

WATERFORD TOWNSHIP POLICE & FIRE RETIREMENT SYSTEM, Individually and on Behalf of All Others Similarly Situated,

*Plaintiff,*

*vs.*

SPORT SUPPLY GROUP, INC., et al.,

*Defendants.*

IN THE COUNTY COURT

AT LAW NO. 2

DALLAS COUNTY, TEXAS

**NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION**

***IF YOU WERE A COMMON STOCKHOLDER OF SPORT SUPPLY GROUP, INC. (“SPORT SUPPLY GROUP” OR THE “COMPANY”) ON ANY DAY BETWEEN MARCH 15, 2010 AND AUGUST 5, 2010, THE EFFECTIVE DATE OF THE SALE OF SPORT SUPPLY GROUP TO AFFILIATES OF ONCAP INVESTMENT PARTNERS (“ONCAP”) (THE “TRANSACTION”), YOUR RIGHTS MAY BE AFFECTED BY THE SETTLEMENT OF A CLASS ACTION.***

***PLEASE READ THIS NOTICE CAREFULLY. THIS NOTICE CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS. IF THE COURT APPROVES THE PROPOSED SETTLEMENT, YOU WILL BE FOREVER BARRED FROM CONTESTING THE FAIRNESS, REASONABLENESS OR ADEQUACY OF THE PROPOSED SETTLEMENT, AND FROM PURSUING THE SETTLED CLAIMS.***

***IF YOU HELD SHARES OF SPORT SUPPLY GROUP COMMON STOCK FOR THE BENEFIT OF OTHERS, PLEASE PROMPTLY TRANSMIT THIS DOCUMENT TO SUCH BENEFICIAL OWNERS.***

The County Court at Law No. 2 of Dallas County, Texas, authorized this Notice. This is not a solicitation from a lawyer.

- The settlement resolves a lawsuit over whether Defendants breached their fiduciary duties to the shareholders of Sport Supply Group in connection with the acquisition of Sport Supply Group by ONCAP. Sport Supply Group, ONCAP Management Partners, L.P., Adam L. Blumenfeld, Jeff Davidowitz, William H. Watkins, Jr., William M. Lockhart, Richard Ellman, Terrence M. Babilla, John Pitts, Kurt Hagen and Tevis Martin are the Defendants.
- As a result of the efforts of Plaintiff, Sport Supply Group disclosed additional information regarding the Transaction in the Revised Preliminary Proxy, the Second Revised Preliminary Proxy and the Definitive Proxy. Plaintiff believes disclosure of such information was necessary in order for Sport Supply Group shareholders to make an informed vote on the proposed acquisition. This settlement provides for payment of Plaintiff’s Counsel’s attorneys’ fees and expenses as a result of these efforts.

<b>YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT</b>	
<b>ACTIONS YOU MAY PURSUE</b>	<b>EFFECT OF TAKING THIS ACTION</b>
<b>DO NOTHING</b>	You will remain a Member of the Class and be bound by the Judgment of the Court.
<b>OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION SO THAT IT IS POSTMARKED NO LATER THAN SEPTEMBER 7, 2012</b>	Write to the Court and explain why you do not like the proposed settlement and/or the award of attorneys’ fees and expenses. You cannot object to the settlement unless you are a Class Member.
<b>GO TO THE HEARING ON SEPTEMBER 21, 2012, AT 9:00 A.M., AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS POSTMARKED NO LATER THAN SEPTEMBER 7, 2012</b>	Ask to speak in the Court about the fairness of the settlement and/or Plaintiff’s Counsel’s attorneys’ fees and expenses.

- These rights and options — ***and the deadlines to exercise them*** — are explained in this Notice.
- The Court in charge of this case must decide whether to approve the settlement.

