DUMAS ROBERT ALLEN
Form 4
February 04, 2019

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
DUMAS ROBERT ALLEN

(Last) (First) (Middle)

233 S PATTERSON AVE

(Street)

SPRINGFIELD, MO 65802

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
O REILLY AUTOMOTIVE INC [ORLY]

3. Date of Earliest Transaction (Month/Day/Year)
01/31/2019

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
SVP OF EASTERN STORE OPS/SALES

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock								22 (1)	D	
Common Stock								19	I	Indirectly in the Company's 401k plan.

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Nonqualified employee stock options (right to buy)	$ 344.66	01/31/2019		A		506		01/31/2020 (2)	01/31/2029	Common Stock	506

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DUMAS ROBERT ALLEN 233 S PATTERSON AVE SPRINGFIELD, MO 65802			SVP OF EASTERN STORE OPS/SALES	

Signatures

/s/ Robert Dumas	02/04/2019
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Total includes 22 shares held under the Company's Employee Stock Purchase Plan.

(2) The options vest in four equal annual installments beginning on this date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. IN-LEFT: 0pt; TEXT-INDENT: 0pt; MARGIN-RIGHT: 0pt" align="left"> Leasehold improvements 61,152 57,599

Construction in progress				
	2,776	2,564	131,624	121,737
Less accumulated depreciation and amortization				
			86,315	75,232

Net property and equipment	45,309	46,505
Deferred income taxes	3,481	3,780
Other assets, net	532	462
Total Assets	$235,087	$216,734

LIABILITIES AND STOCKHOLDERS' INVESTMENT

Current Liabilities:		
Accounts payable	$64,460	$64,125
Accrued income taxes	-	688
Accrued payroll expenses	7,149	4,432
Deferred rent	4,445	4,379
Other accrued expenses	2,656	2,980
Total current liabilities	78,710	76,604
Deferred rent	16,543	18,012
Deferred income taxes	2,957	2,968
Other liabilities, net	302	95
Total liabilities	98,512	97,679
Stockholders' Investment:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, no shares issued	-	-
Common stock, $.01 par value, 80,000,000 shares authorized, 36,304,735 and 36,162,201 shares issued at January 31, 2009 and February 2, 2008, respectively	363	362
Paid-in capital	92,153	87,142
Retained earnings	211,003	181,555
Treasury stock, at cost; 7,761,813 and 6,723,113 shares repurchased at January 31, 2009 and February 2, 2008, respectively		

	(166,944)	(150,004)
Total stockholders' investment	136,575	119,055
Total Liabilities and Stockholders' Investment	$235,087	$216,734

See accompanying notes to consolidated financial statements.

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HIBBETT SPORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share information)

	Fiscal Year Ended		
	January 31, 2009 (52 weeks)	February 2, 2008 (52 weeks)	February 3, 2007 (53 weeks)
Net sales	$ 564,188	$ 520,720	$ 512,094
Cost of goods sold, including distribution center and store occupancy costs	378,817	351,876	338,963
Gross profit	185,371	168,844	173,131
Store operating, selling and administrative expenses	123,075	108,463	100,461
Depreciation and amortization	14,324	12,154	10,932
Operating income	47,972	48,227	61,738
Interest income	41	582	906
Interest expense	(660)	(151)	(30)
Interest (expense) income, net	(619)	431	876
Income before provision for income taxes	47,353	48,658	62,614
Provision for income taxes	17,905	18,329	24,541
Net income	$ 29,448	$ 30,329	$ 38,073
Basic earnings per share	$ 1.03	$ 0.98	$ 1.19
Diluted earnings per share	$ 1.02	$ 0.96	$ 1.17
Weighted average shares outstanding:			
Basic	28,547,435	31,049,058	32,094,127
Diluted	28,953,696	31,525,050	32,619,839

See accompanying notes to consolidated financial statements.

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HIBBETT SPORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share information)

	Fiscal Year Ended		
	January 31, 2009	February 2, 2008	February 3, 2007
Cash Flows From Operating Activities:			
Net income	$ 29,448	$ 30,329	$ 38,073
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	14,324	12,154	10,932
Deferred income tax (benefit) expense, net	(925)	673	(1,073)
Excess tax benefit from stock option exercises	(388)	(520)	(1,232)
Loss on disposal and write-down of assets, net	513	230	370
Stock-based compensation	3,556	3,677	2,837
Changes in operating assets and liabilities:			
Trade receivables, net	(724)	(314)	(55)
Accounts receivable, other	912	(610)	149
Inventories	(10,369)	(16,022)	(16,378)
Prepaid expenses and other current assets	1,525	(326)	(3,530)
Accrued income taxes	(476)	(4,154)	6,005
Other assets, non-current	71	(288)	(19)
Accounts payable	336	22,109	(3,913)
Deferred rent, non-current	(1,469)	2,296	1,513
Accrued expenses and other	2,663	(1,212)	2,783
Net cash provided by operating activities	38,997	48,022	36,462
Cash Flows From Investing Activities:			
(Purchase) sale of investments, net	(141)	(191)	13,227
Capital expenditures	(13,697)	(16,376)	(16,278)
Proceeds from sale of property and equipment	57	18	54
Net cash used in investing activities	(13,781)	(16,549)	(2,997)
Cash Flows From Financing Activities:			
Cash used for stock repurchases	(16,940)	(52,672)	(32,958)
Excess tax benefit from stock option exercises	388	520	1,232
Proceeds from options exercised and purchase of shares under the employee stock purchase plan	1,244	1,054	2,684
Net cash used in financing activities	(15,308)	(51,098)	(29,042)
Net Increase (Decrease) in Cash and Cash Equivalents	9,908	(19,625)	4,423
Cash and Cash Equivalents, Beginning of Year	10,742	30,367	25,944
Cash and Cash Equivalents, End of Year	$ 20,650	$ 10,742	$ 30,367
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for:			
Interest	$ 659	$ 151	$ 30
Income taxes, net of refunds	$ 21,162	$ 22,031	$ 19,608

Supplemental Schedule of Non-Cash Financing Activities:						
Deferred board compensation	$	10	$	33	$	31
Shares awarded to satisfy deferred board compensation		664		1,306		1,142

See accompanying notes to consolidated financial statements.

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HIBBETT SPORTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT
(in thousands, except share information)

	Common Stock				Treasury Stock		
	Number of Shares	Amount	Paid-In Capital	Retained Earnings	Number of Shares	Amount	Total Stockholders' Investment
Balance-January 28, 2006	35,734,752	$ 357	$ 75,166	$ 113,624	3,127,700	$ (64,374)	$ 124,773
Net income				38,073			38,073
Issuance of shares from the employee stock purchase plan and the exercise of stock options, including tax benefit of $2,539	312,980	3	5,220				5,223
Adjustment to income tax benefit from exercises of employee stock options			(1,307)				(1,307)
Purchase of shares under the stock repurchase program					1,178,713	(32,958)	(32,958)
Stock-based compensation			2,837				2,837
Balance-February 3, 2007	36,047,732	360	81,916	151,697	4,306,413	(97,332)	136,641
Net income				30,329			30,329
Cumulative effect of adopting FIN No. 48				(554)			(554)
Cumulative effect of change in accounting principle, net				83			83
Issuance of shares from the employee stock purchase plan and the exercise of stock options, including tax benefit of $275	114,469	2	1,549				1,551
Purchase of shares under the stock repurchase program					2,416,700	(52,672)	(52,672)
Stock-based compensation			3,677				3,677

Balance-February 2, 2008	36,162,201	362	87,142	181,555	6,723,113	(150,004)	119,055
Net income				29,448			29,448
Issuance of shares from the employee stock purchase plan and the exercise of stock options, including tax benefit of $212	142,534	1	1,425				1,426
Tax shortfall on release of restricted stock and option exercises			(176)				(176)
Adjustment to income tax benefit from exercises of employee stock options			206				206
Purchase of shares under the stock repurchase program					1,037,700	(16,940)	(16,940)
Stock-based compensation			3,556				3,556
Balance-January 31, 2009	36,304,735	$ 363	$ 92,153	$ 211,003	7,761,813	$ (166,944)	$ 136,575

See accompanying notes to consolidated financial statements.

