, with respect to the Company, the actual knowledge of Terrence Babilla and Robert Mitchell.

"Letter of Transmittal" has the meaning set forth in Section 3.3(b)(i).

"Litigation Expenses" means all fees and expenses incurred after the date of this Agreement by the Company in defending any litigation brought by any stockholder of the Company challenging the Transactions, including without limitation reasonable fees and expenses of counsel (including fees and expenses of plaintiff's counsel if awarded by a court and fees and expenses of counsel for the Company's directors pursuant to the indemnification and advancement provisions of the Company's certificate of incorporation and bylaws), accountants, financial advisor, experts and consultants and judgments and amounts paid in settlement, provided that Parent shall have the opportunity to consult with the Company in the negotiation of any settlement and no amounts may be paid in settlement without Parent's advance approval, which approval will not be unreasonably withheld.

"Merger" has the meaning set forth in the recitals.

"Merger Consideration" has the meaning set forth in Section 3.1(b).

"Merger Sub" has the meaning set forth in the introductory paragraph of this Agreement.

"Merger Sub Common Stock" means the common stock, par value \$0.01 per share, of Merger Sub.

"Merrill Lynch Consent" has the meaning set forth in Section 6.2(d).

"MLBFS" has the meaning set forth in Section 4.2(i).

"Option Consideration" means, with respect to each Company Stock Option outstanding immediately prior to the Effective Time, an amount equal to the product of (a) the number of Outstanding Option Shares previously issuable immediately prior to the Effective Time pursuant to such Company Stock Option, multiplied by (b) the excess of (i) the Merger Consideration over (ii) the exercise price per share of Outstanding Option Shares previously issuable pursuant to such Company Stock Option.

"Option Surrender Agreement" has the meaning set forth in Section 3.3(b)(ii).

"other party" means, with respect to Parent or Merger Sub, the Company, and with respect to the Company, Parent and Merger Sub.

"Outstanding Option Shares" means, with respect to each Company Stock Option outstanding immediately prior the Effective Time, the number of shares of Company Common Stock issuable immediately prior to the Effective Time under such Company Stock Option to the extent that (i) such Company Stock Option has become vested and exercisable in accordance with its terms at the time of Closing (including Company Stock Options that vest and become exercisable as a result of the Merger) and (ii) the exercise price for each such share of Company Common Stock is less than the Merger Consideration.

"Parent" has the meaning set forth in the introductory paragraph of this Agreement.

"Parent Confidentiality Agreement" has the meaning set forth in Section 5.1(c).

"Parent Disclosure Schedule" has the meaning set forth in Section 4.2.

"Parent SEC Reports" has the meaning set forth in Section 4.2(d).

"person" means an individual, corporation, limited liability company, partnership, association, trust, unincorporated organization, other entity or group (as defined in the Exchange Act).

"Proxy Statement" has the meaning set forth in Section 5.4.

"Public Stockholders" means all of the holders of issued and outstanding shares of Company Common Stock, excluding Parent.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Solvent" shall mean, with respect to any person, that (a) the property of such person, at a fair valuation, exceeds the sum of its debts (including contingent and unliquidated debts); (b) the present fair saleable value of the property of such person exceeds the amount that will be required to pay such person's probable liability on its existing debts as they become absolute and matured; (c) such person does not have unreasonably small capital with which to conduct its business; and (d) such person does not intend or believe that it will incur debts beyond its ability to pay as they mature. In computing the amount of contingent or unliquidated liabilities at any time, such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become actual or matured liabilities.

"Special Committee" means the Special Committee of the Board of Directors of the Company.

"Subsidiary" means as the case may be, any entity, whether incorporated or unincorporated, of which the securities or other ownership interests having by their terms voting power to elect a majority of the board of directors or other persons performing similar functions is directly or indirectly owned or controlled by such person; provided, that under no circumstances shall the Company and its Subsidiaries be deemed to be Subsidiaries of Parent.

"Surviving Entity" has the meaning set forth in Section 2.1.

"Transactions" has the meaning set forth in Section 4.1(c)(i).

ARTICLE II THE MERGER

2.1 The Merger. Upon the terms and subject to the conditions contained in this Agreement, and in accordance with the DGCL, at the Effective Time, Merger Sub shall be merged with and into the Company, the separate corporate existence of Merger Sub shall thereupon cease, and the Company shall continue as the surviving entity (sometimes hereinafter referred to as the "Surviving Entity") and direct wholly owned subsidiary of Parent.

2.2 Effective Time of the Merger. As soon as practicable on the Closing Date, the Company shall file with the Delaware Secretary a certificate of merger with respect to the Merger (the "Certificate of Merger"), which Certificate of Merger shall be in such form as is required by, and executed and acknowledged in accordance with, the DGCL. The Merger shall become effective upon such filing or at such later date and time as Parent and the Company shall agree and shall be specified in the Certificate of Merger (the "Effective Time").

2.3 Effects of the Merger. The Merger shall have the effects set forth in this Agreement and the applicable provisions of the DGCL.

2.4 Closing. Upon the terms and subject to the conditions set forth in Article VI, the closing of the transactions contemplated by this Agreement (the "Closing") will take place at the offices of Vinson & Elkins L.L.P., 2001 Ross Avenue, Suite 3700, Dallas, Texas, 75201 at 10:00 a.m. on the date that is the second full AMEX trading day to occur after the date on which the satisfaction or waiver (subject to applicable law) of the conditions (excluding conditions that, by their nature, cannot be satisfied until the Closing Date) set forth in Article VI occurs, unless this Agreement has been theretofore terminated pursuant to its terms or unless another place, time or date is agreed to in writing by Parent and the Company (the date of the Closing, the "Closing Date").

2.5 Certificate of Incorporation of Surviving Entity. At the Effective Time, the certificate of incorporation of the Company shall be amended to read in its entirety as the certificate of incorporation of Merger Sub as in effect immediately prior to the Effective Time and as so amended shall be the certificate of incorporation of the Surviving Entity until thereafter amended as provided therein or by applicable law; provided, however, that the name of the Surviving Entity is "Sport Supply Group, Inc." and the provisions of the certificate of incorporation of the Company relating to the incorporator of the Company shall not be amended.

2.6 Bylaws of Surviving Entity. From and after the Effective Time, the bylaws of Merger Sub in effect immediately prior to the Effective Time shall be the bylaws of the Surviving Entity until thereafter amended as provided therein or by applicable law.

2.7 Directors and Officers. From and after the Effective Time, (a) the directors of Merger Sub immediately prior to the Effective Time shall be the directors of the Surviving Entity and (b) the officers of the Company immediately prior to the Effective Time shall be the officers of the Surviving Entity.

ARTICLE III CONVERSION OF SECURITIES

3.1 Effect of Merger on Capital Stock. At the Effective Time, subject and pursuant to the terms of this Agreement, by virtue of the Merger and without any further action on the part of the Company, Merger Sub or the holders of any shares of capital stock of Parent, the Company or Merger Sub:

(a) Conversion of Capital Stock of Merger Sub. Each share of capital stock of Merger Sub issued and outstanding immediately prior to the Effective Time shall remain outstanding and shall be converted into and shall represent one share of common stock, par value \$0.01 per share, of the Surviving Entity, so that, after the Effective Time, Parent shall be the holder of all of the issued and outstanding shares of the Surviving Entity's capital stock.

(b) Conversion of Company Common Stock. Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than shares held by Parent or any Subsidiary of the Company, and other than Dissenting Shares), shall, subject to Section 3.1(c), be converted into the right to receive from Parent \$8.80 in cash, without interest (the "Merger Consideration"). At the Effective Time, all shares of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than shares held by Parent or any Subsidiary of the Company, and other than Dissenting Shares) shall no longer be outstanding, and shall automatically be cancelled and retired and cease to exist, and each holder of a certificate representing any such shares of Company Common Stock shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration to be issued in consideration thereof upon the surrender of such certificate in accordance with Section 3.3, without interest.

(c) Adjustment for Dilution and Other Matters. If, between the date of this Agreement and the Effective Time, the outstanding shares of Company Common Stock shall have been changed into a different number of shares or a different class by reason of any reclassification, recapitalization, reorganization, split-up, stock dividend (including any dividend or distribution of securities convertible into, or exercisable or

exchangeable for, Company Common Stock), stock combination, exchange of shares, readjustment or otherwise, as the case may be, then the Merger Consideration shall be correspondingly adjusted.

(d) Shares Held by Parent, the Company or Subsidiaries. Each of the shares of Company Common Stock held by Parent or any Subsidiary of the Company or in the treasury of the Company immediately prior to the Effective Time shall be cancelled and retired and cease to exist as of the Effective Time, no Merger Consideration shall be issued in respect thereof and each holder of a certificate representing any such shares of Company Common Stock will cease to have any rights with respect thereto.

3.2 Treatment of Options. Prior to the Closing, the Company shall give notice in writing to each holder of a Company Stock Option that (a) all Company Stock Options outstanding immediately prior to the Effective Time shall vest and be exercisable immediately prior to the Effective Time and (b) each Company Stock Option that is not exercised prior to the Effective Time shall be converted into the right to receive the Option Consideration payable to the holder thereof in cash, without interest. From and after the Effective Time, each Company Stock Option shall only represent the right to receive the Option Consideration provided in this Section 3.2. The Company shall take such actions, including amending the Company Option Plan and stock option agreements, as may be required to accomplish the foregoing.

3.3 Exchange of Certificates and Options.

(a) Exchange Agent. Prior to the Closing Date, Parent shall select a bank or trust company reasonably acceptable to the Company to act as exchange agent in the Merger (the "Exchange Agent") on terms consistent with this Agreement. Prior to the Effective Time, Parent shall deposit with the Exchange Agent, for the benefit of the holders of shares of Company Common Stock and Company Stock Options, for payment in accordance with this Article III, through the Exchange Agent, cash in an amount sufficient to permit payment of the aggregate Merger Consideration payable pursuant to Section 3.1(b) and the aggregate Option Consideration pursuant to Section 3.2 (such cash, the "Exchange Fund"), for exchange for outstanding shares of Company Common Stock and Company Stock Options in accordance with this Article III. The Exchange Agent shall invest any cash included in the Exchange Fund in one or more bank accounts or in high-quality, short-term investments, as directed by Parent, on a daily basis. Any interest and other income resulting from such investments will be paid to Parent; provided that no such investment, or any loss resulting from any such investment shall affect Parent's obligation to pay the Merger Consideration and Option Consideration in accordance with Section 3.1(b) and Section 3.2. The Exchange Fund shall not be used for any other purpose. The Surviving Entity shall pay all the Expenses of the Exchange Agent other than any expenses customarily charged by the Exchange Agent in connection with lost, stolen or destroyed certificates.

(b) Exchange Procedures.

(i) As soon as reasonably practicable after the Effective Time, Parent shall cause the Exchange Agent to deliver to each record holder, as of the Effective Time, of (A) an outstanding certificate or certificates which immediately prior to the Effective Time represented shares of Company Common Stock (the "Certificates") or (B) shares of Company Common Stock represented by book-entry ("Book Entry Shares"), a letter of transmittal ("Letter of Transmittal") (which shall be in customary form and shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Exchange Agent or, in the case of Book-Entry Shares, upon adherence to the procedures set forth in the Letter of Transmittal, and which shall have such other provisions as the Surviving Entity may reasonably specify) and instructions for use in effecting the surrender of the Certificates or, in the case of Book Entry Shares, the surrender of such shares, for payment of the Merger Consideration therefor.

