

**Sport Supply Group, Inc.**  
**Three and Six Months Ended September 30, 2005**  
**Unaudited Financial Statements**

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

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

	September 30, 2005 (unaudited)	March 31, 2005 (audited)
<b>CURRENT ASSETS :</b>		
Cash and equivalents	\$ 689,672	\$ 1,136,873
Accounts receivable:		
Trade, less allowance for doubtful accounts of \$301,000 at September 30, 2005 and \$363,000 at March 31, 2005	13,559,872	13,715,753
Other	38,521	76,413
Inventories, net	16,125,677	15,361,035
Other current assets	408,392	447,157
Deferred tax assets	1,265,921	1,257,052
Total current assets	32,088,055	31,994,283
 DEFERRED CATALOG EXPENSES, NET	 1,406,454	 1,597,461
 PROPERTY, PLANT AND EQUIPMENT		
Land	8,663	8,663
Buildings	1,605,102	1,605,102
Computer equipment & software	11,104,550	11,005,833
Machinery and equipment	6,360,756	6,470,231
Furniture and fixtures	1,349,840	1,310,846
Leasehold improvements	2,459,379	2,442,362
	22,888,290	22,843,037
Less -- accumulated depreciation and amortization	(17,572,924)	(17,073,592)
PROPERTY, PLANT AND EQUIPMENT , NET	5,315,366	5,769,445
 DEFERRED TAX ASSETS	 2,129,809	 2,129,809
 TRADEMARKS		
net of accumulated amortization of \$1,275,000 at September 30, 2005 and \$1,222,000 at March 31, 2005	2,670,258	2,714,753
 OTHER ASSETS		
net of accumulated amortization of \$800,000 at September 30, 2005 and \$706,000 at March 31, 2005	292,495	351,368
	\$ 43,902,437	\$ 44,557,119
 CURRENT LIABILITIES :		
Accounts payable	\$ 6,357,795	\$ 8,937,953
Other accrued liabilities	2,744,017	2,127,930
Accrued customer deposits	1,296,735	2,039,233
Notes payable and capital lease obligations, current portion	-	25,202
Net liabilities of discontinued operations	-	-
Total current liabilities	10,398,547	13,130,318
 NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS, net of current portion	 3,466,994	 3,009,818
 COMMITMENTS AND CONTINGENCIES		
 STOCKHOLDERS' EQUITY :		
Preferred stock, par value \$0.01, 100,000 shares authorized, no shares outstanding	-	-
Common stock, par value \$0.01, 20,000,000 shares authorized, 9,362,364 shares issued and 8,925,336 shares outstanding at September 30, 2005 and 8,917,211 shares outstanding at March 31, 2005	93,705	93,624
Additional paid-in capital	48,118,600	48,101,331
Accumulated deficit	(14,374,127)	(15,976,690)
Treasury stock, at cost, 445,153 shares	(3,801,282)	(3,801,282)
Total stockholders' equity	30,036,896	28,416,983
	\$ 43,902,437	\$ 44,557,119

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

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

	-----For the Three Months Ended-----		-----For the Six Months Ended-----	
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
Net revenues	\$ 24,975,722	\$ 23,262,222	\$ 48,201,623	\$ 48,366,574
Cost of sales	<u>16,814,019</u>	<u>16,197,058</u>	<u>33,016,520</u>	<u>33,443,538</u>
Gross profit	8,161,703	7,065,164	15,185,103	14,923,036
Selling, general and administrative expense	<u>7,125,578</u>	<u>6,003,892</u>	<u>13,480,027</u>	<u>12,506,632</u>
Operating income	1,036,125	1,061,273	1,705,076	2,416,404
Interest expense	(63,211)	(52,285)	(114,675)	(112,304)
Other income, net	<u>8,157</u>	<u>456</u>	<u>12,163</u>	<u>1,767</u>
Net income before tax	981,071	1,009,443	1,602,563	2,305,867
Provision for income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income	<u>\$ 981,071</u>	<u>\$ 1,009,443</u>	<u>\$ 1,602,563</u>	<u>\$ 2,305,867</u>
Basic earnings per share	<u>\$ 0.110</u>	<u>\$ 0.113</u>	<u>\$ 0.180</u>	<u>\$ 0.259</u>
Diluted earnings per share	<u>\$ 0.106</u>	<u>\$ 0.113</u>	<u>\$ 0.174</u>	<u>\$ 0.259</u>
Weighted average common shares outstanding:				
Basic	8,925,336	8,917,211	8,921,274	8,917,211
Diluted	9,252,688	8,917,509	9,224,607	8,917,509