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HIBBETT SPORTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Hibbett Sports, Inc. is an operator of sporting goods retail stores in small to mid-sized markets predominately in the Southeast, Southwest, Mid-Atlantic and lower Midwest regions of the United States. Our fiscal year ends on the Saturday closest to January 31 of each year. The consolidated statements of operations for fiscal years ended January 31, 2009 and February 2, 2008, include 52 weeks of operations. The consolidated statement of operations for fiscal year ended February 3, 2007 includes 53 weeks of operations. Our merchandise assortment features a core selection of brand name merchandise emphasizing team sports equipment, athletic and fashion apparel and footwear related accessories. We complement this core assortment with a selection of localized apparel and accessories designed to appeal to a wide range of customers within each market.

Accounting Change

On the first day of Fiscal 2008, we changed our inventory valuation method. Previously, inventories were principally valued at the lower of cost or market using the retail method. Commencing in Fiscal 2008, inventories are principally valued at the lower of cost or market using the weighted average cost method.

SFAS No. 154, Accounting Changes and Error Corrections – A Replacement of APB Opinion No. 20 and FASB Statement No. 3, requires a retrospective application of changes in accounting principles. However, the effect of this change in accounting principle for periods prior to Fiscal 2008 is not determinable, as the period specific information required to value inventory using the weighted average cost method is not available for periods prior to Fiscal 2008. This change was recognized as a net increase of $143,000 to inventory, an increase of $60,000 to deferred income tax liabilities and a cumulative effect to retained earnings of $83,000. This change in valuation method did not have a material impact on net income or diluted earnings per share.

We believe the new accounting method of weighted average cost is preferable to the retail method of inventory valuation because it will produce more accurate inventory amounts reported in the balance sheet and, in turn, more accurate cost of sales in the income statement. The new merchandising system, implemented in Fiscal 2008, has facilitated our ability to value our inventory on the weighted average cost method.

Principles of Consolidation

The consolidated financial statements of our Company include its accounts and the accounts of all wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Occasionally, certain reclassifications are made to conform previously reported data to the current presentation. Such reclassifications had no impact on total assets, net income or stockholders' investment.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect:

- the reported amounts of certain assets, including inventories and property and equipment;
- the reported amounts of certain liabilities, including legal and other accruals; and
- the reported amounts of certain revenues and expenses during the reporting period.

The assumptions used by management in future estimates could change significantly due to changes in circumstances and actual results could differ from those estimates.

Reportable Segments

Given the economic characteristics of the store formats, the similar nature of products offered for sale, the type of customers, the methods of distribution and how our Company is managed, our operations constitute only one reportable segment. Revenues from external customers by product category are impractical for us to report.

Customers

No customer accounted for more than 5.0% of our net sales during the fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007.

Vendor Arrangements

We enter into arrangements with some of our vendors that entitle us to a partial refund of the cost of merchandise purchased during the year or reimbursement of certain costs we incur to advertise or otherwise promote their product. The volume based rebates, supported by vendor agreements, are estimated throughout the year and reduce the cost of inventory and cost of goods sold during the year. This estimate is regularly monitored and adjusted for current or anticipated changes in purchase levels and for sales activity.

We also receive consideration from vendors through a variety of other programs, including markdown reimbursements, vendor compliance charges and defective merchandise and return-to-vendor credits. If the payment is a reimbursement for costs incurred, it is recognized as an offset against those related costs; otherwise, it is treated as a reduction to the cost of merchandise. Markdown reimbursements related to merchandise that has been sold are negotiated by our merchandising teams and are credited directly to cost of goods sold in the period received. If vendor funds are received prior to merchandise being sold, they are recorded as a reduction of merchandise cost.

Cost of Goods Sold

We include inbound freight charges, merchandise purchases, store occupancy costs and a portion of our distribution costs related to our retail business in cost of goods sold. Outbound freight charges associated with moving merchandise to and between stores are included in store operating, selling and administrative expenses.

Advertising

We expense advertising costs when incurred. We participate in various advertising and marketing cooperative programs with our vendors, who, under these programs, reimburse us for certain costs incurred. A receivable for cooperative advertising to be reimbursed is recorded as a decrease to expense as advertisements are run.

The following table presents the components of our advertising expense (in thousands):

	Fiscal Year Ended		
	January 31, 2009	February 2, 2008	February 3, 2007
Gross advertising costs	$ 6,145	$ 6,519	$ 5,194
Advertising reimbursements	(3,054)	(3,609)	(3,225)
Net advertising costs	$ 3,091	$ 2,910	$ 1,969

Stock Repurchase Program

In August 2004, our Board of Directors (the Board) authorized a plan to repurchase our common stock. The Board has subsequently authorized increases to this plan with a current authorization effective November 2007 of $250.0 million. Stock repurchases may be made in the open market or in negotiated transactions until January 30, 2010, with the amount and timing of repurchases dependent on market conditions and at the discretion of our management.

We repurchased 1,038,700, 2,416,700 and 1,178,713 shares of our common stock during years ended January 31, 2009, February 2, 2008 and February 3, 2007, respectively, at a cost of approximately $16.9 million, $52.7 million and $33.0 million, respectively. As of January 31, 2009, we had repurchased a total of 7,761,813 shares of our common stock at an approximate cost of $166.9 million. We have approximately $83.1 million available for stock repurchase as of January 31, 2009. We do not have plans to repurchase any of our common stock in the near future.

Cash and Cash Equivalents

We consider all short-term, highly liquid investments with original maturities of 90 days or less, including commercial paper and money market funds, to be cash equivalents. We place our cash equivalents in high credit quality financial institutions. We are exposed to credit risk in the event of default by these institutions to the extent the amount recorded on the consolidated balance sheet exceeds the FDIC insurance limits per institution. Amounts due from third party credit card processors for the settlement of debit and credit card transactions are included as cash equivalents as they are generally collected within three business days. Cash equivalents related to credit and debit card transactions at January 31, 2009 and February 2, 2008 were $2.7 million and $2.4 million, respectively.

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Investments

All investments with original maturities of greater than 90 days are accounted for in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. We determine the appropriate classification at the time of purchase. We held approximately $0.2 million of short-term investments in securities at January 31, 2009 and February 2, 2008.