(ii) Within 20 days after the date of this Agreement, the Company shall distribute to each holder of a Company Stock Option (A) an option surrender agreement ("Option Surrender Agreement") in the form attached hereto as Exhibit A; and (B) instructions for use in effecting the surrender of such Company Stock Option in exchange for the Option Consideration.

(iii) Upon surrender to the Exchange Agent of a Certificate or Book Entry Shares, together with the Letter of Transmittal, duly completed and validly executed in accordance with the instructions

thereto, and such other documents as may be required pursuant to such instructions, the holder of such Certificate or Book-Entry Shares shall be entitled to receive in exchange therefore the Merger Consideration for each share formerly represented by such Certificate or Book-Entry Shares and such Certificate or Book-Entry Shares shall then be canceled. No interest shall be paid or accrued for the benefit of holders of the Certificates or Book-Entry Shares on the Merger Consideration payable in respect of the Certificates or Book-Entry Shares. If payment of the Merger Consideration is to be made to a person other than the person in whose name the surrendered Certificate is registered, it shall be a condition of payment that the Certificate so surrendered shall be properly endorsed or shall be otherwise in proper form for transfer and that the person requesting such payment shall have paid any transfer and other taxes required by reason of the payment of the Merger Consideration to a person other than the registered holder of the Certificate surrendered or shall have established to the satisfaction of the Surviving Entity that such taxes either have been paid or are not applicable. Until surrendered as contemplated hereby, each Certificate and each Book-Entry Share shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the applicable Merger Consideration as contemplated by this Article III.

(iv) After the Effective Time, (A) Parent shall cause the Surviving Entity to pay to each holder of a Company Stock Option who has surrendered such holder's Company Stock Option for cancellation, together with the Option Surrender Agreement, duly executed, and any other documents reasonably required by the Surviving Entity, Parent or the Exchange Agent, the Option Consideration which such holder has the right to receive pursuant to the provisions of Section 3.2, and the Company Stock Option so surrendered shall be canceled. Until surrendered in accordance with the provisions of this Section 3.3 each Company Stock Option shall be deemed at any time after the Effective Time to represent for all purposes only the right to receive the Option Consideration.

(c) No Further Ownership Rights.

(i) All Merger Consideration paid upon the surrender for exchange of shares of Company Common Stock in accordance with the terms of this Article III shall be deemed to have been paid in full satisfaction of all rights pertaining to such shares of Company Common Stock. From and after the Effective Time, the stock transfer books of the Company shall be closed with respect to the shares of Company Common Stock, and there shall be no further registration of transfers on the stock transfer books of the Company or the Surviving Entity of the shares of Company Common Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates or Book-Entry Shares are presented to the Surviving Entity for any reason, they shall be cancelled and exchanged as provided in this Article III.

(ii) The surrender of a Company Stock Option, together with a duly executed Option Surrender Agreement, in exchange for the Option Consideration shall be deemed a release of any and all rights the holder had or may have had in respect of such Company Stock Option.

(d) Tax Withholding. Parent, the Surviving Entity or the Exchange Agent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of Company Common Stock or Company Stock Options such amounts as Parent, the Surviving Entity or the Exchange Agent is required to deduct and withhold with respect to the making of such payment under the Code or any provision of state, local or foreign tax law. To the extent that amounts are so withheld or paid over to or deposited with the relevant Governmental Entity by Parent, the Surviving Entity or the Exchange Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Company Common Stock or Company Stock Options, as applicable, in respect of which such deduction and withholding was made by Parent, the Surviving Entity or the Exchange Agent.

(e) Termination of Exchange Fund. Any portion of the Exchange Fund that remains undistributed to the former holders of shares of Company Common Stock or Company Stock Options on the 180th day after the Effective Time shall be delivered to Parent, upon demand, and any former holders of shares of Company Common Stock or Company Stock Options that have not received the Merger Consideration or Option Consideration, respectively, to which they are entitled under this Article III shall thereafter look only to Parent for payment of their claim for such amounts.

(f) Dissenting Shares.

(i) With the Proxy Statement, the Company shall mail, via United States mail, postage prepaid, to each record holder of Company Common Stock (other than Parent) at the address for each record holder as it appears in the Company's books and records, written notice of such holder's appraisal rights pursuant to Section 262 of the DGCL. The Company shall give Parent prompt written notice of any demands for appraisal pursuant to Section 262 of the DGCL received by the Company, withdrawals of such demands and any other instruments served pursuant to the DGCL and received by the Company in connection therewith. No later than ten days following the date on which the Effective Time occurs, the Surviving Entity shall provide written notice of the consummation of the Merger to all dissenting holders of Company Common Stock who have filed a written objection to the Merger with the Company in accordance with Section 262 of the DGCL and who have not voted in favor of this Agreement and the Merger.

(ii) Notwithstanding any provision of this Agreement to the contrary, any issued and outstanding shares of Company Common Stock that are held immediately prior to the Effective Time by holders who have not voted in favor of this Agreement and the Merger and who have properly demanded and perfected the right, if any, for appraisal of such shares of Company Common Stock in accordance with the provisions of Section 262 of the DGCL and have not withdrawn or lost such right to appraisal (the "Dissenting Shares") shall not be converted into or represent a right to receive the Merger Consideration or any other amount, but the holders of such Dissenting Shares shall only be entitled, in lieu thereof, to receive payment of the fair value of such shares in accordance with the provisions of Section 262 of the DGCL. If a holder of shares of Company Common Stock who demands appraisal of such shares under the DGCL shall thereafter effectively withdraw or lose (through failure to perfect or otherwise) the right to appraisal with respect to such shares of Company Common Stock then each such share of Company Common Stock shall be deemed to have been converted, at the Effective Time, into and represent only the right to receive the Merger Consideration in accordance with this Article III, without any interest thereon, upon delivery of a duly completed and validly executed letter of transmittal, and such other documents as may be required pursuant to the instructions thereto, and the surrender of the Certificate or Certificates representing such shares of Company Common Stock to the Exchange Agent.

(g) No Liability. None of the Exchange Agent, Parent, Merger Sub or the Surviving Entity shall be liable to any holder of shares of Company Common Stock or a Company Stock Option for any amount of Merger Consideration or Option Consideration, as applicable, delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. Any amounts remaining unclaimed by holders of any such shares at such date as is immediately prior to the time at which such amounts would otherwise escheat to or become property of any Governmental Entity shall, to the extent permitted by applicable law, become the property of Parent, free and clear of any claims or interest of any such holders or their successors, assigns or personal representatives previously entitled thereto.

(h) Lost, Stolen or Destroyed Certificates. If any Certificate shall have been lost, stolen or destroyed, the holder of such lost, stolen or destroyed Certificate shall execute an affidavit of that fact upon request. The holder of any such lost, stolen or destroyed Certificate shall also deliver a reasonable indemnity and, if required by the Surviving Entity, post a bond or make payment of a reasonable amount as indemnity against any claim that may be made against the Surviving Entity or the Exchange Agent with respect to the Certificate alleged to have been lost, stolen or destroyed. The affidavit and any indemnity that may be required hereunder shall be delivered to the Exchange Agent, who shall be responsible for making payment for such lost, stolen or destroyed Certificate.

3.4 Further Assurances. If, at any time after the Effective Time, any such further action is necessary or desirable to carry out the purposes of this Agreement, or to vest, perfect or confirm of record or otherwise establish in the Surviving Entity full right, title and interest in, to or under any of the assets, property, rights, privileges, powers and franchises of the Company or Merger Sub, the officers and directors of the Surviving Entity are fully authorized in the name and on behalf of each of the Company and Merger Sub or otherwise to take all such lawful and reasonably necessary or desirable action.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of the Company. The Company represents and warrants to Parent and Merger Sub as follows (such representations and warranties being deemed to be made as of the date hereof and as of the Closing) (in each case as qualified by matters reflected on the disclosure schedule dated as of the date of this Agreement and delivered by the Company to Parent on or prior to the date of this Agreement (the "Company Disclosure Schedule") (each reference to such disclosure schedule qualifies the referenced representation and warranty to the extent specified therein and such other representations and warranties contained herein (regardless of whether or not such representation or warranty contains a reference to such disclosure schedule) to the extent a matter in such disclosure schedule is disclosed in such a way as to make its relevance to the information called for by such other representation or warranty readily apparent on its face)):

(a) Organization and Qualification. Each of the Company and its Subsidiaries is a corporation or other entity duly incorporated or organized, validly existing and, to the extent such concept is legally recognized, in good standing under the laws of the jurisdiction of its incorporation or organization, and has the requisite corporate or other power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. Each of the Company and its Subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, consents, certificates, approvals and orders necessary to own, lease and operate the properties it purports to own, operate or lease and to carry on its business as it is now being conducted, except where the failure to have such franchises, grants, authorizations, licenses, permits, easements, consents, certificates, approvals and orders would not reasonably be expected to, individually or in the aggregate, have a Company Material Adverse Effect. Each of the Company and its Subsidiaries is, as applicable, duly qualified or licensed as a foreign corporation to do business, and is in good standing, to the extent such concept is legally recognized, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except for such failures to be so duly qualified or licensed and in good standing that would not reasonably be expected to, either individually or in the aggregate, have a Company Material Adverse Effect. The Company has heretofore delivered to Parent complete and correct copies of the certificate of incorporation and bylaws, or equivalent organizational documents, of the Company and each of its Subsidiaries. "Company Material Adverse Effect" shall mean any result, change, event or effect that individually or in the aggregate with all such other results, changes, events or effects, (i) is materially adverse to the business, condition (financial or otherwise), assets, liabilities or results of operations of the Company and its Subsidiaries, taken as a whole, or (ii) would materially impair the ability of the Company to timely perform its obligations under this Agreement or prevent the consummation of the Transactions, in the case of each of clause (i) and (ii) excluding (A) changes in economic or regulatory conditions in the industries in which the Company carries on business as of the date hereof, and changes in general economic, regulatory or political conditions, including, without limitation, acts of war or terrorism (except for any changes referred to in this subclause which, individually or in the aggregate, disproportionately affect the business, condition (financial or otherwise), assets, liabilities or results of operations of the Company and its Subsidiaries, taken as a whole, in any material respect as compared to other industry participants), and (B) changes resulting from the announcement of the Transactions and any other public announcement of Parent during the term of this Agreement to the extent not covered in any other public announcement of the Company during the term of this Agreement or based upon information provided to Parent by the Company.

(b) Capitalization.

(i) As of the date hereof, the authorized capital stock of the Company consists of 20,000,000 shares of Company Common Stock and 100,000 shares of Company Preferred Stock. As of September 15, 2006, (A) 9,414,864 shares of Company Common Stock were issued, of which 8,963,991 shares were outstanding and 450,873 shares were held in the treasury of the Company, (B) no shares of Company Preferred Stock were issued and outstanding and (C) 2,000,000 shares of Company Common Stock were reserved for issuance upon exercise of options to purchase shares of Company Common Stock granted under the Amended and Restated Stock Option Plan of the Company (the "Company Option Plan"). Except as set forth in this Section 4.1(b) or as disclosed in Section 4.1(b) of the Company Disclosure Schedule there are no options, warrants or other rights to acquire (including through the conversion or exchange of securities) capital stock from the Company other than

the options, representing in the aggregate the right to purchase 488,867 shares of Company Common Stock under the Company Option Plan (the "Company Stock Options"). Since September 15, 2006, the Company has not issued any shares of its capital stock, or any securities convertible into or exercisable for any shares of its capital stock, other than shares of Company Common Stock pursuant to the exercise of Company Stock Options granted prior to such date. Section 4.1(b)(i) of the Company Disclosure Schedule sets forth a list, as of the date of this Agreement, of all outstanding Company Stock Options granted under the Company Option Plan, and, for each such option: (1) the number of shares of Company Common Stock subject thereto; (2) the date of grant; (3) the expiration date; (4) the exercise price thereof; (5) the number of options that have vested; and (6) the applicable vesting and acceleration provisions. All outstanding shares of Company Common Stock are, and all such shares that may be issued prior to the Effective Time will be when issued, duly authorized, validly issued and fully paid and nonassessable. There are no preemptive or other similar rights available to the existing holders of Company Common Stock.