***THIS NOTICE SHOULD NOT BE UNDERSTOOD AS AN EXPRESSION OF ANY OPINION OF THE COURT AS TO THE MERITS OF ANY CLAIMS OR DEFENSES BY ANY OF THE PARTIES. IT IS BASED ON STATEMENTS OF THE PARTIES AND IS SENT FOR THE SOLE PURPOSE OF INFORMING YOU OF THE EXISTENCE OF THIS ACTION AND OF A HEARING ON A PROPOSED SETTLEMENT SO THAT YOU MAY MAKE APPROPRIATE DECISIONS AS TO STEPS YOU MAY WISH TO TAKE IN RELATION TO THIS LITIGATION.***

## **BASIC INFORMATION**

### **1. Why Did I Get This Notice?**

You or someone in your family may have held shares of Sport Supply Group common stock on any day during the period from March 15, 2010, through and including the effective date of the consummation of the Transaction, August 5, 2010.

The Court ordered this Notice because you have a right to know about a proposed settlement of a class action lawsuit before the Court decides whether to approve the settlement.

This Notice explains the lawsuit, the settlement, and your legal rights.

The Court in charge of the case is the County Court at Law No. 2 of Dallas County, Texas, and the case is known as *Waterford Township Police & Fire Retirement System v. Sport Supply Group, Inc. et al.*, No. CC-10-01793-B.

### **2. What Is This Lawsuit About?**

This case was brought as a class action. Plaintiff alleges that the Defendants breached their fiduciary duties to Sport Supply Group shareholders in connection with the acquisition of Sport Supply Group by ONCAP. Plaintiff sought to stop the Defendant from proceeding with the Transaction. Plaintiff also alleged that the public statements and descriptions of the Transaction omitted information necessary for Sport Supply Group shareholders to make an informed vote on the proposed acquisition.

The Defendants contend that Plaintiff's allegations are meritless. They contend that they fully complied with all applicable fiduciary duties and that their public statements and descriptions of the Transaction included all information that a reasonable investor would consider important in deciding whether to vote in favor of the Transaction.

### **3. Why Is This a Class Action?**

In a class action, one or more people or entities (in this case, the Waterford Township Police & Fire Retirement System) seek to sue as class representatives on behalf of people and entities who are similarly situated. These similarly situated people and entities are called a class or class members, if the court determines that the lawsuit should proceed as a class action. One court resolves the issues for all class members.

### **4. Why Is There a Settlement?**

The Court did not decide in favor of Plaintiff or Defendants. Instead, both sides agreed to a settlement, thereby avoiding the costs and risks of a trial. During the course of the litigation, Plaintiff's Counsel conducted discovery to determine whether the material terms of the Transaction were fair. This discovery consisted of the review and analysis of tens of thousands of pages of non-public documents, written discovery responses relating to the Transaction, and depositions. The parties also briefed motions, including Plaintiff's motion for expedited discovery. Plaintiff's Counsel believe the additional disclosures that Defendants provided to shareholders were sufficient to allow Sport Supply Group shareholders to make an informed vote on the Transaction.

In evaluating the settlement, Plaintiff and Plaintiff's Counsel have considered: (i) the substantial benefits to the members of the proposed Class from the settlement; (ii) the facts developed during discovery; (iii) the attendant risks of continued litigation and the uncertainty of the outcome of the Action; (iv) the probability of success on the merits of the allegations contained in the Action, including the uncertainty relating to the proof of those allegations; and (v) the desirability of permitting the settlement to be consummated as provided by the terms of the Stipulation. Plaintiffs' Counsel have determined that the settlement and the terms of the Transaction, and the transactions contemplated thereby, are fair, reasonable, and adequate and in the best interests of Plaintiff and the proposed Class.

Defendants have denied, and continue to deny, that they have committed or aided and abetted in the commission of any violation of law or engaged in any of the wrongful acts alleged in the Action, and expressly maintain that they diligently and scrupulously complied with their fiduciary and other legal duties. Defendants entered into the Stipulation because the proposed settlement would eliminate the burden and expense of further litigation and would avoid any risk that Plaintiff and Plaintiff's Counsel could present a record sufficient to obtain some form of recovery against Defendants.

### **5. How Do I Know if I Am Part of the Settlement?**

The Class includes all record and beneficial holders of Sport Supply Group from March 15, 2010, through and including August 5, 2010, including any and all of their respective successors-in-interest, successors, predecessors-in-interest, predecessors, representatives, trustees, executors, administrators, heirs, assigns or transferees, immediate and remote, and any person or entity acting for or on behalf of, or claiming under, any of them, and each of them, together with their predecessors, but excluding Defendants.