Our short-term investments in securities consisted of municipal bonds classified as available-for-sale. Investments in these securities are recorded at cost, which approximates fair value. Despite the long-term nature of their stated contractual maturities, we believe there is a ready liquid market for these securities. As a result, there are no cumulative gross unrealized holding gains (losses) or gross realized gains (losses) from our short-term investments. All income generated from these securities is recorded as interest income. We continually evaluate our short-term investments for other than temporary impairment.

We also hold investments in trust for the Hibbett Sports, Inc. Supplemental 401(k) Plan (Supplemental Plan) which are trading securities and are classified as a long-term asset on the consolidated balance sheet included in other assets, net. At January 31, 2009, we had approximately $0.1 million of investments included in other assets, net. We did not hold any such investments at February 2, 2008. Unrealized holding gains or losses are inconsequential.

Trade and Other Accounts Receivable

Trade accounts receivable consists primarily of amounts due to us from sales to educational institutions and youth associations. We do not require collateral and we maintain an allowance for potential uncollectible accounts based on an analysis of the aging of accounts receivable at the date of the financial statements, historical losses and existing economic conditions, when relevant. The allowance for doubtful accounts at January 31, 2009 and February 2, 2008 was $50,000 and $46,000, respectively.

Other accounts receivable consisted primarily of tenant allowances due from landlords and cooperative advertising due from vendors, all of which are deemed to be collectible.

Inventories and Valuation

Lower of Cost or Market: Inventories are valued using the lower of weighted average cost or market method. Market is determined based on estimated net realizable value. We regularly review inventories to determine if the carrying value exceeds realizable value, and we record an accrual to reduce the carrying value to net realizable value as necessary. We account for obsolescence as part of our lower of cost or market accrual based on historical trends and specific identification. As of January 31, 2009 and February 2, 2008, the accrual was $2.0 million and $1.5 million, respectively. A determination of net realizable value requires significant judgment and estimates.

Shrinkage: We accrue for inventory shrinkage based on the actual historical results of our most recent physical inventories. These estimates are compared to actual results as physical inventory counts are performed and reconciled to the general ledger. Store counts are typically performed on a cyclical basis and the distribution center's counts are performed mid-year and in late December or early January every year. In Fiscal 2009, the distribution center's counts were performed quarterly. As of January 31, 2009 and February 2, 2008, the accrual was $1.4 million and $0.9 million, respectively.

Inventory Purchase Concentration: Our business is dependent to a significant degree upon close relationships with our vendors. Our largest vendor, Nike, represented approximately 51.4%, 48.5% and 47.3% of our purchases in Fiscal 2009, Fiscal 2008 and Fiscal 2007, respectively. Our next largest vendor in Fiscal 2009 represented approximately 8.4%, 6.6% and 4.8% of our purchases in Fiscal 2009, Fiscal 2008 and Fiscal 2007, respectively. Our third largest vendor in Fiscal 2009 represented approximately 7.9%, 9.3% and 9.4% of our purchases in Fiscal 2009, Fiscal 2008 and Fiscal 2007, respectively.

Property and Equipment

Property and equipment are recorded at cost. Depreciation on assets is principally provided using the straight-line method over their estimated service lives (3 to 5 years for equipment, 7 years for furniture and fixtures and 39 years for buildings) or, in the case of leasehold improvements, the shorter of the initial term of the underlying leases or the estimated economic lives of the improvements (typically 3 to 10 years). We continually reassess the remaining useful life of leasehold improvements in light of store closing plans.

Construction in progress is comprised primarily of property and equipment related to unopened stores and costs associated with technology upgrades at period end. At fiscal year ended January 31, 2009, construction in progress was comprised mostly of a conveyor project in our distribution center and technology projects.

Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets sold, retired or otherwise disposed of are removed from property and equipment and the related gain or loss is credited or charged to income.

Deferred Rent

Deferred rent primarily consists of step rent and allowances from landlords related to our leased properties. Step rent represents the difference between actual operating lease payments due and straight-line rent expense, which is recorded by the Company over the term of the lease, including the build-out period. This amount is recorded as deferred rent in the early years of the lease, when cash payments are generally lower than straight-line rent expense, and reduced in the later years of the lease when payments begin to exceed the straight-line rent expense. Landlord allowances are generally comprised of amounts received and/or promised to us by landlords and may be received in the form of cash or free rent. We record a receivable from the landlord and a deferred rent liability when the allowances are earned. This deferred rent is amortized into income (through lower rent expense) over the term (including the pre-opening build-out period) of the applicable lease, and the receivable is reduced as amounts are received from the landlord.

On our consolidated statements of cash flows, the current and long-term portions of landlord allowances are included as changes in cash flows from operations. The current portion is included as a change in accrued expenses and the long-term portion is included as a change in deferred rent, non-current. The liability for the current portion of unamortized landlord allowances was $4.0 million and $3.9 million at January 31, 2009 and February 2, 2008, respectively. The liability for the long-term portion of unamortized landlord allowances was $13.1 million and $14.6 million at January 31, 2009 and February 2, 2008, respectively. We estimate the non-cash portion of landlord allowances was $0.8 million and $0.5 million in Fiscal 2009 and Fiscal 2008, respectively.

Revenue Recognition

We recognize revenue, including gift card and layaway sales, in accordance with the SEC Staff Accounting Bulletin (SAB) No. 101, Revenue Recognition in Financial Statements, as amended by SAB No. 104, Revenue Recognition.

Retail merchandise sales occur on-site in our retail stores. Customers have the option of paying the full purchase price of the merchandise upon sale or paying a down payment and placing the merchandise on layaway. The customer may make further payments in installments, but the entire purchase price for merchandise placed on layaway must be received by us within 30 days. The down payment and any installments are recorded by us as short-term deferred revenue until the customer pays the entire purchase price for the merchandise. We recognize revenue at the time the customer takes possession of the merchandise. Retail sales are recorded net of returns and discounts and exclude sales taxes.

In Fiscal 2009, we began a customer loyalty program, the MVP Rewards Program (Program), whereby customers enroll in the Program and receive points in a variety of ways that are automatically converted into reward certificates based on Program parameters that are subject to change. An estimate of the obligation related to the Program, based on estimated redemption rates, is recorded as a current liability and a reduction of net retail sales in the period earned by the customer. The current liability is reduced, and a corresponding amount is recognized in net retail sales, in the amount of and at the time of redemption of the reward certificate. At January 31, 2009, the amount recorded in current liabilities for reward certificates issued was inconsequential.

The cost of coupon sales incentives is recognized at the time the related revenue is recognized. Proceeds received from the issuance of gift cards are initially recorded as deferred revenue. Revenue is subsequently recognized at the time the customer redeems the gift cards and takes possession of the merchandise. Unredeemed gift cards are recorded as a current liability.

It is not our policy to take unclaimed layaway deposits and unredeemed gift cards into income. For the years ended January 31, 2009, February 2, 2008 and February 3, 2007, there was no breakage revenue recorded in income. The deferred revenue liability for layaway deposits and unredeemed gift cards was $2.4 million and $2.1 million at January 31, 2009 and February 2, 2008, respectively. Any unrecognized breakage revenue is immaterial. We escheat unredeemed gift cards.