(ii) Section 4.1(b)(ii) of the Company Disclosure Schedule sets forth a list of each Subsidiary of the Company. All of the outstanding shares of capital stock or other ownership interests in each of the Company's Subsidiaries have been validly issued, and are fully paid, nonassessable and, except as disclosed in Section 4.1(b)(ii) of the Company Disclosure Schedule, are owned by the Company or another Subsidiary of the Company free and clear of all liens, security interests or other encumbrances of any kind or nature whatsoever, and are not subject to preemptive rights. Except as disclosed in Section 4.1(b)(ii) of the Company Disclosure Schedule and except for short-term investments of liquid securities, the Company does not directly or indirectly own any equity or similar interest in, or any interest convertible or exchangeable or exercisable for any equity or similar interest in, any person and all of such investments are owned free and clear of all liens, security interests or other encumbrances of any kind or nature whatsoever.

(iii) Except as described in Sections 4.1(b)(i) and (ii) hereof: (A) no shares of capital stock or other equity securities of the Company are authorized, issued or outstanding, or reserved for issuance, and there are no options, warrants or other rights (including registration rights), agreements, arrangements or commitments of any character to which the Company or any of its Subsidiaries is a party relating to the issued or unissued capital stock or other equity interests of the Company or any of its Subsidiaries, requiring the Company or any of its Subsidiaries to grant, issue or sell any shares of the capital stock or other equity interests of the Company or any of its Subsidiaries by sale, lease, license or otherwise; (B) neither the Company nor its Subsidiaries have any obligations, contingent or otherwise, to repurchase, redeem or otherwise acquire any shares of the capital stock or other equity interests of the Company or its Subsidiaries; (C) neither the Company nor any of its Subsidiaries, directly or indirectly, has agreed to purchase or otherwise acquire, the capital stock or other equity interests of, or any interest convertible into or exchangeable or exercisable for such capital stock or such equity interests, of any person; and (D) there are no voting trusts, proxies or other agreements or understandings to or by which the Company or any of its Subsidiaries is a party or is bound with respect to the transfer or voting of any shares of capital stock or other equity interests of the Company or any of its Subsidiaries.

(iv) No bonds, debentures, notes or other indebtedness of the Company having the right to vote (whether currently or upon the occurrence of an event) on any matters on which stockholders of the Company or any of its Subsidiaries may vote are issued or outstanding or subject to issuance.

(c) Authority Relative to this Agreement; Board Approval.

(i) The Company has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and, subject to obtaining the Company Stockholder Approval, to consummate the transactions contemplated by this Agreement (the "Transactions"). The execution and delivery of this Agreement by the Company and the consummation by the Company of the Transactions have been duly and validly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the Transactions (other than obtaining the Company Stockholder Approval). This Agreement has been duly and validly executed and delivered by the Company and, subject to obtaining the Company Stockholder Approval and assuming the due authorization, execution and delivery by the other parties hereto, constitutes the legal and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to (A) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to creditors rights generally and (B) the availability of specific performance or injunctive relief and other equitable remedies. The affirmative vote

(in person or by proxy) of the holders of a majority of the outstanding shares of Company Common Stock at the Company Stockholders Meeting or any adjournment or postponement thereof in favor of the adoption of this Agreement (the "Company Stockholder Approval") is the only vote or approval of the holders of any class or series of capital stock of the Company or any of its Subsidiaries that is necessary to adopt and approve this Agreement and approve the Transactions.

(ii) The Board of Directors of the Company, based on the approval and recommendation of the Special Committee (which approval and recommendation was a condition to the approval of the Company's Board of Directors set forth in clause (A) of this sentence) has, by resolutions duly adopted by the directors and not subsequently rescinded or modified in any way prior to the date hereof, unanimously (A) approved this Agreement and the Transactions in accordance with the requirements of the DGCL, (B) determined that the Transactions are fair to and in the best interests of the Public Stockholders, and (C) recommended that the stockholders of the Company approve this Agreement and approve the Transactions.

(d) No Conflict; Required Filings and Consents.

(i) The execution and delivery of this Agreement by the Company do not, and the performance of its obligations hereunder and the consummation of the Transactions by the Company will not, (A) conflict with or violate the certificate of incorporation, bylaws or equivalent organizational documents of the Company or any of its Subsidiaries; (B) subject to obtaining the Company Stockholder Approval and compliance with the requirements set forth in Section 4.1(d)(ii), conflict with or violate any law, rule, regulation, order, judgment or decree applicable to the Company or any of its Subsidiaries or by which any of their respective properties is bound or affected; or (C) except as set forth in Section 4.1(d)(i) of the Company Disclosure Schedule, result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or alter the rights or obligations of any third party or the Company or its Subsidiaries under, or give to others any rights of termination, amendment, acceleration, increased payments or cancellation of, or result in the creation of a lien or other encumbrance on any of the properties or assets of the Company or any of its Subsidiaries pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation (each, a "Contract") to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or any of their respective properties are bound or affected, except, in the case of clause (B) or (C) above, for any such conflicts, violations, breaches or defaults that would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. Except as set forth in Section 4.1(d)(i) of the Company Disclosure Schedule, there are no consents, waivers and approvals under any Contracts required to be obtained by the Company or its Subsidiaries in connection with their entering into this Agreement or the consummation of the Transactions other than such consents, waivers and approvals for which the failure to obtain would not be reasonably likely to have a Company Material Adverse Effect.

(ii) The execution and delivery of this Agreement by the Company do not, and the performance of its obligations hereunder and the consummation of the Transactions by the Company will not, require any consent, approval, authorization or permit of, or registration or filing with or notification to, any Governmental Entity, except (A) the filing of documents to satisfy the applicable requirements, if any, of the Exchange Act or state securities or takeover laws, (B) the filing of the Certificate of Merger with the Delaware Secretary and appropriate corresponding documents with the Secretary of State of other states in which the Company is qualified to transact business as a foreign corporation, (C) filings under the rules and regulations of the National Association of Securities Dealers, Inc., and (D) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications would not reasonably be expected to, individually or in the aggregate, have a Company Material Adverse Effect.

(e) Compliance with Laws. Except as set forth in Section 4.1(e) of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries is in conflict with, or in default or violation of (i) any law, rule, regulation, order, judgment or decree applicable to the Company or any of its Subsidiaries or by which any of their respective properties is bound, or (ii) whether after the giving of notice or passage of time or both, any Contract to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or any of their respective properties is bound, except in the case of each of clause (i) and (ii) for any such conflicts, defaults or violations that do not and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. Except as set forth on Section 4.1(e) of the Company

Disclosure Schedule, as of the date of this Agreement, no investigation or review by any Governmental Entity with respect to the Company or any of its Subsidiaries is pending or, to the knowledge of the Company as of the date of this Agreement, is threatened, other than those the outcome of which would not be reasonably expected to result in material liability to the Company and its Subsidiaries, taken as a whole.

(f) Financial Statements; Controls and Procedures.

(i) The Company has delivered to Parent true, complete and correct copies of (A) the audited consolidated balance sheet of the Company as of March 31, 2005, the related audited consolidated statements of income, cash flows and stockholders' equity of the Company for the fiscal year ended March 31, 2005 and the related notes thereto, accompanied by a true and correct copy of the report thereon of BDO Seidman, LLP, independent public accountants, and (B) the unaudited consolidated balance sheet of the Company as of June 30, 2006, together with the related unaudited consolidated income statement and cash flow statement of the Company for the twelve months ended June 30, 2006 (such audited and unaudited consolidated financial statements collectively being referred to herein as the "Company Financial Statements"), prepared on a basis, and using principles, consistent with the preparation of the audited Company Financial Statements. The Company Financial Statements, together with the notes thereto, have been prepared in accordance with GAAP (except that the unaudited Company Financial Statements do not contain all footnotes required under GAAP and are subject to normal year-end adjustments, none of which are expected to be, individually or in the aggregate, material) applied on a consistent basis throughout the periods covered thereby (except to the extent disclosed therein or required by changes in GAAP) and fairly present in all material respects the consolidated financial condition and results of operations and cash flows of the Company and its Subsidiaries as of the respective dates thereof and for the respective periods covered thereby.

(ii) Each of the Company and its Subsidiaries maintains accurate books and records reflecting its assets and liabilities and maintains adequate internal accounting controls that provide assurance that (A) transactions are executed with management's authorization, (B) transactions are recorded as necessary to permit preparation of the consolidated financial statements of the Company and to maintain accountability for the Company's consolidated assets, (C) access to the Company's assets is permitted only in accordance with management's authorization, (D) the reporting of the Company's assets is compared with existing assets at regular intervals, and (E) accounts, notes and other receivables and inventory are recorded accurately, and adequate procedures are implemented to effect the collection thereof on a current and timely basis.

(iii) The Company is not required to file any reports or other documents with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act.

(g) Proxy Statement. None of the information supplied or to be supplied by the Company in writing specifically for inclusion or incorporation by reference in the Proxy Statement will, at the date the Proxy Statement is mailed to the stockholders of the Company and as of the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, the Company makes no representation or warranty with respect to any information provided by or required to be provided by Parent or Merger Sub specifically for use in the Proxy Statement.

(h) Brokers. Other than Marshall & Stevens, Inc. (the "Company Banker"), no broker, finder or investment banker is entitled to any brokerage, finders' or other fee or commission in connection with the Merger and the other Transactions based upon arrangements made by or on behalf of the Company or the Special Committee. The Company heretofore has furnished to Parent a complete copy of all agreements between the Company Banker and the Company or the Special Committee pursuant to which such firm would be entitled to any payment relating to the Merger and the Transactions.

(i) Opinion of Financial Advisor. The Special Committee and the Company's Board of Directors have received the written opinion, dated September 20, 2006, of the Company Banker to the effect that, as of September 20, 2006, the Transactions are fair to the Public Stockholders from a financial point of view pursuant to the terms and subject to the conditions set forth in this Agreement, and a copy of such opinion has

been delivered to Parent. The Company has obtained all necessary consents from the Company Banker to include such opinion in the Proxy Statement.

(j) Employee Benefit Plans. Except as set forth in Section 4.1(j) of the Company Disclosure Schedule, neither the execution and delivery of this Agreement nor the consummation of the Transactions (or any termination of employment in connection with the Transactions) will (i) result in any payment becoming due to any current or former director or employee of the Company or any of its affiliates from the Company or any of its affiliates under any Company Benefit Plan or otherwise, (ii) increase any benefits otherwise payable under any Company Benefit Plan or (iii) result in any acceleration of the time of payment or vesting of any such benefits, except for any payments or vesting which would occur upon a termination of employment absent the consummation of the Transactions or which arise under any plan, agreement or arrangement offered or maintained by Parent.

(k) Litigation. Except as disclosed in Section 4.1(k) of the Company Disclosure Schedule, there are no claims, actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries, before any court, arbitrator or administrative, governmental or regulatory authority or body, domestic or foreign, that, individually or in the aggregate, would have, or would reasonably be expected to have, a Company Material Adverse Effect.