## THE SETTLEMENT BENEFITS

### **6. What Does the Settlement Provide?**

The settlement is based on the fact that the Defendants made available to Sport Supply Group shareholders additional information related to the Transaction in the Revised Preliminary Proxy, the Second Revised Preliminary Proxy, and the Derivative Proxy, which information had been suggested by Plaintiff's Counsel. The expanded disclosures relate to the following issues:

- the discussions with the various potential competing bidders in the process;
- the basis for selection of the members of the Special Committee;
- certain details of ONCAP's initial offer letter;
- the analysis provided to the Special Committee by ONCAP on January 15, 2010;
- the alternative assumptions discussed with the Special Committee at its January 18, 2010 meeting;
- the negotiation of the rollover and voting agreements with CBT Holdings, LLC ("CBT") and Carlson Capital;
- the prior relationship between ONCAP and CBT;
- the Special Committee's consideration and assessment of the deal protection devices;
- the fee payable to Houlihan Lokey ("Houlihan") and its past advisory services for ONCAP;
- Houlihan's selection of perpetuity growth rates for its DCF;
- the Board's consideration of strategic alternatives and the Company's stand-alone prospects;
- the conduct and results of the go-shop process;
- additional information concerning the Company's financial projections; and
- additional information concerning the Company management's financial interests in the Transaction.

Defendants acknowledge that the pendency and prosecution of the Action and the efforts of Plaintiffs' Counsel were a substantial cause for its decision to provide the additional disclosures.

### **7. What Does It Mean to Be Part of the Class?**

Being part of the Class means you cannot sue or be part of any other lawsuit, if one is filed, against the Defendants or other Released Parties<sup>1</sup> about the legal issues in those cases. It also means that all of the Court's orders will apply to you and legally bind you.

In addition, you are releasing any and all manner of claims, demands, rights, liabilities, losses, obligations, duties, damages, costs, debts, expenses, interest, penalties, sanctions, fees, attorneys' fees, Action, potential Action, causes of action, suits, agreements, judgments, decrees, matters, issues and controversies of any kind, nature or description whatsoever, whether known or unknown, disclosed or undisclosed, accrued or unaccrued, apparent or not apparent, foreseen or unforeseen, matured or not matured, suspected or unsuspected, liquidated or not liquidated, fixed or contingent, including Unknown Claims, that Plaintiff or any or all Members of the Class ever had, now have, or may have, or otherwise could, can or might assert, in their capacity as shareholders, whether direct, derivative, individual, class, representative, legal equitable or of any other type, or in any other capacity, against any of the Released Parties, whether based on state, local, foreign, federal, statutory, regulatory, common or other law or rule (including, but not limited to, any claims arising under Section 14(a) of the Securities Exchange Act of 1934 or any claims that could be asserted derivatively on behalf of Sport Supply Group), which, now or hereafter, are based upon, arise out of, relate in any way to, or involve, directly or indirectly, any of the Action, transaction, occurrences, statements, representations, misrepresentations, omissions, allegations, facts, practices, events, claims or any other matters, things or causes whatsoever, or any series thereof, that were, could have been, or in the future can or might be alleged, asserted, set forth, claimed, embraced, involved, or referred to in, or related to, directly or indirectly, the Action or the subject matter of the Action in any court, tribunal, forum or proceeding, including, without limitation, any and all claims that are based upon, arise out or relate in any way to, or involve, directly or indirectly, (i) the Transaction, (ii) any Action, deliberations or negotiations in connection with the Transaction, including the process of deliberation or negotiation by each of Sport Supply Group and ONCAP or ONCAP Management Partners, L.P. and any of their respective officers, directors, partners, employees or advisors, (iii) the consideration to be received by Class Members in connection with the Transaction, (iv) the Preliminary Proxy, the Definitive Proxy, or any other disclosures, public filings, periodic reports, press releases, proxy statements or other statements issued, made available or filed relating, directly or indirectly, to the Transaction, (v) the fiduciary obligations of the Released