Store Opening and Closing Costs

New store opening costs, including pre-opening costs, are charged to expense as incurred. Store opening costs primarily include payroll expenses, training costs and straight-line rent expenses. All pre-opening costs are included in store operating, selling and administrative expenses as a part of operating expenses.

We consider individual store closings to be a normal part of operations and regularly review store performance against expectations. Costs associated with store closings are recognized at the time of closing or when a liability has been incurred.

Accounting for the Impairment of Long-Lived Assets

We continually evaluate whether events and circumstances have occurred that indicate the remaining balance of long-lived assets may be impaired and not recoverable. Our policy is to recognize any impairment loss on long-lived assets as a charge to current income when certain events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Impairment is assessed considering the estimated undiscounted cash flows over the asset's remaining life. If estimated cash flows are insufficient to recover the investment, an impairment loss is recognized based on a comparison of the cost of the asset to fair value less any costs of disposition. Evaluation of asset impairment requires significant judgment and estimates.

Insurance Accrual

We are self-insured for a significant portion of our health insurance. Liabilities associated with the risks that are retained by us are estimated, in part, by considering our historical claims. The estimated accruals for these liabilities could be affected if future occurrences and claims differ from our assumptions. To minimize our potential exposure, we carry stop-loss insurance which reimburses us for losses over $0.1 million per covered person per year or $2.0 million per year in the aggregate. As of January 31, 2009 and February 2, 2008, the accrual for these liabilities was $0.6 million and $0.5 million, respectively, and was included in accrued expenses in the consolidated balance sheets.

We are also self-insured for our workers' compensation and general liability insurance up to an established deductible with a cumulative stop loss. As of January 31, 2009 and February 2, 2008, the accrual for these liabilities (which is not discounted) was $0.3 million and $0.2 million, respectively, and was included in accrued expenses in the consolidated balance sheets.

Sales Returns, net

Net sales returns were $19.6 million for Fiscal 2009, $18.3 million for Fiscal 2008 and $14.2 million for Fiscal 2007. The accrual for the effect of estimated returns on pre-tax income was $0.3 million and $0.2 million as of January 31, 2009 and February 2, 2008, and was included in accrued expenses in the consolidated balance sheets. Determination of the accrual for estimated returns requires significant judgment and estimates.

Fair Value of Financial Instruments

Effective February 3, 2008, we adopted SFAS No. 157, Fair Value Measurements, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of SFAS No. 157 did not have a material impact on our consolidated financial statements.

SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level I – Quoted prices in active markets for identical assets or liabilities.
- Level II – Observable inputs other than quoted prices included in Level I, such as quoted prices for markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level III – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The table below segregates all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value as of January 31, 2009 (in thousands):

	Level I	Level II	Level III	Total
Short-term investments	$ 191	$ -	$ -	$ 191
Long-term investments	141	-	-	141
Total investments	$ 332	$ -	$ -	$ 332

In October 2008, The FASB issued FSP Financial Accounting Standard (FAS) No. 157-3, Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active, which clarifies the application of SFAS No. 157 in determining the fair value of assets and liabilities for which there is no active market or the principal market for such asset or liability is not active. This FSP was effective upon issuance and did not have a material impact on our consolidated financial statements.

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NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles. This statement identifies the sources for U.S. generally accepted accounting principles (GAAP) and lists the categories in descending order. An entity should follow the highest category of GAAP applicable for each of its accounting transactions. SFAS No. 162 is effective 60 days following SEC approval of the Public Company Accounting Oversight Board (PCAOB) amendments to remove the hierarchy of generally accepted accounting principles from auditing standards. The SEC approved the PCAOB amendments on September 16, 2008, making SFAS No. 162 effective on November 15, 2008. The adoption of SFAS No. 162 did not have a material impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities. This statement requires companies to provide enhanced disclosures about (a) how and why they use derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and its related interpretations and (c) how derivative instruments and related hedged items affect a company’s financial position, financial performance and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We do not expect the adoption of SFAS No. 161 to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations. SFAS No. 141(R) requires an acquirer to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in purchased entities, measured at their fair values at the date of acquisition based upon the definition of fair value outlined in SFAS No. 157, Fair Value Measurements. For us, SFAS No. 141(R) is effective for acquisitions beginning on and after February 1, 2010. We do not expect the adoption of SFAS No. 141(R) to have a material impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement 115. This statement permits companies to elect to measure certain assets and liabilities at fair value. At each reporting date subsequent to adoption, unrealized gains and losses on items for which the fair value option has been elected must be reported in earnings. On February 3, 2008, we adopted SFAS No. 159 and elected not to use fair value measurement on any assets or liabilities under this statement.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. SFAS No. 157 requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy, as defined. SFAS No. 157 may require companies to provide additional disclosures based on that hierarchy. This statement was to be effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. In February 2008, FSP FAS No. 157-2, Effective Date of FASB Statement No. 157, was issued which delayed the applicability of SFAS No. 157’s fair value measurements to certain nonfinancial assets and liabilities to those fiscal years beginning after November 15, 2008 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of the provisions of SFAS No. 157 did not have a material impact on our consolidated financial statements.

NOTE 3. STOCK-BASED COMPENSATION

At January 31, 2009, we had four stock-based compensation plans:

(a) The Amended 2005 Equity Incentive Plan (Incentive Plan) provides that the Board of Directors may grant equity awards to certain employees of the Company at its discretion. The Incentive Plan was adopted effective July 1, 2005 and authorizes grants of equity awards of up to 1,233,159 authorized but unissued shares of common stock. At January 31, 2009, there were 803,440 shares available for grant under the Incentive Plan.

(b) The Amended 2005 Employee Stock Purchase Plan (ESPP) allows for qualified employees to participate in the purchase of up to 204,794 shares of our common stock at a price equal to 85% of the lower of the closing price at the beginning or end of each quarterly stock purchase period. The ESPP was adopted effective July 1, 2005. At January 31, 2009, there were 134,265 shares available for purchase under the ESPP.

(c) The Amended 2005 Director Deferred Compensation Plan (Deferred Plan) allows non-employee directors an election to defer all or a portion of their fees into stock units or stock options. The Deferred Plan was adopted effective July 1, 2005 and authorizes grants of stock up to 112,500 authorized but unissued shares of common stock. At January 31, 2009, there were 83,185 shares available for grant under the Deferred Plan.

(d) The Amended 2006 Non-Employee Director Equity Plan (DEP) provides for grants of equity awards to non-employee directors. The DEP was adopted effective June 1, 2006 and authorizes grants of equity awards of up to 672,975 authorized but unissued shares of common stock. At January 31, 2009, there were 609,891 shares available for grant under the DEP.

Our plans allow for a variety of equity awards including stock options, restricted stock awards, stock appreciation rights and performance awards. As of January 31, 2009, the Company had only granted awards in the form of stock options, restricted stock units (RSUs) and performance-based awards (PSAs). RSUs and options to purchase our common stock have been granted to officers, directors and key employees. Beginning with the adoption of the Incentive Plan, a greater proportion of the awards granted to employees, including executive employees, have been RSUs as opposed to stock options when compared to grants made in prior years. The annual grant made for Fiscal 2009 and Fiscal 2008 to employees consisted solely of RSUs. We have also awarded PSAs to our Named Executive Officers (NEOs) and expect the Compensation Committee of the Board will continue to grant PSAs to our NEOs in the future. The terms and vesting schedules for stock-based awards vary by type of grant and generally vest upon time-based conditions. Upon exercise, stock-based compensation awards are settled with authorized but unissued company stock. On May 30, 2008, the Compensation Committee of the Board awarded a grant of 19,900 non-qualified stock options to our Chief Executive Officer that vest equally over four years and have an eight year life.