(l) Absence of Certain Changes or Events. Except as contemplated by this Agreement or as disclosed in Section 4.1(l) of the Company Disclosure Schedule, since June 30, 2006, the Company and its Subsidiaries have conducted their respective businesses only in the ordinary course and consistent with prior practice and there has not been any event, occurrence, fact, condition, change, development or effect that, individually or in the aggregate, would have, or would reasonably be expected to have, a Company Material Adverse Effect.

(m) No Undisclosed Material Liabilities. Except as disclosed in Schedule 4.1(m) of the Company Disclosure Schedule, as of the date of this Agreement, there are no liabilities of the Company or any of its Subsidiaries of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, other than: (i) liabilities adequately provided for on the balance sheet of the Company dated as of June 30, 2006 (including the notes thereto); (ii) liabilities incurred in the ordinary course of business consistent with past practices subsequent to June 30, 2006; (iii) liabilities for fees and expenses incurred in connection with the transactions contemplated by this Agreement; (iv) liabilities that, in the aggregate, are immaterial to the financial condition or operating results of the Company and its Subsidiaries, taken as a whole; and (v) obligations specifically set forth under this Agreement.

4.2 Representations and Warranties of Parent and Merger Sub. Parent and Merger Sub jointly and severally represent and warrant to the Company as follows (such representations and warranties being deemed to be made as of the date hereof and as of Closing) (in each case as qualified by matters reflected on the disclosure schedule dated as of the date of this Agreement and delivered by Parent to the Company on or prior to the date of this Agreement (the "Parent Disclosure Schedule") (each reference contained herein to such disclosure schedule qualifies the referenced representation and warranty to the extent specified therein and such other representations and warranties contained herein (regardless of whether or not such representation or warranty contains a reference to such disclosure schedule) to the extent a matter in such disclosure schedule is disclosed in such a way as to make its relevance to the information called for by such other representation or warranty readily apparent on its face)):

(a) Organization. Each of Parent and its Subsidiaries (including Merger Sub) has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, and has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted.

(b) Authority Relative to this Agreement; Board Approval.

(i) Each of Parent and Merger Sub has all necessary corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and to consummate the Transactions. The execution and delivery of this Agreement by Parent and Merger Sub and the consummation by Parent and

Merger Sub of the Transactions have been duly and validly authorized by all necessary corporate action on the part of Parent and Merger Sub and no other corporate proceedings on their part are necessary to authorize this Agreement, or to consummate the Transactions. This Agreement has been duly and validly executed and delivered by Parent and Merger Sub and, assuming the due authorization, execution and delivery by the Company, constitutes the legal and binding obligation of Parent and Merger Sub, enforceable against them in accordance with its terms, subject to (A) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting or relating to creditors rights generally and (B) the availability of specific performance or injunctive relief and other equitable remedies.

(ii) The Board of Directors of Parent has, by resolutions duly adopted by the directors and not subsequently rescinded or modified in any way prior to the date hereof, unanimously (A) determined that this Agreement, the Merger, in accordance with the terms of this Agreement, and the other Transactions are advisable and in the best interests of Parent and its stockholders, and (B) approved and adopted this Agreement, approved the Transactions in accordance with the requirements of the DGCL.

(iii) Parent, as the owner of all of the issued and outstanding shares of Merger Sub, has approved and adopted this Agreement and will, immediately after the execution of this Agreement, approve the Merger in its capacity as the sole stockholder of Merger Sub.

(c) No Conflict; Required Filings and Consents.

(i) The execution and delivery of this Agreement by Parent and Merger Sub do not, and the performance of their respective obligations hereunder and the consummation of the Transactions by them will not, (A) conflict with or violate their respective certificates of incorporation, bylaws or equivalent organizational documents; or (B) subject to compliance with the requirements set forth in Section 4.2(c)(ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Parent or Merger Sub or by which any of their respective properties are bound or affected. Except as set forth in Section 4.2(c)(i) of the Parent Disclosure Schedule, there are no consents, waivers and approvals under any Contracts required to be obtained by Parent or Merger Sub in connection with entering into of this Agreement or the consummation of the Transactions other than such consents, waivers and approvals for which the failure to obtain would not (A) be materially adverse to the business, financial condition or results of operations of Parent and its Subsidiaries, taken as a whole, (B) materially impair the ability of Parent to timely perform its obligations under this Agreement or (C) prevent the consummation of the Transactions.

(ii) The execution and delivery of this Agreement by Parent and Merger Sub do not, and the performance of their respective obligations hereunder and the consummation of the Transactions by them will not, require any consent, approval, authorization or permit of, or registration or filing with or notification to, any Governmental Entity, except (A) the filing of documents to satisfy the applicable requirements, if any, of the Exchange Act or state takeover laws, (B) the filing of the Certificate of Merger with the Delaware Secretary and appropriate corresponding documents with the Secretary of State of other states in which the Company is qualified to transact business as a foreign corporation and (C) filings under the rules and regulations of the AMEX.

(d) SEC Filings; Financial Statements.

(i) Parent has made available to the Company a correct and complete copy of each report, schedule, registration statement and definitive proxy statement filed by Parent with the SEC on or after July 1, 2004 and prior to the date of this Agreement (the "Parent SEC Reports"), which are all the forms, reports and documents required to be filed by Parent with the SEC since such date. As of their respective dates, the Parent SEC Reports (A) complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable thereto, and (B) did not at the time they were filed (or if amended or superseded by a filing prior to the date of this Agreement then on the date of such filing) contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

(ii) Each of the consolidated financial statements (including, in each case, any related notes thereto) contained in the Parent SEC Reports complied as to form in all material respects with

applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, were prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q or the Exchange Act regulations promulgated by the SEC) and each fairly presented the consolidated financial position of Parent and its consolidated Subsidiaries in all material respects as at the respective dates thereof and the consolidated results of its operations and cash flows for the periods indicated (subject, in the case of the unaudited interim financial statements, to normal audit adjustments which were not and are not expected, individually or in the aggregate, to be material in amount).

(iii) Each of Parent and its Subsidiaries maintains accurate books and records reflecting its assets and liabilities and maintains adequate internal accounting controls that provide assurance that (A) transactions are executed with management's authorization, (B) transactions are recorded as necessary to permit preparation of the consolidated financial statements of Parent and to maintain accountability for Parent's consolidated assets, (C) access to Parent's assets is permitted only in accordance with management's authorization, (D) the reporting of Parent's assets is compared with existing assets at regular intervals, and (E) accounts, notes and other receivables and inventory are recorded accurately, and adequate procedures are implemented to effect the collection thereof on a current and timely basis.

(e) Proxy Statement. None of the information supplied or to be supplied by Parent in writing specifically for inclusion or incorporation by reference in the Proxy Statement will, at the date the Proxy Statement is mailed to the stockholders of the Company and as of the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, Parent makes no representation or warranty with respect to any information provided by or required to be provided by the Company and/or by its auditors, legal counsel, financial advisors or other consultants or advisors specifically for use in the Proxy Statement.

(f) Brokers. Other than Bernstein, Conklin & Balcombe, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Merger and the other Transactions based upon arrangements made by or on behalf of Parent or Merger Sub.

(g) Interim Operations of Merger Sub. Merger Sub is a direct wholly-owned Subsidiary of Parent. Merger Sub was formed solely for the purpose of engaging in the Merger and the Transactions, has engaged in no other business activities and has conducted its operations only as contemplated hereby.

(h) Ownership of Company Common Stock. As of the date hereof, Parent owns directly 6,562,931 shares of Company Common Stock. No Subsidiary of Parent, including Merger Sub, owns any shares of Company Common Stock.

(i) Sufficient Funds. As of the date of this Agreement, Parent has obtained from Merrill Lynch Business Financial Services ("MLBFS"), a proposal (the "Financing Letter"), subject to the terms and conditions set forth therein, to provide Parent with debt financing in an amount adequate to enable Parent to pay the Merger Consideration in full and to make any other payments necessary to consummate the Transactions (the "Financing"). Parent has no reason to believe that any conditions to the Financing will not be satisfied or that the Financing will not be available on a timely basis for the Transactions. A true and complete copy of the Financing Letter has been furnished to the Company.

(j) Solvency. Parent and Merger Sub are not entering into the Transactions with actual intent to delay, hinder or defraud present or future creditors. Immediately after the Closing, Parent and the Surviving Entity will be Solvent.

ARTICLE V
COVENANTS RELATING TO CONDUCT OF BUSINESS

5.1 Information and Access.

(a) From the date of this Agreement and continuing until the Effective Time, Parent, as to itself and Merger Sub, on the one hand, and the Company, as to itself and its Subsidiaries, on the other hand, each agrees that it shall afford and, with respect to clause (ii) below, shall cause its independent auditors to afford, (i) to the officers, independent auditors, counsel and other representatives of the other reasonable access, upon reasonable advance notice, to its (and its Subsidiaries') properties, books, records (including tax returns filed and those in preparation) and executives and personnel in order that the other may have a full opportunity to make such investigation as it reasonably desires to make of the other consistent with their rights under this Agreement, and (ii) to the independent auditors of the other, reasonable access to the audit work papers and other records of its independent auditors. No investigation pursuant to this Section 5.1 shall affect or otherwise obviate or diminish any representations and warranties of any party or conditions to the obligations of any party. No party shall be required to provide access to or to disclose information where such access or disclosure would violate or prejudice the rights of its customers, jeopardize the attorney-client privilege or the institution in possession or control of such information or contravene any law, rule, regulations, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date of this Agreement. The parties hereto will make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

(b) The Company shall hold all information furnished by or on behalf of Parent and Merger Sub, or their respective representatives pursuant to Section 5.1(a) in confidence in accordance with the provisions of the Confidentiality Agreement, dated August 31, 2005, between Parent and the Company (the "Company Confidentiality Agreement").

(c) Parent shall hold all information furnished by or on behalf of the Company and its representatives pursuant to Section 5.1(a) in confidence in accordance with the provisions of the Confidentiality Agreement, dated September 1, 2005, between Parent and the Company (the "Parent Confidentiality Agreement") and, together with the Company Confidentiality Agreement, the "Confidentiality Agreements").

(d) Each of Parent and Merger Sub, on the one hand, and the Company, on the other, agrees that, except to the extent and as expressly covered by a representation and warranty contained in this Agreement, neither the other party nor any of its representatives or affiliates has made and shall not be deemed to have made to such party or to any of its representatives or affiliates any representation or warranty of any kind. Without limiting the generality of the foregoing, each party agrees that, except to the extent and as expressly covered by a representation and warranty contained in Article IV of this Agreement, neither the other party nor any of its affiliates makes or has made any representation or warranty to such party or to any of its representatives or affiliates with respect to:

(i) any projections, forecasts, estimates, plans or budgets of future revenues, expenses or expenditures, future results of operations (or any component thereof), future cash flows (or any component thereof) or future financial condition (or any component thereof) of the other party or any of its Subsidiaries or the future business, operations or affairs of the other party or any of its Subsidiaries heretofore or hereafter delivered to or made available to such party or its counsel, accountants, advisors, lenders, representatives or affiliates; and

(ii) any other information, statement or documents heretofore or hereafter delivered to or made available to such party or its counsel, accountants, advisors, lenders, representatives or affiliates with respect to the other party or any of its Subsidiaries or the business, operations or affairs of the other party or any of its Subsidiaries.