<sup>1</sup> "Released Parties" for the purposes of this settlement means (i) Sport Supply Group, Inc., CBT Holdings, LLC, ONCAP Management Partners, L.P., Adam L. Blumenfeld, Jeff Davidowitz, William H. Watkins, Jr., William M. Lockhart, Richard Ellman, Terrence M. Babilla, John Pitts, Kurt Hagen, and Tevis Martin; (ii) any person or entity that is, was or will be related to or affiliated with any or all of them or in which any or all of them has, had or will have a controlling interest; and (iii) the respective past, present or future family members, spouses, and heirs, as well as the respective past or present trusts, trustees, executors, estates, administrators, beneficiaries, distributees, foundations, agents, employees, fiduciaries, partners, partnerships, general or limited partners or partnerships, joint ventures, member firms, limited liability companies, corporations, parents, subsidiaries, divisions, affiliates, associated entities, shareholders, principals, officers, directors, managing directors, members, managing members, managing agents, predecessors, predecessors-in-interest, successors, successors-in-interest, assigns, financial or investment advisors, advisors, consultants, investment bankers, entities providing any fairness opinion, underwriters, brokers, dealers, lenders, commercial bankers, attorneys, personal or legal representatives, accountants, insurers, and associates, of each and all of the foregoing.

Parties in connection with the Transaction, (vi) the fees, expenses or costs incurred in prosecuting, defending, or settling the Action, subject to paragraph 2(g) of the Memorandum of Understanding, or (vii) any of the allegations in any petition or amendment(s) thereto filed in the Action (collectively, the "Settled Claims"); provided, however, that the Settled Claims shall not include the right to enforce the settlement.

"Unknown Claims" includes claims that you do not know or suspect to exist, which if you knew, might affect your agreement to release the Released Parties and the Settled Claims, or might affect your decision to object to or not object to the settlement.

If the Stipulation and the settlement are approved by the Court, you shall be deemed to waive any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which governs or limits any person's release of the Unknown Claims. The foregoing waiver includes, without limitation, an express waiver, to the fullest extent permitted by law, by you, of any and all rights under California Civil Code §1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The foregoing waiver further includes, without limitation, an express waiver, to the fullest extent permitted by law, by you, of any and all rights under any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542.

### THE LAWYERS REPRESENTING YOU

#### **8. Do I Have a Lawyer in This Case?**

The law firm of Robbins Geller Rudman & Dowd LLP represents you and other Class Members. These lawyers are called Plaintiff's Settlement Counsel. You will not be charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

#### **9. How Will the Lawyers Be Paid?**

Defendants have agreed that if the other conditions of the settlement are satisfied, Sport Supply Group or its successor shall pay the attorneys' fees and expenses of Plaintiff's Counsel of \$425,000. The conditions include approval by the Court of the settlement and the award and amount of attorneys' fees and expenses. The parties negotiated this fee amount after Defendants had provided the additional disclosures. The fees and expenses awarded did not reduce the consideration paid to Sport Supply Group shareholders in the Transaction in any way.

### THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the settlement. You may attend and you may ask to speak, but you do not have to do either. Any Member of the Class who objects to the settlement, or who otherwise wishes to be heard, may appear in person or by counsel, at their own expense, at the Settlement Hearing and show cause why the settlement should not be approved; provided, however, that no person other than Plaintiff's Counsel and Defendants' counsel shall be heard and no papers, briefs, pleadings or other documents submitted by any person shall be considered by the Court unless no later than September 7, 2012, such person files with the Court and serves upon counsel listed below: (a) a written notice of intention to appear; (b) proof of Class membership; (c) a detailed statement of all of such person's objections to any matters before the Court; and (d) the grounds therefore or the reason that such person desires to appear and be heard, as well as all documents or writings such person desires the Court to consider. Hand deliver any objection by September 7, 2012, or mail to the following places such that it is postmarked by September 7, 2012.