The compensation cost that has been charged against income for these plans was as follows for the fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007 (in thousands):

	Fiscal Year Ended		
	January 31, 2009	February 2, 2008	February 3, 2007
Stock-based compensation expense by type:			
Stock options	$ 1,968	$ 2,068	$ 2,104
Restricted stock awards	1,482	1,479	603
Employee stock purchase	96	97	99
Director deferred compensation	10	33	31
Total stock-based compensation expense	3,556	3,677	2,837
Income tax benefit recognized	941	894	549
Stock-based compensation expense, net of income tax	$ 2,615	$ 2,783	$ 2,288

Share-based and deferred stock compensation expenses are included in store operating, selling and administrative expenses. There is no capitalized stock-based compensation cost.

The income tax benefit recognized in our consolidated financial statements, as disclosed above, is based on the amount of compensation expense recorded for book purposes. The actual income tax benefit realized in our income tax return is based on the intrinsic value, or the excess of the market value over the exercise or purchase price, of stock options exercised and restricted stock awards vested during the period. The actual income tax benefit realized for the deductions considered on our income tax returns for the fiscal year ended January 31, 2009, was from option exercises, deferred stock releases and restricted stock releases and totaled $0.6 million. The actual income tax benefit realized for the deductions considered on our income tax returns for the fiscal years ended February 2, 2008 and February 3, 2007, was from option exercises and totaled $0.6 million and $2.7 million, respectively.

Stock Options

Stock options are granted with an exercise price equal to the closing market price of our common stock on the date of grant. Vesting and expiration provisions vary between equity plans, but typically vest over a four or five year period in equal installments beginning on the first anniversary of the grant date and typically expire on the eighth or tenth anniversary of the date of grant. Grants awarded to outside directors under both the DEP and Deferred Plan vest immediately upon grant and expire on the tenth anniversary of the date of grant.

Following is the weighted average fair value of each option granted during the fiscal year ended January 31, 2009. The fair value was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average assumptions for each period:

	Quarter Ended						
		May 3, 2008		August 2, 2008		November 1, 2008	January 31, 2009
Grant date	March 14	March 18	March 31	May 30	June 30	September 30	December 31
Weighted average fair value at date of grant	$5.92	$6.36	$6.67	$10.03	$9.18	$9.24	$8.76
Expected option life (years)	4.20	4.20	4.20	5.07	4.20	4.76	4.76
Expected volatility	50.61%	50.89%	51.68%	50.18%	50.38%	51.54%	68.07%
Risk-free interest rate	2.12%	2.19%	2.27%	3.39%	3.14%	2.60%	1.40%
Dividend yield	None	None	None	None	None	None	None

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We calculate the expected term for our stock options based on historical employee exercise behavior. Historically, an increase in our stock price has led to a pattern of earlier exercise by employees. We also expected the reduction of the contractual term from 10 years to 8 years to facilitate a pattern of earlier exercise by employees and to contribute to a gradual decline in the average expected term in future periods. With the absence of substantial new option grants, the expected term may increase slightly because it will be affected to a greater extent by director options which have a longer contractual life.

The volatility used to value stock options is based on historical volatility. We calculate historical volatility using an average calculation methodology based on daily price intervals as measured over the expected term of the option. We have consistently applied this methodology since our adoption of the original disclosure provisions of SFAS No. 123, Accounting for Share-Based Compensation.

Beginning with awards granted in the second quarter of Fiscal 2008, we base the risk-free interest rate on the annual continuously compounded risk-free rate with a term equal to the option’s expected term. Previously, we used the market yield on U.S. Treasury securities. While the difference between the two rates is minimal and has only a slight effect on the fair value calculation, we believe using the annual continuously compounded risk-free rate is more compliant with SFAS No. 123R, Share-Based Payments. The dividend yield is assumed to be zero since we have no current plan to declare dividends.

Activity for our option plans during the fiscal year ended January 31, 2009 was as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value ($000's)
Options outstanding at February 2, 2008	1,283,758	$ 15.89	5.77	$ 7,559
Granted	71,361	16.63		
Exercised	(89,041)	7.72		
Forfeited, cancelled or expired	(5,910)	24.85		
Options outstanding at January 31, 2009	1,260,168	$ 16.46	5.06	$ 3,001
Exercisable at January 31, 2009	1,014,458	$ 14.84	4.89	$ 3,001

The weighted average grant fair value of options granted during the fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007 was $7.43, $10.39 and $12.83, respectively. The compensation expense included in store operating, selling and administrative expenses and recognized during the fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007 was $2.0 million, $2.1 million and $2.1 million, respectively, before the recognized income tax benefit of $0.4 million, $0.3 million and $0.3 million, respectively.

The total intrinsic value of stock options exercised during the fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007 was $1.2 million, $1.9 million and $7.1 million, respectively. The total cash received from these stock option exercises during Fiscal 2009, 2008 and 2007 was $0.7 million, $0.9 million and $2.3 million, respectively. Excess income tax proceeds from stock option exercises are included in cash flows from financing activities as required by SFAS No. 123R. As of January 31, 2009, there was $1.3 million of unrecognized compensation cost related to nonvested stock options. This cost is expected to be recognized over a weighted average period of 1.2 years.

Restricted Stock and Performance-Based Awards

Restricted stock and performance-based awards are granted with a fair value equal to the closing market price of our common stock on the date of grant. All PSAs have been awarded in the form of restricted stock units. Compensation expense is recorded straight-line over the vesting period and, in the case of PSAs, at the estimated percent of achievement. Restricted stock awards generally cliff vest in four to five years from the date of grant for those awards that are not performance-based. PSAs cliff vest in one to five years from the date of grant after achievement of stated performance criterion and upon meeting stated service conditions.

The following table summarizes the restricted stock awards activity under all of our plans during the fiscal year ended January 31, 2009:

	Number of Awards	Weighted Average Grant Date Fair Value
Restricted stock awards outstanding at February 2, 2008	143,046	$ 29.28
Granted	231,255	15.12
Vested	(24,900)	32.37
Forfeited, cancelled or expired	(37,483)	17.53
Restricted stock awards outstanding at January 31, 2009	311,918	$ 19.95

The weighted average grant date fair value of our RSUs granted was $15.12, $28.30 and $31.55 for the fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007, respectively. There were 231,255, 124,325 and 60,510 RSUs granted during Fiscal 2009, Fiscal 2008 and Fiscal 2007, respectively. The compensation expense included in store operating, selling and administrative expenses and recognized during Fiscal 2009, Fiscal 2008 and Fiscal 2007 was $1.5 million, $1.5 million and $0.6 million, respectively, before the recognized income tax benefit of $0.6 million, $0.6 million and $0.2 million, respectively.