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

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

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Treasury Stock		Total
	Shares	Amount			Shares	Amount	
Balance, March 31, 2005	9,362,364	\$93,624	\$ 48,101,331	\$ (15,976,690)	445,153	\$ (3,801,282)	\$ 28,416,983
Stock based compensation			3,850				3,850
Issuance of common stock	8,125	81	13,419				13,500
Net ncome				1,602,563			1,602,563
Balance, September 30, 2005	<u>9,370,489</u>	<u>\$93,705</u>	<u>\$ 48,118,600</u>	<u>\$ (14,374,127)</u>	<u>445,153</u>	<u>\$ (3,801,282)</u>	<u>\$ 30,036,896</u>

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

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

For the Six Months Ended

	<u>September 30, 2005</u>	<u>September 30, 2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>		
Income (loss) from continuing operations	\$ 1,602,563	\$ 2,305,868
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	744,910	882,718
Provision for allowances for accounts receivable	188,926	173,768
Stock based compensation expense	3,850	-
Deferred Taxes	(8,869)	-
Changes in assets and liabilities (net of discontinued operations):		
Decrease (increase) in accounts receivable	4,846	(1,088,047)
Decrease (increase) in inventories	(764,642)	3,226,785
Decrease in deferred catalog expenses and other current assets	229,774	255,057
(Decrease) in accounts payable	(2,580,158)	(2,102,405)
Increase (decrease) in customer deposits	(742,498)	(71,942)
Increase (decrease) in accrued liabilities	616,086	(511,409)
Decrease in other assets	15,927	12,852
Operating cash flow provided by (used in) continuing operations	<u>(689,285)</u>	<u>3,083,245</u>
Operating cash flow provided by discontinued operations		<u>23,691</u>
Net cash provided by operating activities	<u>(689,285)</u>	<u>3,106,936</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>		
Acquisitions of property, plant & equipment	<u>(203,390)</u>	<u>(396,120)</u>
Net cash used in investing activities by continuing operations	<u>(203,390)</u>	<u>(396,120)</u>
Other investing activities - discontinued operations	-	-
Net cash used in investing activities	<u>(203,390)</u>	<u>(396,120)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>		
Proceeds from issuance of common stock	13,500	-
Proceeds from issuances of notes payable	50,370,555	46,892,155
Payments of notes payable and capital lease obligations	<u>(49,938,581)</u>	<u>(49,445,930)</u>
Net cash used in financing activities	<u>445,474</u>	<u>(2,553,775)</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS:</b>	(447,201)	157,041
Cash and equivalents, beginning of period	<u>1,136,873</u>	<u>1,156,211</u>
Cash and equivalents, end of period	<u>\$ 689,672</u>	<u>\$ 1,313,252</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION :</b>		
Cash paid during the period for interest	<u>\$ 67,559</u>	<u>\$ 141,457</u>
Cash paid during the period for taxes	<u>\$ 46,546</u>	<u>\$ 170,701</u>
Cash (refunded) during the period for taxes	<u>\$ (133,930)</u>	<u>\$ (375)</u>

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

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

**Note 1 - Basis of Presentation**

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

The consolidated financial statements include the accounts of SSG and its wholly-owned subsidiary, Sport Supply Group Asia Limited, a Hong Kong corporation. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Consolidated Statement of Operations for the quarter ended September 30, 2005 includes a one-time \$1.1 million expense included in selling, general and administrative expense related to the change in control that occurred when Collegiate Pacific Inc. acquired its 53.2% ownership of SSG. The consolidated financial statements also include estimates and assumptions made by management that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the provisions for and the disclosure of contingent assets and liabilities. Actual results could materially differ from those estimates. Certain financial information for previous fiscal years has been reclassified to conform to the fiscal 2006 presentation. Please refer to our audited financial statements for the year ended March 31, 2005 for more information.