5.2 Conduct of Business of the Company. Except as contemplated by this Agreement (including Section 5.2 of the Company Disclosure Schedule) or as required by applicable law, during the period from the date of this Agreement and continuing until the Effective Time or until the termination of this Agreement pursuant to Section 7.1, (a) the Company and its Subsidiaries shall conduct their respective businesses in the ordinary and usual

course consistent with past practice and in compliance with all applicable laws and regulations, and (b) without limiting the provisions of clause (a) in this paragraph, neither the Company nor any of its Subsidiaries shall without the prior written consent of Parent:

(i) declare, set aside or pay any dividends on or make any other distribution in respect of any of its capital stock, except dividends or distributions declared and paid by a wholly-owned Subsidiary of the Company only to the Company or another wholly-owned Subsidiary of the Company;

(ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance or authorization of any other securities in respect of, in lieu of, or in substitution for shares of its capital stock or repurchase, redeem or otherwise acquire any shares of its capital stock;

(iii) (A) issue, deliver, pledge, encumber or sell, or authorize or propose the issuance, delivery, pledge, encumbrance or sale of, or purchase or propose the purchase of, any shares of its capital stock or securities convertible into, or rights, warrants or options to acquire, any such shares of capital stock or other convertible securities other than (1) the issuance of such capital stock to the Company or a wholly-owned Subsidiary of the Company, or (2) the issuance of capital stock upon the exercise or conversion of outstanding options in accordance with the Company Option Plan in effect on the date of this Agreement or other convertible or exchangeable securities outstanding on the date hereof, in each case in accordance with its present terms; or (B) amend any of the financial or other economic terms of such securities or the financial or other economic terms of any agreement relating to such securities;

(iv) amend its certificate of incorporation, bylaws or other organizational documents in any manner;

(v) take any action that would reasonably be expected to result in any of the conditions to the Transactions set forth in Article VI not being satisfied;

(vi) merge or consolidate with any other person, or acquire any assets or capital stock of any other person, other than acquisitions of assets in the ordinary course of business, such as for inventory or relating to the ordinary operations of the Company;

(vii) sell, lease, encumber or otherwise dispose of, or agree to sell or otherwise dispose of, any of its respective assets or properties other than: (A) sales or other dispositions of inventory in the ordinary course of business consistent with past practice, (B) sales or other dispositions of assets (other than inventory) in the ordinary course of business consistent with past practice that are not material, individually or in the aggregate, to the Company and its Subsidiaries taken as a whole;

(viii) incur any indebtedness for money borrowed or guarantee any such indebtedness of another person or increase indebtedness for money borrowed outstanding under any current agreement relating to indebtedness for money borrowed, except as disclosed on Section 5.2 of the Company Disclosure Schedule or in the ordinary course of business;

(ix) make or authorize any capital expenditures of the Company and its Subsidiaries taken as a whole, other than capital expenditures that are part of the Company's then existing budget, which has previously been approved by the Company in the ordinary course, or in the ordinary course of business, consistent with past practice;

(x) authorize, recommend, propose or announce an intention to adopt a plan of complete or partial liquidation or dissolution of the Company;

(xi) change any method, practice or principle of accounting, or change in any material respect its methods of reporting income and deductions for United States federal income tax purposes from those employed in the preparation of its federal income tax returns for the year ended October 31, 2005 except as may be required by changes in applicable law, GAAP or regulation;

(xii) enter into any new employment agreements, or increase the compensation of any officer or director of the Company or any senior executive of any of its Subsidiaries or operating units (including entering into any bonus, severance, change of control, termination, reduction-in-force or consulting agreement or other employee benefits arrangement or agreement pursuant to which such person has the right to any form of compensation from the Company or any of its Subsidiaries), other than annual sales bonus plans, annual bonuses, awards, vesting accelerations and salary increases in the ordinary course of business consistent with past practice and other than as required by law or by written agreements in effect on the date hereof with such person, or otherwise amend in any material respect any existing agreements with any such person;

(xiii) become obligated under any new Company Benefit Plan which was not in existence on the date of this Agreement, use its discretion to amend any Company Benefit Plan in existence on the date of this Agreement or accelerate the vesting or any payment under any Company Benefit Plan other than annual sales bonus plans, annual bonuses, awards, vesting accelerations and salary increases in the ordinary course of business consistent with past practice and other than as required by law or by written agreements in effect on the date hereof with such person, or otherwise amend in any material respect any existing agreements with any such person;

(xiv) enter into any transaction with any current or former officer or director of the Company other than the Transactions or any senior executive of any of its Subsidiaries or operating units, other than as provided for in the terms of any agreement in effect on or prior to the date hereof as provided in this Section 5.2 or as otherwise described in Section 5.2 of the Company Disclosure Schedule;

(xv) modify, terminate or amend in any material respect any material Contract or enter into any material Contract (other than in connection with any action that is expressly permitted in this Section 5.2) other than modifications and terminations in the ordinary course that would not cause a Company Material Adverse Effect;

(xvi) settle or otherwise compromise any material litigation, arbitration or other judicial or administrative dispute or proceeding relating to the Company or any of its Subsidiaries other than settlements in the ordinary course of business; or

(xvii) authorize or enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

5.3 Conduct of Business of Parent. Except as contemplated by this Agreement (including the Parent Disclosure Schedule) and agreements described in any Parent SEC Report, during the period from the date of this Agreement and continuing until the Effective Time or until the termination of this Agreement pursuant to Section 7.1, Parent shall not, without the prior written consent of the Company take any action that would reasonably be expected to result in any of the conditions to the Transactions set forth in Article VI not being satisfied.

5.4 Preparation of Proxy Statement. Parent and the Company shall cooperate in preparing a proxy statement relating to the Company Stockholders Meeting (as amended or supplemented from time to time, the "Proxy Statement"). The Company shall use its reasonable best efforts to cause the Proxy Statement in definitive form to be mailed to the Company's stockholders sufficiently in advance of (and in no event less than 20 days prior to) the Company Stockholders Meeting. No amendment or supplement to the Proxy Statement will be made by the Company or Parent without the prior approval of the other party, except as required by applicable laws and then only to the extent necessary, or without providing the other party the opportunity to review and comment thereon. If, at any time prior to the Effective Time, any information relating to the Company or Parent, or any of their respective affiliates, officers or directors should be discovered by the Company or Parent which should be set forth in an amendment or supplement to the Proxy Statement so that any of such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or an event occurs which is required to be set forth in an amendment or supplement to the Proxy Statement, the party that discovers such information shall promptly notify the other party and an amendment or supplement describing such information shall be, to the extent required by law, disseminated to the Company's stockholders. Except under the circumstances described in Section 5.5(b),

the Proxy Statement shall include the Company Recommendation; provided that the Board of Directors of the Company will not recommend approval and adoption of this Agreement and the Transactions without the approval of the Special Committee.

5.5 Company Stockholder Approval.

(a) The Company shall duly take all lawful action to call, give notice of, convene and hold a meeting of the Company's stockholders (the "Company Stockholders Meeting") as promptly as practicable (but in no event prior to the 20th day after the mailing of the Proxy Statement) for the purpose of obtaining the Company Stockholder Approval and shall take all lawful action to solicit the Company Stockholder Approval. Except under the circumstances described in Section 5.5(b), the Board of Directors of the Company (acting upon the recommendation of the Special Committee) shall recommend the adoption of the plan of merger contained in this Agreement by the Company stockholders to the effect as set forth in Section 4.1(c)(ii) (the "Company Recommendation"), and, shall not, subject to Section 5.5(b), (i) withdraw, modify or qualify (or propose to withdraw, modify or qualify) in any manner adverse to Parent the Company Recommendation or (ii) take any action or make any statement in connection with the Company Stockholders Meeting inconsistent with the Company Recommendation (collectively, a "Change in the Company Recommendation").

(b) Notwithstanding anything to the contrary contained in this Agreement, the Board of Directors of the Company (acting upon the recommendation of the Special Committee) or the Special Committee may make a Change in the Company Recommendation which shall result in the termination of this Agreement if the Special Committee determines in good faith (after consultation with its financial and legal advisors) that the Change in the Company Recommendation and termination of this Agreement is necessary for the Special Committee to comply with its fiduciary obligations to the Public Stockholders under applicable laws.

(c) Parent agrees that at the Company Stockholders Meeting, Parent shall (i) appear, in person or by proxy, so that all shares of the Company owned directly or indirectly by it are counted for the purpose of obtaining a quorum at the Company Stockholders Meeting, and at any adjournment or adjournments thereof, and (ii) vote, in person or by proxy, with respect to all such shares of the Company owned directly or indirectly by it to adopt this Agreement. If this Agreement is subsequently amended or if a subsequent consent is deemed necessary to consummate the Transactions contemplated by this Agreement, then Parent shall as soon thereafter as practicable either at a meeting of the Company's stockholders at which any proposal to adopt this Agreement, as amended, is proposed, cause all shares of Company Common Stock owned directly or indirectly by it on the date hereof (i) to appear, in person or by proxy, so that all such shares are counted for the purpose of obtaining a quorum at any such meeting of stockholders of the Company, and at any adjournment or adjournments thereof, and (ii) to vote, in person or by proxy, with respect to such shares to adopt this Agreement, as amended.

5.6 Stock Options. Prior to the Closing Date, the Company shall take all actions necessary to amend the Company Option Plan to provide that no further options, awards or rights to receive equity shall be granted under such plan. The Company shall use reasonable efforts to obtain from each holder of a Company Stock Option an executed Option Surrender Agreement prior to the Effective Time.

5.7 Consents. Parent and the Company shall each use all commercially reasonable efforts to obtain the consent and approval of, or effect the notification of or filing with, each person or authority whose consent or approval is required in order to permit the consummation of the Merger and the Transactions and to enable Parent and the Surviving Entity to conduct and operate the business of Parent and the Company and their respective Subsidiaries, substantially as presently conducted and as contemplated to be conducted.

5.8 Indemnification; Directors' and Officers' Insurance.

(a) Parent agrees that all rights to indemnification by the Company now existing in favor of each person who is now, or has been at any time prior to the date hereof or who becomes prior to the Effective Time an officer or director of the Company or any Subsidiary of the Company or an employee of the Company or any Subsidiary of the Company or who acts as a fiduciary under any of the Company Benefit Plans (each a "Company Indemnified Party") as provided in the Company's certificate of incorporation or bylaws, in each case as in effect on the date of this Agreement, or pursuant to any other agreements in effect on the date hereof, copies

of which have been provided to Parent, including provisions relating to the advancement of expenses incurred in the defense of any action or suit, shall survive the Merger and shall remain in full force and effect with respect to all losses, claims, damages, liabilities, fees, expenses, judgments and fines arising in whole or in part out of actions or omissions in such person's capacity as such occurring at or prior to the Effective Time. From and after the Effective Time, Parent shall cause the Surviving Entity to pay and perform in a timely manner such indemnification obligations.

(b) The obligations of Parent and the Surviving Entity under this Section 5.8 shall survive the consummation of the Merger and shall not be terminated or modified in such a manner as to adversely affect any Company Indemnified Party to whom this Section 5.8 applies without the consent of such affected Company Indemnified Party (it being expressly agreed that the Company Indemnified Parties to whom this Section 5.8 applies shall be third party beneficiaries of this Section 5.8, each of whom may enforce the provisions of this Section 5.8).

(c) In the event that the Surviving Entity or any of its successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then, in each such case, proper provisions shall be made so that the successors and assigns of the Surviving Entity shall assume the obligations set forth in this Section 5.8 (it being agreed that this Section 5.8(c) shall be deemed satisfied if such obligations become the obligations of any such successor or assign by operation of law).