As of January 31, 2009, one restricted stock award of 24,900 units had vested with an intrinsic value of $0.4 million. The total intrinsic value of our restricted stock awards outstanding and unvested at January 31, 2009, February 2, 2008 and February 3, 2007 was $4.2 million, $2.7 million and $2.8 million, respectively. As of January 31, 2009, there was approximately $3.6 million of total unamortized unrecognized compensation cost related to restricted stock awards. This cost is expected to be recognized over a weighted average period of 2.7 years.

Employee Stock Purchase Plan

The Company's ESPP allows eligible employees the right to purchase shares of our common stock, subject to certain limitations, at 85% of the lesser of the market value at the end of each calendar quarter (purchase date) or the beginning of each calendar quarter. Our employees purchased 25,263 shares of common stock at an average price of $14.11 per share through the ESPP for the fiscal year ended January 31, 2009. Our employees purchased 18,462 shares of common stock at an average price of $21.25 per share during the fiscal year ended February 2, 2008. During the fiscal year ended February 3, 2007, our employees purchased 17,992 shares of common stock at an average price of $22.02 per share through the ESPP.

The assumptions used in the option pricing model for the fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007 were as follows:

	Fiscal Year Ended		
	January 31, 2009	February 2, 2008	February 3, 2007
Weighted average fair value at date of grant	$4.35	$5.90	$5.93
Expected life (years)	0.25	0.25	0.25
Expected volatility	48.0% - 51.5%	36.3% - 41.8%	40.7% - 41.0%
Risk-free interest rate			

	1.14% - 3.06%	3.99% - 5.08%	3.98% - 4.93%
Dividend yield	None	None	None

The expense related to the ESPP was determined using the Black-Scholes option pricing model and the provisions of FASB Technical Bulletin (FTB) No. 97-1, Accounting under Statement 123 for Certain Employee Stock Purchase Plans with a Look-Back Option, as amended by SFAS No. 123R. The compensation expense included in store operating, selling and administrative expenses and recognized during the fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007 was $0.1 million in all three years.

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Director Deferred Compensation

Under the Deferred Plan, non-employee directors can elect to defer all or a portion of their Board and Board committee fees into cash, stock options or deferred stock units. Those fees deferred into stock options are subject to the same provisions as provided for in the DEP and are expensed and accounted for accordingly. Director fees deferred into our common stock are calculated and expensed each calendar quarter by taking total fees earned during the calendar quarter and dividing by the closing price on the last day of the calendar quarter, rounded to the nearest whole share. The total annual retainer, Board and Board committee fees for non-employee directors that are not deferred into stock options, but which includes amounts deferred into stock units under the Deferred Plan, are expensed as incurred in all periods presented. A total of 664, 1,306 and 1,142 stock units were deferred under this plan in Fiscal 2009, Fiscal 2008 and Fiscal 2007, respectively. Currently, no director is deferring compensation into stock units.

The compensation expense included in store operating, selling and administrative expenses and recognized during Fiscal 2009, Fiscal 2008 and Fiscal 2007 was $10,000, $33,000 and $31,000, respectively before the recognized income tax benefit of $4,000, $12,000 and $12,000, respectively.

NOTE 4. EARNINGS PER SHARE

The computation of basic earnings per share (EPS) is based on the number of weighted average common shares outstanding during the period. The computation of diluted EPS is based on the weighted average number of shares outstanding plus the incremental shares that would be outstanding assuming exercise of dilutive stock options and issuance of restricted stock. The number of incremental shares is calculated by applying the treasury stock method. The following table sets forth the computation of basic and diluted earnings per share:

	Fiscal Year Ended		
	January 31, 2009	February 2, 2008	February 3, 2007
Net income, in thousands	$ 29,448	$ 30,329	$ 38,073
Weighted average number of common shares outstanding	28,547,435	31,049,058	32,094,127
Dilutive stock options	406,261	427,822	500,478
Dilutive restricted stock	-	48,170	25,234
Weighted average number of common shares outstanding and dilutive shares	28,953,696	31,525,050	32,619,839
Basic earnings per share	$ 1.03	$ 0.98	$ 1.19
Diluted earnings per share	$ 1.02	$ 0.96	$ 1.17

In calculating diluted earnings per share for the fifty-two weeks ended January 31, 2009, options to purchase 603,330 shares of common stock were outstanding as of the end of the period, but were not included in the computations of diluted earnings per share due to their anti-dilutive effect. In calculating diluted earnings per share for the fifty-two weeks ended February 2, 2008, options to purchase 455,598 shares of common stock were outstanding as of the end of the period, but were not included in the computations of diluted earnings per share due to their anti-dilutive effect. In calculating diluted earnings per share for the fifty-three weeks ended February 3, 2007, options to purchase 135,706 shares of common stock were outstanding as of the end of the period, but were not included in the computation of diluted earnings per share due to their anti-dilutive effect.

NOTE 5. DEBT

At January 31, 2009, we had two unsecured credit facilities, which are renewable in August and December 2009. The facilities allow for borrowings up to $30.0 million and $50.0 million, respectively, at a fixed rate, a rate based on prime or LIBOR plus 0.375%, at our election. Under the provisions of both facilities, we do not pay commitment fees and are not subject to covenant requirements. There were 348 days during the fifty-two weeks ended January 31, 2009, where we incurred borrowings against our credit facilities for an average and maximum borrowing of $23.2 million and $47.1 million, respectively, at an average interest rate of 2.85%. At January 31, 2009, a total of $80.0 million was available to us from these facilities.

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At February 2, 2008, we had one facility that allowed borrowings up to $30.0 million. There were 106 days during the fifty-two weeks ended February 2, 2008, where we incurred borrowings against this credit facility for an average and maximum borrowing of $7.8 million and $18.4 million, respectively, at an average interest rate of 5.64%. At February 2, 2008, $30.0 million was available to us from this facility.

At February 3, 2007, we had one facility that allowed borrowings up to $15.0 million. There were twenty-four days during the fifty-three weeks ended February 3, 2007, where we incurred borrowings against this credit facility for an average and maximum borrowing of $2.5 million and $5.1 million, respectively, at an average interest rate of 6.12%. At February 3, 2007, $15.0 million was available to us from this facility.

NOTE 6. DEFINED CONTRIBUTION PLANS

We maintain the Hibbett Sports, Inc. 401(k) Plan (401(k) Plan) for the benefit of our employees. The 401(k) Plan covers all employees who have completed one year of service and who are at least 21 years of age. Participants of the 401(k) Plan may voluntarily contribute from 1% to 100% of their compensation subject to certain yearly dollar limitations as allowed by law. These elective contributions are made under the provisions of Section 401(k) of the Internal Revenue Code which allows deferral of income taxes on the amount contributed to the 401(k) Plan. The Company's contribution to the 401(k) Plan equals (1) an amount determined at the discretion of the Board of Directors plus (2) a matching contribution equal to a discretionary percentage of up to 6% of a participant's compensation. For each of Fiscal 2009, Fiscal 2008 and Fiscal 2007, we matched $0.75 for each dollar of compensation deferred by the employees up to 6.0% of compensation. Contribution expense incurred under the 401(k) Plan for Fiscal 2009, 2008 and 2007 was $0.5 million, $0.4 million and $0.5 million, respectively.