*Court*

Clerk of the Court  
DALLAS COUNTY COURT AT LAW NO. 2  
600 Commerce Street  
Dallas, TX 75202

*Counsel for Plaintiffs*

Ellen Gusikoff Stewart  
ROBBINS GELLER RUDMAN  
& DOWD LLP  
655 West Broadway, Suite 1900  
San Diego, CA 92101

*Counsel for Defendants*

John C. Wander  
VINSON & ELKINS, L.L.P.  
3700 Trammell Crow Center  
2001 Ross Avenue  
Dallas, TX 75201

William Sushon  
O'MELVENY & MYERS LLP  
Times Square Tower  
7 Times Square  
New York, NY 10036

Unless the Court otherwise directs, no person shall be entitled to object to the approval of the settlement, or otherwise be heard, except by serving and filing a written objection and supporting papers and documents as described above. Any person who fails to object in the manner described above shall be deemed to have waived the right to object (including any right of appeal) and shall be forever barred from raising such objection or otherwise contesting the settlement in this or any other action or proceeding.

## **10. When and Where Will the Court Decide Whether to Approve the Settlement?**

The Court will hold a fairness hearing at 9:00 a.m., on September 21, 2012, at the County Court at Law No. 2 of Dallas County, Texas, 600 Commerce Street, Dallas, Texas 75202. At this hearing the Court will consider whether (a) the Court should certify the Class for settlement purposes, and (b) the settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will listen to people who have asked to speak at the hearing. The Court may decide these issues at the hearing or take them under consideration. We do not know how long the Court's decision will take. The Court has reserved the right to adjourn or continue the fairness hearing without further notice to you.

## **11. Do I Have to Come to the Hearing?**

No. Plaintiff's Settlement Counsel will answer questions the Court may have, but, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court for the Court to consider the objection. As long as you submitted your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

## **THE FINAL JUDGMENT OF THE COURT**

## **12. What Does It Mean if the Court Enters Its Final Judgment?**

If the Court determines that the settlement, as provided for in the Stipulation, is fair, reasonable, adequate, and in the best interests of the Class, the parties to the Action will ask the Court to enter a Final Judgment, which will, among other things:

- approve the settlement as fair, reasonable, adequate, and in the best interests of the Class and direct consummation of the settlement in accordance with its terms and conditions;
- finally certify the Class for purposes of the settlement pursuant to Rule 42 of the Texas Rules of Civil Procedure;
- dismiss Plaintiff's claims with prejudice as against the Plaintiff and all of the Members of the Class;
- permanently bar and enjoin the Members of the Class from instituting, commencing, prosecuting, participating in or continuing any action or other proceeding in any court or tribunal of this or any other jurisdiction, either directly, representatively, derivatively or in any other capacity, asserting any claims that are, arise out of, or in any way relate to, the Settled Claims as defined above; and
- retain jurisdiction over all matters relating to the administration and consummation of the settlement provided for therein.

In the event the settlement is not approved, or such approval does not become final, then the settlement shall be of no further force and effect and each party then shall be returned to his, her or its respective position prior to the settlement without prejudice and as if the settlement had not been entered into.

## **GETTING MORE INFORMATION**

## **13. Are There More Details About the Settlement?**

This Notice summarizes the proposed settlement. This summary is qualified by, and subject to, the detailed terms of the Stipulation together with its Exhibits entered into on June 14, 2012. You can get a copy of the Stipulation during business hours at the Clerk of the Court, County Court at Law No. 2, 600 Commerce Street, Dallas, Texas 75202; or by writing to Rick Nelson, c/o Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101.

## **14. How Do I Get More Information?**

You can call 619/231-1058 or write to Rick Nelson, c/o Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101.

**SPECIAL NOTICE TO BANKS, BROKERS, AND OTHER NOMINEES**

If you held any Sport Supply Group common stock on any date from March 15, 2010, through and including August 5, 2010, as nominee for a beneficial owner, then, within ten (10) calendar days after you receive this Notice, you must either: (1) send a copy of this Notice by First-Class Mail to all such persons or entities; or (2) provide a list of the names and addresses of such persons or entities to the Notice Administrator:

*Sport Supply Group Shareholder Litigation*

Notice Administrator

c/o Strategic Claims Services

600 N. Jackson Street, Suite 3

Media, PA 19063

If you choose to mail the Notice yourself, you may obtain from the Notice Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

***DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE***

DATED: JULY 17, 2012

BY ORDER OF THE COURT  
COUNTY COURT AT LAW NO. 2  
DALLAS COUNTY, TEXAS

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Sport Supply Group Shareholder Litigation  
c/o Strategic Claims Services  
600 N. Jackson Street, Suite 3  
Media, PA 19063

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