(d) Parent shall obtain and maintain in effect, for a period of six (6) years after the Effective Time, policies of directors' and officers' liability insurance covering each Company Indemnified Party serving in such capacity on the date hereof or after the date hereof and prior to the Effective Time who was covered under such policies as of the date of this Agreement and immediately prior to the Effective Time at no cost to the beneficiaries thereof with respect to acts or omissions occurring prior to the Effective Time with substantially the same coverage and containing substantially similar terms and conditions as existing policies in an amount and scope at least as favorable as Parent's existing policies; provided, that Parent shall not be required to expend in the aggregate in connection with the purchase of such insurance coverage an amount in excess of two times Parent's current annual premium for such coverage (and to the extent such coverage shall exceed such amount, Parent shall obtain the maximum amount of coverage as is available for such amount).

5.9 Agreement to Defend. In the event any claim, action, suit, investigation or other proceeding by any governmental body or other person or other legal or administrative proceeding is commenced that questions the validity or legality of the Transactions or seeks damages in connection therewith, the parties hereto agree to cooperate and use their commercially reasonable efforts to defend against and respond thereto.

5.10 Other Actions. Except as contemplated by this Agreement, neither Parent nor the Company shall, nor shall Parent or the Company permit any of its Subsidiaries to, take or agree or commit to take any action that is reasonably likely to result in any of its respective representations or warranties hereunder being untrue in any material respect or in any of the conditions to the Merger set forth in Article VI not being satisfied. Subject to the terms of this Agreement, each of the parties agrees to use its commercially reasonable efforts to satisfy the conditions to Closing set forth in this Agreement.

5.11 Notification of Certain Matters. Each of the Company and Parent shall give prompt notice to the other such party of the occurrence, or failure to occur, of any event, which occurrence or failure to occur would be likely to cause (a) any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date of this Agreement to the Effective Time, or (b) any material failure of the Company or Parent, as the case may be, or of any officer, director, employee or agent thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under this Agreement. Notwithstanding the foregoing, the delivery of any notice pursuant to this Section 5.11 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

5.12 Public Announcements. The parties hereto will consult with each other before issuing any initial press release after the date of this Agreement with respect to this Agreement and the Transactions, and shall not issue any such press release without the consent of the other party, except as may be required by applicable law or

by obligations pursuant to any listing agreement with any national securities exchange or transaction reporting system, in which case reasonable efforts to consult with the other party shall be made prior to such press release. Thereafter, Parent and the Company shall use their reasonable best efforts to consult with each other before issuing any additional press release with respect to this Agreement or the Transactions.

5.13 Stockholder Litigation. Each of the Company and Parent shall give the other the reasonable opportunity to participate in the defense of any stockholder litigation against the Company or the Parent and their respective directors and officers, as applicable, relating to the Transactions or this Agreement.

5.14 Financing. Parent and Merger Sub will use their best efforts to perform and comply with all obligations and conditions required by the Financing Letter to be performed or satisfied on their part and will not take any action, or omit to take any action, which would constitute or result in a breach thereunder or otherwise result in termination thereof. Purchaser will promptly deliver written notice to the Company of the occurrence of any of the following: (a) the Financing is terminated, or any condition precedent to the continued effectiveness thereof is not timely satisfied, or (b) if Parent learns of facts or circumstances that would make it more likely than not the Financing will be terminated, or a condition precedent to the continued effectiveness thereof will not be timely satisfied.

ARTICLE VI CONDITIONS PRECEDENT

6.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger are subject to the satisfaction prior to the Closing Date of the following conditions:

- (a) Stockholder Approval. The Company Stockholder Approval shall have been obtained.
- (b) Governmental Entity Approvals. All material authorizations, consents, orders or approvals of, or declarations or filings with, any Governmental Entity, if any, necessary for the consummation of the Merger shall have been filed or obtained, other than those that, individually or in the aggregate, the failure to be filed or obtained would not reasonably be expected to have a Company Material Adverse Effect.
- (c) No Injunctions or Restraints; Illegality. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Merger shall be in effect, nor shall any proceeding brought by a Governmental Entity be pending which would reasonably be expected to restrain or prohibit the consummation of the Merger; and there shall not be any action taken, or any statute, rule, regulation or order (whether temporary, preliminary or permanent) enacted, entered or enforced which makes the consummation of the Merger illegal or prevents or prohibits the Merger.
- (d) Financing. Parent and/or Merger Sub shall have entered into definitive financing agreements and the Financing shall be available to close the Transactions.

6.2 Additional Conditions of Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub to effect the Merger are subject to the satisfaction of the following additional conditions, unless waived in writing by Parent:

- (a) Representations and Warranties. Each of the representations and warranties of the Company contained in this Agreement (without giving effect to any materiality qualifications or limitations therein or any references therein to Company Material Adverse Effect) shall be true and correct, in each case as of the Effective Time as though made on and as of the Effective Time, except (i) for such failures to be true and correct that, individually or in the aggregate, would not reasonably be expected to result in a Company Material Adverse Effect and (ii) that those representations and warranties that address matters only as of a particular date shall remain true and correct as of such date, subject to the qualifications in (i) above, and Parent shall have received a certificate signed on behalf of the Company by the Chief Executive Officer and the Chief Financial Officer of the Company to such effect.

(b) Performance of Obligations of the Company. The Company shall have performed in all material respects all of its obligations and covenants required to be performed by it under this Agreement prior to or as of the Closing Date, and Parent shall have received a certificate signed on behalf of the Company by the Chief Executive Officer and Chief Financial Officer of the Company to such effect.

(c) Material Adverse Effect. Since the date of this Agreement, there shall not have occurred and be continuing any Company Material Adverse Effect and Parent shall have received a certificate signed on behalf of the Company by the Chief Executive Officer and Chief Financial Officer of the Company to such effect.

(d) Parent Consents. Parent shall have received the consent of MLBFS to the Transactions (the "Merrill Lynch Consent").

6.3 Additional Conditions of Obligations of the Company. The obligation of the Company to effect the Merger is subject to the satisfaction of the following conditions, unless waived in writing by the Company:

(a) Representations and Warranties. Each of the representations and warranties of Parent and Merger Sub contained in this Agreement shall be true and correct, in each case as of the Effective Time as though made on and as of the Effective Time, and the Company shall have received a certificate signed on behalf of Parent by the Chief Executive Officer and the Chief Financial Officer of Parent to such effect.

(b) Performance of Obligations of Parent. Parent shall have performed in all material respects all of its obligations and covenants, required to be performed by it under this Agreement prior to or as of the Closing Date, and the Company shall have received a certificate signed on behalf of Parent by the Chief Executive Officer and Chief Financial Officer of Parent to such effect.

ARTICLE VII TERMINATION

7.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after receipt of the Company Stockholder Approval:

(a) by mutual written consent duly authorized by the Boards of Directors of Parent and the Company;

(b) by either Parent or the Company if the Merger shall not have been consummated by January 31, 2007 (provided, that the right to terminate this Agreement under this Section 7.1(b) shall not be available to any party whose action or failure to act has been the cause of or resulted in the failure of the Merger to occur on or before such date and such action or failure to act constitutes a breach of this Agreement);

(c) by either Parent or the Company, if a court of competent jurisdiction or other Governmental Entity shall have issued an order, decree or ruling or taken any other action, in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger, which order, decree or ruling is final and nonappealable;

(d) by the Special Committee, pursuant to Section 5.5(b);

(e) by the Company, upon a breach of any representation, warranty, covenant or agreement on the part of Parent or Merger Sub set forth in this Agreement such that the conditions set forth in Section 6.3(a) or Section 6.3(b) shall have become incapable of fulfillment and such breach shall not have been waived by the Company; or

(f) by Parent, upon a breach of any representation, warranty, covenant or agreement on the part of the Company set forth in this Agreement such that the conditions set forth in Section 6.2(a) or Section 6.2(b) shall have become incapable of fulfillment and such breach shall not have been waived by Parent.

7.2 Effect of Termination. In the event of the termination of this Agreement as provided in Section 7.1, this Agreement shall be of no further force or effect without any liability or obligation on the part of any party or its directors, officers or stockholders, except (a) as set forth in Section 5.1(b), Section 5.1(c), Section 5.12 (solely with respect to any press release announcing the termination of this Agreement), this Section 7.2, Section 7.3, and Article VIII, each of which shall survive the termination of this Agreement, and (b) nothing herein shall relieve any party from liability for any intentional breach of this Agreement.

7.3 Fees and Expenses.

(a) Except as provided in this Section 7.3, all fees and expenses incurred in connection with this Agreement and the Merger (including without limitation all fees and expenses of counsel, accountants, financial advisors, experts and consultants, "Expenses") shall be paid by the party incurring such fees and expenses, if the Merger is not consummated. If the Merger is consummated, Parent shall pay the Expenses of the Company.

(b) Parent shall reimburse the Company for the Company's reasonable Expenses in an amount not to exceed \$500,000 and shall reimburse the Company for all of the Company's reasonable Litigation Expenses if (i) this Agreement is terminated by the Company pursuant to Section 7.1(e), if the breach which gives rise to the termination is due to Parent's willful action or inaction with respect to the breached representation, warranty, covenant or agreement, (ii) the Closing does not occur solely due to the failure of Parent to obtain the Merrill Lynch Consent; (iii) this Agreement is terminated by the Company pursuant to Section 7.1(b) due solely to Parent's action or failure to act which has been the cause of or resulted in the failure of the Merger to occur on or before January 31, 2007, (iv) the Agreement is terminated pursuant to Section 7.1(c) because of an injunction entered by a court against Parent proceeding with the Merger; or (v) the Agreement is terminated because of Parent's inability to obtain the Financing.

(c) The Company shall reimburse Parent for Parent's reasonable Expenses in an amount not to exceed \$500,000 if this Agreement is terminated by Parent pursuant to Section 7.1(f), if the breach which gives rise to the termination is due to the Company's willful action or inaction with respect to the breached representation, warranty, covenant or agreement.

(d) The parties shall make any payment required under Section 7.3(b) or Section 7.3(c) promptly after receipt from the other party of invoices or receipts reflecting such Expenses.

**ARTICLE VIII
GENERAL PROVISIONS**

8.1 Amendment. This Agreement may be amended prior to the Effective Time by Parent and the Company at any time before or after the Company Stockholder Approval, provided, however, that after any such approval, no amendment shall be made which by law requires further approval by the stockholders of the Company or Parent without such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

8.2 Extension; Waiver. At any time prior to the Effective Time (whether before or after approval of the stockholders of the Company and Parent), Parent and the Company may (a) extend the time for the performance of any of the obligations or other acts of the other parties, (b) waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant to this Agreement and (c) waive compliance with any of the agreements or conditions contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

8.3 Nonsurvival of Representations, Warranties and Agreements. None of the representations, warranties and agreements in this Agreement or in any instrument or certificate delivered pursuant to this Agreement shall survive the Effective Time, except for the agreements contained in Article III (Conversion of Securities) and Section 5.8 (Indemnification), each of which shall survive the Merger. The Confidentiality

Agreements shall survive the execution and delivery of this Agreement, and the provisions of the Confidentiality Agreements shall apply to all information and material delivered hereunder.

8.4 Entire Agreement. This Agreement (including the Exhibits and Disclosure Schedules hereto) and the Confidentiality Agreements contain the entire agreement among all of the parties with respect to the subject matter hereof and supersede all prior arrangements and understandings, both written and oral, with respect thereto, but shall not supersede any agreements among any group of the parties hereto entered into on or after the date hereof.