In November 2007, our Board of Directors adopted the Hibbett Sports, Inc. Supplemental 401(k) Plan (Supplemental Plan) for the purpose of supplementing the employer matching contribution and salary deferral opportunity available to highly compensated employees whose ability to receive Company matching contributions and defer salary under our existing 401(k) Plan has been limited because of certain restrictions applicable to qualified plans. The non-qualified deferred compensation Supplemental Plan allows participants to defer up to 40% of their compensation and receive an employer matching contribution equal to $0.75 for each dollar of compensation deferred, subject to a maximum of 4.5% of compensation and subject to Board discretion. The matching contribution for Fiscal 2010 has also been set by the Board as $0.75 for each dollar of compensation deferred up to 4.5% of compensation. Contribution expense amounts under the Supplemental Plan for Fiscal 2009 was $0.1 million. There was not any contribution expense incurred for the Supplemental Plan for Fiscal 2008 or Fiscal 2007.

NOTE 7. RELATED-PARTY TRANSACTIONS

The Company leases one store under a sublease arrangement from Books-A-Million, Inc., (BAMM) of which one of our Directors, Terrance G. Finley is an executive officer and stockholder and another Director, Albert C. Johnson, is a Director and stockholder. The sublease agreement expired in June 2008, but was renewed under a five-year term to expire in June 2013. Minimum lease payments were $191,000 in Fiscal 2009, Fiscal 2008 and Fiscal 2007. Future minimum lease payments under this non-cancelable sublease aggregate approximately $0.8 million.

NOTE 8. INCOME TAXES

Our effective tax rate is based on our income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which we operate. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions.

A summary of the components of the provision (benefit) for income taxes is as follows (in thousands):

	Fiscal Year Ended		
	January 31, 2009	February 2, 2008	February 3, 2007
Federal:			
Current	$ 17,122	$ 18,077	$ 22,761
Deferred	(827)	(1,298)	(769)
	16,295	16,779	21,992
State:			
Current	1,698	1,577	2,853
Deferred	(88)	(27)	(304)
	1,610	1,550	2,549
	$ 17,905	$ 18,329	$ 24,541

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A reconciliation of the statutory federal income tax rate as a percentage of income before provision for income taxes follows:

	Fiscal Year Ended		
	January 31, 2009	February 2, 2008	February 3, 2007
Tax provision computed at the federal statutory rate	35.00%	35.00%	35.00%
Effect of state income taxes, net of federal benefits	1.99	2.36	2.65
Other, net	0.82	0.31	1.54
	37.81%	37.67%	39.19%

In accordance with SFAS No. 109, deferred income taxes on the consolidated balance sheet result from temporary differences between the amount of assets and liabilities recognized for financial reporting and income tax purposes. The components of the deferred income tax assets (liabilities) are as follows (in thousands):

	January 31, 2009		February 2, 2008	
	Current	Non-current	Current	Non-current
Deferred rent	$ 1,782	$ 6,630	$ 1,765	$ 7,257
Accumulated depreciation and amortization	-	(5,804)	-	(4,994)
Inventories	2,209	-	1,149	-
Prepaid expenses	(704)	(85)	(717)	-
Accruals	854	737	238	650
Stock-based compensation	40	2,003	506	867
Other	(243)	-	(216)	-
Deferred income taxes	$ 3,938	$ 3,481	$ 2,725	$ 3,780

Deferred income tax assets represent items to be used as a tax deduction or credit in future tax returns for which we have already properly recorded the tax benefit in the consolidated statements of operations. At least quarterly, we assess the likelihood that the deferred income tax assets balance will be recovered. We take into account such factors as prior earnings history, expected future earnings, carryback and carryforward periods and tax strategies that could potentially enhance the likelihood of a realization of a deferred income tax asset. To the extent recovery is not more likely than not, a valuation allowance is established against the deferred income tax asset, increasing our income tax expense in the year such determination is made. We have determined that no such allowance is required.

On February 4, 2007, we adopted the provisions of FASB Interpretation No. 48 (FIN No. 48), Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109. As a result of implementing FIN No. 48, we increased the liability for unrecognized tax benefits by $3.8 million, increased deferred tax assets by $3.2 million and reduced retained earnings as of February 4, 2007, by $0.6 million. Our total liability for unrecognized tax benefits as of February 4, 2007 amounted to $5.7 million.

In accordance with FIN No. 48, we recognize a tax benefit associated with an uncertain tax position when, in our judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, we initially and subsequently measure the tax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. Our liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation. Such adjustments are recognized entirely in the period in which they are identified. Our effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by management.

A number of years may elapse before a particular matter for which we have recorded a liability related to an unrecognized tax benefit is audited and finally resolved. The number of years with open tax audits varies by jurisdiction. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe our liability for unrecognized tax benefits is adequate. Favorable settlement of an unrecognized tax benefit could be recognized as a reduction in our effective tax rate in the period of resolution. Unfavorable settlement of an unrecognized tax benefit could increase the effective tax rate and may require the use of cash in the period of resolution. Our liability for unrecognized tax benefits is generally presented as non-current. However, if we anticipate paying cash within one year to settle an uncertain tax position, the liability is presented as current.

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A reconciliation of the unrecognized tax benefit under FIN No. 48 during Fiscal 2009 and Fiscal 2008 follows (in thousands):

	Fiscal Year Ended January 31, 2009	Fiscal Year Ended February 2, 2008
Unrecognized tax benefit - beginning of year	$ 2,623	$ 5,117
Gross increases - tax positions in prior period	-	836
Gross decreases - tax positions in prior period	(100)	(3,259)
Gross increases - tax positions in current period	241	-
Settlements	-	(29)
Lapse of statute of limitations	(263)	(42)
Unrecognized tax benefit - end of year	$ 2,501	$ 2,623

We expect a decrease in our FIN No. 48 liability of approximately $0.7 million in the next 12 months due to the expiration of certain statutes of limitations. We classify interest and penalties recognized on the liability for unrecognized tax benefits as income tax expense. As of January 31, 2009 and February 2, 2008, we have accrued interest and penalties in the amount of $0.5 million and $0.3 million, respectively.

Of the unrecognized tax benefits as of January 31, 2009 and February 2, 2008, $1.1 million and $1.0 million, respectively, if recognized, would affect our effective income tax rate.

We file income tax returns in the U.S. federal and various state jurisdictions. Generally, we are not subject to changes in income taxes by the U.S. federal taxing jurisdiction for years prior to Fiscal 2006 or by most state taxing jurisdictions for years prior to Fiscal 2003.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Lease Commitments

We lease the premises for our retail sporting goods stores under non-cancelable operating leases having initial or remaining terms of more than one year. The leases typically provide for terms of five to ten years with options to extend at our discretion. Many of our leases contain scheduled increases in annual rent payments and the majority of our leases also require us to pay maintenance, insurance and real estate taxes. Additionally, many of the lease agreements contain tenant improvement allowances, rent holidays and/or rent escalation clauses (contingent rentals). For purposes of recognizing incentives and minimum rental expenses on a straight-line basis over the terms of the leases, we use the date of initial possession to begin amortization, which is generally when we enter the space and begin to make improvements in preparation of our intended use. Contingent rental payments are based on net sales for the location.