**Note 2 - Inventories**

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

	<b>September 30, 2005</b>	<b>March 31, 2005</b>
Raw materials	\$ 1,432,694	\$ 1,370,457
Work-in-process	61,325	33,094
Finished and purchased goods	<u>16,384,646</u>	<u>15,628,891</u>
	17,878,665	17,032,442
Allowance for obsolete and slow moving items	<u>1,752,988</u>	<u>(1,671,407)</u>
Inventory, net	<u>\$ 16,125,677</u>	<u>\$ 15,361,035</u>

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

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

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

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

	September 30, 2005	March 31, 2005
Note payable under revolving line of credit, Interest ranging from prime minus 0.25% to prime plus 1.0% (6.75% at September 30, 2005 and 5.50% at March 31, 2005) and LIBOR (5.07% at March 31, 2005) due Oct. 31, 2007 and collateralized by substantially all assets.	\$ 3,466,994	\$ 3,009,818
Capital lease obligation, interest at 9%, payable in annual installments of principal and interest through August 2005.	--	25,202
Total	3,466,994	3,035,020
Less – current portion	--	(25,202)
Long-term debt and capital lease obligations, net	\$ 3,466,994	\$ 3,009,818

Borrowings under our revolving line of credit are subject to the terms of our amended Loan and Security Agreement with Wachovia Capital (formerly Congress Financial Corporation) which is available to finance our working capital requirements through October 31, 2007. This agreement provides for revolving loans and letters of credit which, in the aggregate, cannot exceed the lesser of \$20 million or a “Borrowing Base” amount based on specified percentages of eligible accounts receivable and inventories. We are required to maintain certain net worth levels and as of September 30, 2005 we were in compliance with this requirement. As of September 30, 2005 we had total available borrowings under our senior credit facility of approximately \$17.1 million, of which approximately \$3.5 million were outstanding. Amounts outstanding under the senior credit facility are secured by substantially all the assets of the Sport Supply Group, Inc. Pursuant to the Loan and Security Agreement, we are restricted from, among other things, paying cash dividends and entering into certain transactions without the lender’s prior approval.

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

2006	\$ --
2007	--
2008	3,466,994
Total	\$ 3,466,994

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

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

**Note 4 - Stock-based Compensation**

Prior to fiscal 2006, the Company accounted for its stock options under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25 and related interpretations. Effective July 1, 2005, the Company adopted the provisions of 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.

For the quarter ended September 30, 2005, the Company recorded \$3,850 for stock-based compensation expense related to vested stock options previously granted. This amount is recorded in selling, general and administrative expense.

The following table represents the effect on net income if we had applied the fair value based method and recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," to stock based employee compensation prior to July 1, 2005.

	For the Six Months Ended	
	<u>September 30,</u>	<u>September 30,</u>
	<u>2005 (1)</u>	<u>2004</u>
Net income, as reported	\$ 1,602,563	\$ 2,305,868
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards	(3,850)	(1,156)
Proforma net income	\$ 1,598,713	\$ 2,304,712

(1) The Company adopted SFAS 123 (R) effective July 1, 2005 and, consequently, the amount deducted is from the three months ended June 30, 2005.

**Note 5 - Income Taxes**

We have a net operating loss carryforward that can be used to offset future taxable income and can be carried forward for 15 to 20 years. As of September 30, 2005 we have deferred tax assets of approximately \$3.4 million, net of a \$5.4 million valuation allowance. As a result of the sale of Emerson's 53.2% interest in SSG on July 1, 2005, and the related change in control, the use of the company's net operating loss carryforwards may be restricted in future periods. Management will continue to evaluate the company's ability to realize the recorded net deferred tax through future profitable operating results. The amount of the deferred tax asset considered realizable, however, could be reduced or eliminated in the near term if estimates of future taxable income during the carryforward period are reduced.

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

**Note 6 – Commitments and Contingencies**

**Leases**

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

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

2006	\$ 1,677,987
2007	1,226,833
2008	869,883
Total	<u>\$ 3,774,703</u>

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

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

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

**Note 8 – Subsequent Event**

On July 1, 2005, SSG became a majority-owned subsidiary of Collegiate Pacific Inc. due to Emerson Radio Corp. selling its 53.2% ownership of SSG to Collegiate Pacific Inc. Further, on September 8, 2005, SSG entered into an Agreement and Plan of Merger pursuant to which Collegiate Pacific Inc. would acquire the remaining 46.8% of the outstanding capital stock of SSG that it does not already own. On November 22, 2005, SSG and Collegiate Pacific, Inc. terminated the Agreement and Plan of Merger. SSG and Collegiate Pacific jointly concluded that consummation of the merger in a timely fashion under the agreed upon terms was highly unlikely. Pursuant to the Termination Agreement, Collegiate Pacific agreed to reimburse SSG for all fees and expenses reasonably incurred by SSG in connection with the Agreement and Plan of Merger in an amount not to exceed \$350,000. In addition, on November 22, 2005, Collegiate Pacific announced that it purchased an additional 1.66 Million shares of SSG for approximately \$9.2 Million in cash from an institutional holder. This purchase increases Collegiate Pacific's ownership interest to approximately 72% of the issued and outstanding shares of SSG.