8.5 Severability. It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the law and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, in the event that any provision of this Agreement would be held in any jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

8.6 Notices. All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed to be sufficient if contained in a written instrument and shall be deemed given if delivered personally, facsimiled, sent by nationally recognized, overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent or Merger Sub, to:

Collegiate Pacific Inc.
13950 Senlac Drive, Suite 100
Dallas, Texas 75234
Attention: Michael J. Blumenfeld
Facsimile: (972) 243-8316

with a copy to:

Vinson & Elkins L.L.P.
3700 Trammell Crow Center
2001 Ross Avenue
Dallas, Texas 75201
Attention: Christine A. Hathaway
Facsimile: (214) 999-7714

(b) if to the Company, to:

Sport Supply Group, Inc.
1901 Diplomat Drive
Farmers Branch, Texas 75234
Attention: Terrence Babilla
Facsimile: (972) 406-3476

with a copy to:

Fulbright & Jaworski, LLP
2200 Ross Avenue, Suite 2800
Dallas, Texas 75201
Attention: Laura M. Kalesnik
Facsimile: (214) 855-8200

(c) if to the Special Committee, to:

Sport Supply Group, Inc. Special Committee
c/o Richards, Layton & Finger, P.A.
P.O. Box 551
Wilmington, Delaware 19899
Attention: Catherine G. Dearlove
Facsimile: (302) 498-7788

with a copy to:

Richards, Layton & Finger, P.A.
P.O. Box 551
Wilmington, Delaware 19899
Attention: Catherine G. Dearlove
Facsimile: (302) 498-7788

All such notices and other communications shall be deemed to have been received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of a facsimile, when the party receiving such facsimile shall have confirmed receipt of the communication, (c) in the case of delivery by nationally recognized overnight courier, on the Business Day following dispatch and (d) in the case of mailing, on the third Business Day following such mailing.

8.7 Headings; Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

8.8 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

8.9 Benefits; Assignment. This Agreement is not intended to confer upon any person other than the parties any rights or remedies hereunder and shall not be assigned by operation of law or otherwise; provided, however, that (a) the officers and directors of the Company are intended beneficiaries of the covenants and agreements contained in Section 5.8, and (b) the Special Committee is the intended beneficiary of the agreement contained in Section 8.11.

8.10 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed therein, without giving effect to laws that might otherwise govern under applicable principles of conflicts of law.

8.11 Special Committee. Prior to the Effective Time, any determination to be made or action to be taken by the Company under this Agreement shall be made or taken only upon the approval or recommendation of the Special Committee.

IN WITNESS WHEREOF, Parent, the Company and Merger Sub have caused this Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

COLLEGIATE PACIFIC INC.

By: _____
Name: _____
Title: _____

CP MERGER SUB, INC.

By: _____
Name: _____
Title: _____

SPORT SUPPLY GROUP, INC.

By: _____
Name: _____
Title: _____

**OPTION SURRENDER AGREEMENT,
RELEASE AND WAIVER**

**NOTE: SIGNATURE MUST BE PROVIDED BELOW AND ON
THE SCHEDULE OF OWNERSHIP**

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

This Option Surrender Agreement, Release and Waiver (the "*Surrender Agreement*") is made as of the date set forth below by the optionholder listed on the signature page hereto (the "*Optionholder*") and Sport Supply Group Inc., a Delaware corporation (the "*Company*"), with respect to Options (as defined below) to purchase shares of the Company held by the Optionholder.

A. Conversion of Options. In accordance with the Agreement and Plan of Merger (the "*Merger Agreement*"), among Collegiate Pacific Inc., a Delaware corporation ("*Parent*"), CP Merger Sub, Inc., a Delaware corporation and a direct wholly owned subsidiary of Parent ("*Merger Sub*"), and the Company, dated as of September 20, 2006, Merger Sub will be merged with and into the Company (the "*Merger*") and the Company will become a wholly-owned subsidiary of Parent. Immediately before the Merger, all outstanding options or other rights (the "*Options*"), whether vested or unvested, to purchase shares of common stock, par value \$0.01 per share (the "*Shares*"), of the Company pursuant to the provisions of the Sport Supply Group, Inc. Amended and Restated Stock Option Plan (the "*Option Plan*"), the Option Agreements (as defined below) or otherwise, will be fully vested and exercisable for Shares. At the time the Merger becomes effective (the "*Effective Time*"), any Option which has not been exercised will automatically convert to a right to receive the Option Consideration (as defined below), and the Option will otherwise cease to exist and the Optionholder will cease to have any rights with respect thereto other than the right to receive such Option Consideration. Pursuant to the Merger Agreement, receipt of such Option Consideration by the Optionholder will be subject to the receipt by the Surviving Entity or the Exchange Agent of this Surrender Agreement surrendering the Options for such cancellation. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Merger Agreement.

B. Option Consideration.

1. Subject to, and effective upon, acceptance on or after the Effective Time of the surrender of the Options surrendered herewith, the Optionholder hereby surrenders for cancellation to the Company all of the Optionholder's rights, title and interest in and to all Options, such Options of the Optionholder being listed on the Schedule of Ownership (the "*Ownership Schedule*") attached hereto as Exhibit A, in exchange for, in respect of each Share otherwise issuable upon exercise of each Option, the consideration which shall be calculated and payable as provided in the Merger Agreement (the "*Option Consideration*"). Until surrendered in accordance with the provisions of Section 3.3 of the Merger Agreement, each Option held by the Optionholder shall be deemed at any time after the Effective Time to represent for all purposes only the right to receive the Option Consideration.

2. The Optionholder acknowledges that all payments to be made pursuant to this Surrender Agreement will be made as provided in the Merger Agreement and shall be in full satisfaction of any and all rights the Optionholder may have under the Option Plan and any Option Agreement with respect to each and every Option granted to the Optionholder by the Company as of the date hereof. Neither the Surviving Entity, Parent nor the Exchange Agent shall be liable to the Optionholder for any amount of Option Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

3. By executing and delivering this Surrender Agreement, the Optionholder represents, warrants, covenants and agrees as follows:

(a) The Optionholder has the right, power, authority and capacity to execute, deliver and perform this Surrender Agreement and to consummate the transactions contemplated hereby. This Surrender Agreement has been duly and validly executed and delivered by the Optionholder and constitutes the Optionholder's valid and binding obligation, enforceable in accordance with its terms and conditions, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or

other similar laws now or hereafter in effect relating to creditors' rights generally and (ii) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

(b) The Optionholder has the exclusive right, power and authority to transfer or surrender the Options owned by the Optionholder. Except for the Option Plan and the Option Agreements, the Optionholder is not a party to, or bound by, any agreement affecting or relating to the Optionholder's right to transfer or surrender the Options owned by the Optionholder.

C. Release and Waiver. The Optionholder, on behalf of himself, herself or itself and on behalf of all officers, directors, employees, spouses, heirs, predecessors, successors, assigns, representatives or agents of the Optionholder (including, without limitation, any trust of which the Optionholder is the trustee or which is for the benefit of the Optionholder or a member of his or her family), hereby releases and forever discharges Parent and the Surviving Entity, and each of their respective individual, joint or mutual, past, present and future affiliates, directors, officers, employees, agents, consultants, advisors and other representatives, including legal counsel, accountants and financial advisors, controlling persons or entities, subsidiaries, predecessors, successors and assigns (individually, a "Releasee" and collectively, the "Releasees") from any and all claims, demands, actions, arbitrations, audits, hearings, investigations, litigations, suits (whether civil, criminal, administrative, investigative or informal), causes of action, orders, obligations, contracts, agreements, debts and liabilities whatsoever, whether known or unknown, suspected or unsuspected, both at law and in equity ("Claims"), which the Optionholder now has, has ever had or may hereafter have against the respective Releasees on account of or arising out of or under the Options, except for any Claims the Optionholder might have arising under the Merger Agreement or this Surrender Agreement. The Optionholder hereby also irrevocably covenants to refrain from, directly or indirectly, asserting any claim or demand, or commencing, instituting or causing to be commenced, any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, investigative or informal) of any kind against any Releasee, based upon any matter purported to be released hereby. The Optionholder understands and agrees that it is expressly waiving all Claims against the Releasees covered by this release related to the Options, including, but not limited to, those Claims that it may not know of or suspect to exist, which if known or suspected, may have materially affected the decision to provide this release and the Optionholder expressly waives any rights under applicable law that provide to the contrary.

D. Termination of Option Agreements. The Optionholder further agrees that any and all option (or similar) agreements previously entered into between the Company and the Optionholder representing the Options (the "Option Agreements") are terminated as of the Effective Time with no further obligations of the Company thereunder except as provided herein. The Optionholder further acknowledges that the Optionholder is aware of the terms of the Merger and does hereby waive all requirements under the Option Plan and any Option Agreements heretofore entered into by the Optionholder with respect to any action otherwise required thereunder by the Company and, by execution of this Surrender Agreement, hereby waives and relinquishes any and all right to exercise the Options on or after the Effective Time. The Optionholder understands that the surrender of the Options pursuant to the procedures described herein and the acceptance thereof will constitute a binding agreement between the Optionholder, the Surviving Entity and Parent upon the terms and subject to the conditions of the Merger Agreement and this Surrender Agreement.

E. Withholding. The Optionholder acknowledges that all payments made pursuant to this Surrender Agreement will be subject to any applicable withholding taxes and other similar charges.

F. Absence of Liens. The Optionholder represents and warrants that the Optionholder holds good and valid title to the Options, free and clear of all claims, liens, restrictions, charges, encumbrances, security interests, voting agreements and commitments (subject to the provisions of the Option Plan) of any kind and has full power and authority to surrender for cancellation such Options.

G. Acknowledgement. The Optionholder acknowledges that the Optionholder has read and understands this Surrender Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company or any other person other than those contained in writing herein, has had ample opportunity to ask questions and consult with his or her professional advisers, and has entered into this Surrender Agreement freely based on the Optionholder's own judgment.

H. Ownership Schedule. The Optionholder represents and warrants that the Ownership Schedule correctly and completely sets forth each and every Option or other right to acquire the Company's capital stock held by the Optionholder.

I. Further Assurances. The Optionholder, upon request, will execute and deliver any additional documents deemed by the Surviving Entity, Parent or the Exchange Agent to be reasonably necessary or desirable to complete the surrender of the Options surrendered hereby.

J. Amendments and Waivers. Any provision of this Surrender Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed by the Surviving Entity and the Optionholder.

K. Binding Nature. This Surrender Agreement shall be binding upon and shall inure to the benefit of the Surviving Entity, Parent and the Optionholder and, in the case of the Optionholder, shall also be binding upon and shall inure to the benefit of the Optionholder's spouses, heirs, predecessors, successors, assigns, representatives or agents (including, without limitation, any trust of which the Optionholder is the trustee or which is for the benefit of the Optionholder or a member of his or her family). The Optionholder intends for the authorizations and agreements in this Surrender Agreement to remain in force and not be affected if the Optionholder subsequently dies or becomes mentally or physically disabled, incapacitated or incompetent, and does hereby direct that no filing of an inventory nor posting of a surety bond be required. Notwithstanding the foregoing, this Surrender Agreement is made for the benefit of Parent and the Surviving Entity, and Parent and the Surviving Entity shall be entitled to enforce such provision and to avail themselves of the benefits of any remedy for any breach of such provision, all to the same extent as if they were parties to this Surrender Agreement.

L. Governing Law. This Agreement shall be governed by the laws of the State of Delaware, excluding choice of law principles.

**Please see the attached Instructions to this
Option Surrender Agreement, Release and Waiver**

**Instructions to this
Option Surrender Agreement, Release and Waiver**

1. **Execution of the Surrender Agreement and the Ownership Schedule.** This Surrender Agreement covers the right of the Optionholder to receive the Option Consideration for the Options surrendered hereby. This Surrender Agreement does not apply if the Optionholder exercises the Options before the Merger. If the Optionholder does not exercise the Options, then, in order to receive the Option Consideration, the Optionholder must complete and sign this Surrender Agreement and the attached Ownership Schedule. The completed and signed documents must be mailed or delivered in the enclosed envelope as provided in paragraph 2 below.

**THE OWNERSHIP SCHEDULE MUST BE SIGNED BY THE OPTIONHOLDER AS EVIDENCE
OF ACKNOWLEDGMENT OF OUTSTANDING OPTIONS AND RETURNED TOGETHER WITH THIS
SURRENDER AGREEMENT.**

2. **Delivery.** This Surrender Agreement and the enclosed Ownership Schedule, when executed should be mailed or delivered to:

Sport Supply Group, Inc.

Attn: _____

Tel: () _____

The delivery of the Surrender Agreement and the Ownership Schedule will be deemed complete only when actually received by Sport Supply Group, Inc. Delivery by expedited mail, courier or other similar service is recommended. Optionholders are also advised to retain a copy of all documents delivered.

3. **Signature on the Surrender Agreement.** The signature on this Surrender Agreement must correspond exactly with the Optionholder's name in the records of the Company.

4. **Requests for Assistance.** If you have questions or need assistance please call [] at [() -].

IMPORTANT:

**OPTIONHOLDER: (1) SIGN HERE AND COMPLETE FORM BELOW AND (2)
CONFIRM AND SIGN THE ENCLOSED OWNERSHIP SCHEDULE.**

(Signature of Optionholder)

Date: _____

Name: _____
(Please Type or Print)

Address: _____

(Include Zip Code)

Area Code and Telephone Number: _____
(Home)

(Business)

Taxpayer Identification or Social Security No.: _____

EXHIBIT A

SCHEDULE OF OWNERSHIP

[to be completed]

[Needs to include number of options and exercise price]

Signature of Optionholder

ANNEX B

OPINION OF MARSHALL & STEVENS, INC.

**FAIRNESS OPINION FOR
SPORTS SUPPLY GROUP, INC.**



September 20, 2006

File Reference: 31-11-21621

The Special Committee of the
Board of Directors of
Sports Supply Group, Inc.
1901 Diplomat Drive
Dallas, Texas 75234

Dear Special Committee:

It is our understanding that Sports Supply Group, Inc. (herein referred to as the Company or the Seller) has entered into an Agreement and Plan of Merger (herein referred to as the Agreement), dated September 20, 2006, between Collegiate Pacific Inc., (herein referred to as the Buyer) and the Company whereby the Buyer plans to acquire the remaining interest in the Company (herein referred to as the Transaction) in which it does not already own. The Special Committee of the Board of Directors of the Seller has requested Marshall & Stevens, Inc. (herein referred to as Marshall & Stevens) to prepare a Fairness Opinion (herein referred to as the Opinion) on behalf of the Special Committee of the Company. It is our understanding that the Company's Special Committee consists of non-management directors only.

As consideration for the Transaction, the Buyer is offering a price of \$8.80 a share in cash consideration in exchange for 1.0 share of the Sellers stock (SSPY.PK).

You have requested our Opinion as to whether the Transaction is fair from a financial point of view, pursuant to the terms and conditions set forth in the Agreement between the Buyer and Seller. We have not been engaged to give advice on whether the shareholders should approve the Buyer's offer, nor have we been requested to seek or identify alternative business strategies and no such advice or alternative business strategy is given or provided. The date of this Opinion is as of September 20, 2006.

In arriving at our Opinion, we made such reviews, analyses and inquiries of other information as we deemed necessary and appropriate, such as, but not limited to:

1. Draft Agreement and Plan of Merger by and among the Seller and the Buyer;
2. The Company's business plan for the fiscal year ended June 2007;
3. Form 10-K Annual Report of the Company for the fiscal years ended March 29, 2002 and March 28, 2003;
4. Audited financial statements for fiscal years ending March 26, 2004, March 31, 2005;
5. Unaudited financial statements for fiscal year ending June 30, 2006;
6. Unaudited financial statements for the trailing twelve month period ended August 31, 2006;
7. List of option and warrant holders of the Company;
8. Met with the Special Committee and its counsel to discuss the Transaction;
9. Reviewed the historical market prices and trading volumes associated with the Company;

10. Reviewed publicly available financial data for certain companies which we deemed comparable to the Company; and
11. Various product brochures and other literature relative to the Company.

In addition to reviewing the above information, we have among other things:

1. Considered the nature of its business and its history; the Company's earnings before interest and taxes (EBIT); earnings before interest, taxes, depreciation and amortization (EBITDA); revenues; book capital; and total assets for the past five fiscal years (2002-2006) and the latest interim periods; the outlook for future EBIT, EBITDA and revenues; the Company's financial condition; and the Company's dividend-paying capacity;
2. Analyzed financial statements, prices and other materials regarding guideline publicly traded companies in the sporting goods, physical education, and recreational and leisure products industry; required rates of return on debt and equity capital; materials discussing the economic outlook, in general; and the specific outlook for the recreational equipment industry; and such other material as we deemed appropriate;
3. Analyzed the financial terms and operating results and financial conditions of companies, to the extent publicly available, involved in certain recent business combinations in the sporting goods, physical education, and recreational and leisure products industry;
4. Compared certain statistical and financial information of the Company with similar information for certain guideline publicly traded companies in the sports and recreational equipment industry;
5. Analyzed daily stock prices and trading volumes of the Company for the period September 1, 2003 through September 19, 2006;
6. Visited the Company's headquarters in Dallas, Texas, conducted interviews with management and relied upon their representations concerning the operations, financial condition, future prospects, and projected operations and performance of the Company; and
7. Conducted such other financial studies, analyses and inquiries, and considered such other matters as we deemed necessary and appropriate for our Opinion.

In rendering our Opinion, we have not independently verified the accuracy and completeness of the financial information or other information furnished by the Company, orally or in writing, or other information obtained from publicly available sources. We reviewed most current and best available estimates and judgments of the management of the Company, as to the expected future financial and operating performance of the Company, and did not undertake any obligation to assess whether such forecasts, estimates or judgments were reasonable or were likely to be accurate, nor did we undertake any obligation independently to verify the underlying assumptions made in connection with such forecasts, estimates or judgments. In addition, we did not make an independent valuation or appraisal of any particular assets or liabilities of the Company. Our Opinion is based on business, economic, market and other conditions as they exist as of the date of this Opinion. We have assumed that the factual circumstances, agreements and terms, as they exist at the date of this Opinion, will remain substantially unchanged through the time the Transaction is completed. Marshall & Stevens did not (i) opine as to the tax or accounting treatment of the Transaction or any related matter thereto, (ii) assess the impact of compliance with any labor laws, including without limitations, the Federal Warn Act, or (iii) rely upon any third party appraisals in arriving at this Opinion.

This Opinion has been prepared solely for the benefit of the Special Committee of the Board of Directors of the Seller in connection with the Transaction and may not be quoted, published, used or referred to in wide or in part, in connection with the Transaction or for any other purpose without Marshall & Stevens' prior written consent; provided that, this Opinion may be included in the proxy statement sent by the Company to its shareholders concerning the Transaction so long as the Opinion is reproduced in full in such proxy statement and any summary of the Opinion in the proxy statement is reasonably acceptable to Marshall & Stevens. Our fee for this Opinion is not contingent upon our conclusion regarding the fairness of the consideration received by the stockholders of the Company other than the Buyer.

Based upon the foregoing and upon such other factors as deemed relevant, including the attached assumptions and limiting conditions, it is our Opinion, that as of the date of this Opinion, the Transaction is fair to the stockholders of the Company other than the Buyer, from a financial point of view, pursuant to the terms and subject to the conditions set forth in the Agreement.

Very truly yours,

Marshall & Stevens Incorporated

MARSHALL & STEVENS INCORPORATED

31-11-21621

ASSUMPTION AND LIMITING CONDITIONS

Title

No investigation of legal title was made, and we render no opinion as to ownership of Sports Supply Group, Inc. (the Company or the Seller) or the underlying assets.

Date of Value

The date of this Opinion is September 20, 2006. The dollar amount reported is based on the purchasing power of the U.S. dollar as of that date. The analyst assumes no responsibility for economic or physical factors occurring subsequent to the date of this Opinion that may affect the Opinion reported.

Visitation

The Company was visited by senior analysts of Marshall Stevens. When the date of our visit differs from the date of our Opinion, we assume no material change in the operations of the Company or the underlying assets unless otherwise noted in the report.

Non-Valuation Expertise

No opinion is intended to be expressed for matters that require legal or specialized expertise, investigation, or knowledge beyond that customarily employed by financial analysts.

Information and Data

Information supplied by others that was considered in this analysis is from sources believed to be reliable, and no further responsibility is assumed for its accuracy. We reserve the right to make such adjustments to the Opinion herein reported based upon consideration of additional or more reliable data that may become available subsequent to the issuance of this Opinion.

Litigation Support

Depositions, expert testimony, attendance in court, and all preparations/support for same arising from this Opinion shall not be required unless arrangements for such services have been previously made.

Management

The Opinion expressed herein assumes the continuation of prudent management policies over whatever period of time is deemed reasonable and necessary to maintain the character and integrity of the Company or the underlying assets.

Purpose

We have presented Marshall Stevens' considered Opinion based on the facts and data obtained during the course of this investigation. This Opinion has been prepared for the sole purpose stated herein and shall not be used for any other purpose.

Unexpected Conditions

We assume there are no hidden or unexpected conditions associated with the Company or the underlying assets that might adversely affect value. We also assume no responsibility for changes in market condition that may require an adjustment to our Opinion.

Hazardous Substances

Hazardous substances, if present within a business, can introduce an actual or potential liability that may adversely affect the marketability and value of the Company or the underlying assets. In this Opinion, no consideration has been given to such liability or its impact on value.

Contingent Liabilities

Our conclusions do not consider the impact of any contingent liabilities of the Company, either known or unknown. According to the Management of the Company, as of the date of this Opinion, there were no contingent liabilities that were considered material.

Future Events/Projections

The reader is advised that this Opinion is heavily dependent upon future events with respect to industry performance, economic conditions, and the ability of the Company to meet certain operating projections. In this Opinion, the operating projections have been developed from information supplied by the Management of the

Company. The operating projections incorporate various assumptions including, but not limited to, net sales, net sales growth, profit margins, income taxes, depreciation, capital expenditures, working capital levels, and discount rates, all of which are critical to the Opinion. The operating projections are deemed to be reasonable and valid at the date of this Opinion; however, there is no assurance or implied guarantee that the assumed facts will be validated or that the circumstances will actually occur. We reserve the right to make adjustments to this Opinion herein reported as may be required by any modifications in the prospective outlook for the economy, the industry, and/or the operations of the Company.

ANNEX C

MARSHALL & STEVENS, INC. FAIRNESS OPINION ANALYSIS

ANNEX D

DELAWARE GENERAL CORPORATION LAW

Section 262. Appraisal Rights

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of § 251 of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to §228 or § 253 of this title, then, either a constituent corporation before the effective date of the merger or consolidation, or the surviving or resulting corporation within 10 days thereafter, shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section." Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) hereof and who is otherwise entitled to appraisal rights, may file a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) hereof, whichever is later.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After determining the stockholders entitled to an appraisal, the Court shall appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. In determining the fair rate of interest, the Court may consider all relevant factors, including the rate of interest which the surviving or resulting corporation would have had to pay to borrow money during the pendency of the proceeding. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal prior to the final determination of the stockholder entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Interest may be simple or compound, as the Court may direct. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.