We also lease certain computer hardware, office equipment and transportation equipment under non-cancelable operating leases having initial or remaining terms of more than one year.

In February 1996, we entered into a sale-leaseback transaction to finance our distribution center and office facilities. In December 1999, the related operating lease was amended to include the Fiscal 2000 expansion of these facilities. The amended lease rate is $0.9 million per year and can increase annually with the Consumer Price Index. This lease will expire in December 2014. Future minimum lease payments under this non-cancelable lease aggregate approximately $5.2 million. The transaction is also subject to quarterly financial covenants based on certain ratios. We have never been in violation of any financial covenant requirement.

During the fiscal year ended January 31, 2009, we increased our lease commitments by a net of 57 retail stores, each having initial lease termination dates between February 2013 and May 2019 as well as various office and transportation equipment. At January 31, 2009, the future minimum lease payments, excluding maintenance, insurance and real estate taxes, for our current operating leases and including the net 57 operating leases added during Fiscal 2009 were as follows (in thousands):

Fiscal 2010	$	42,496
Fiscal 2011		36,621
Fiscal 2012		30,183
Fiscal 2013		24,209
Fiscal 2014		17,195
Thereafter		27,457
TOTAL	$	178,161

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Rental expense for all operating leases consisted of the following (in thousands):

	Fiscal Year Ended		
	January 31, 2009	February 2, 2008	February 3, 2007
Minimum rentals	$ 34,283	$ 32,693	$ 30,291
Contingent rentals	2,689	2,342	2,339
	$ 36,972	$ 35,035	$ 32,630

Most of our retail store leases contain provisions that allow for early termination of the lease by either party if certain pre-determined annual sales levels are not met. Generally, these provisions allow the lease to be terminated between the third and fifth year of the lease. Should the lease be terminated under these provisions, in some cases, the unamortized portion of any landlord allowances related to that property would be payable to the landlord.

Annual Bonuses and Equity Incentive Awards

Specified officers and corporate employees of our Company are entitled to annual bonuses, primarily based on measures of Company operating performance. At January 31, 2009, February 2, 2008 and February 3, 2007, there was $2.9 million, $0.6 million and $2.1 million, respectively, of annual bonus related expense included in accrued expenses.

In addition, starting in March 2006, the Compensation Committee (Committee) of the Board of Directors of the Company began placing performance criteria on awards of RSUs (PSAs) to our NEOs under the Incentive Plan. The performance criteria are tied to performance targets with respect to future sales and operating income over a specified period of time. These PSAs are expensed under the provisions of SFAS No. 123R and are evaluated each quarter to determine the probability that the performance conditions set within will be met. We expect the Committee to continue to place performance criteria on awards of RSUs to our NEOs in the future.

Legal Proceedings and other Contingencies

We are a party to various legal proceedings incidental to our business. We do not believe that any of these matters will, individually or in the aggregate, have a material adverse effect on our business or financial condition. We cannot give assurance, however, that one or more of these lawsuits will not have a material adverse effect on our results of operations for the period in which they are resolved. At January 31, 2009, we estimate that the liability related to these matters is approximately $47,000 and accordingly, have accrued $47,000 as a current liability on our consolidated balance sheet. As of February 2, 2008, we had accrued $0.8 million as it related to our estimated liability for legal proceedings which primarily consisted of an amount accrued for a pending lawsuit that has since been settled.

The estimates of our liability for pending and unasserted potential claims do not include litigation costs. It is our policy to accrue legal fees when it is probable that we will have to defend against known claims or allegations and we can reasonably estimate the amount of the anticipated expense.

From time to time, we enter into certain types of agreements that require us to indemnify parties against third party claims under certain circumstances. Generally, these agreements relate to: (a) agreements with vendors and suppliers under which we may provide customary indemnification to our vendors and suppliers in respect to actions they take at our request or otherwise on our behalf; (b) agreements to indemnify vendors against trademark and copyright infringement claims concerning merchandise manufactured specifically for or on behalf of the Company; (c) real estate leases, under which we may agree to indemnify the lessors from claims arising from our use of the property;

and (d) agreements with our directors, officers and employees, under which we may agree to indemnify such persons for liabilities arising out of their relationship with us. We have director and officer liability insurance, which, subject to the policy's conditions, provides coverage for indemnification amounts payable by us with respect to our directors and officers up to specified limits and subject to certain deductibles.

If the Company believes that a loss is both probable and estimable for a particular matter, the loss is accrued in accordance with the requirements of SFAS No. 5, Accounting for Contingencies. With respect to any matter, the Company could change its belief as to whether a loss is probable or estimable, or its estimate of loss, at any time. Even though the Company may not believe a loss is probable or estimable, it is reasonably possible that the Company could suffer a loss with respect to that matter in the future.

NOTE 10. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables set forth certain unaudited consolidated financial data for the thirteen-week quarters indicated (dollar amounts in thousands, except per share amounts):

	Fiscal Year Ended January 31, 2009			
	First	Second	Third	Fourth
Net sales	$ 145,825	$ 130,289	$ 140,148	$ 147,926
Gross profit	47,812	42,266	46,692	48,601
Operating income	15,434	7,811	12,032	12,695
Net income	9,372	4,792	7,652	7,633
Basic earnings per share	$ 0.33	$ 0.17	$ 0.27	$ 0.27
Diluted earnings per share	$ 0.32	$ 0.17	$ 0.26	$ 0.26

	Fiscal Year Ended February 2, 2008			
	First	Second	Third	Fourth
Net sales	$ 133,842	$ 114,404	$ 129,628	$ 142,847
Gross profit	45,053	37,476	42,474	43,841
Operating income	16,102	7,797	12,553	11,775
Net income	10,227	4,681	7,815	7,606
Basic earnings per share	$ 0.32	$ 0.15	$ 0.25	$ 0.26
Diluted earnings per share	$ 0.32	$ 0.15	$ 0.25	$ 0.25

In the opinion of our management, this unaudited information has been prepared on the same basis as the audited information presented elsewhere herein and includes all adjustments necessary to present fairly the information set forth herein. The operating results from any quarter are not necessarily indicative of the results to be expected for any future period.

The Fiscal 2008 unaudited consolidated statement of operations for the second quarter presented above includes a $1.2 million pretax benefit related to our accounting for inventory in-transit and shrinkage results. The total pretax benefit of $1.2 million was corrected in the fourth quarter of Fiscal 2008. We reviewed the accounting error utilizing SAB No. 99, Materiality and SAB No. 108, Effects of Prior Year Misstatements on Current Year Financial Statements, and determined the impact of the error to be immaterial to any period presented.

Item 9. Changes in and Disagreements with Independent Registered Public Accounting Firm on Accounting and Consolidated Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

(a) Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of January 31, 2009.

(b) Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of January 31, 2009, based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of January 31, 2009.

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KPMG LLP, our independent registered public accounting firm, has issued an attestation report on the Company's internal control over financial reporting as of January 31, 2009 included in Item 8 herein.

(c) Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the fourth quarter of Fiscal 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

We have adopted a Code of Business Conduct and Ethics (Code) for all Company employees, including our Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Controller. The Code is posted on our website, www.hibbett.com under “Investor Information.” We intend to make all required disclosures regarding any amendment to, or a waiver of, a provision of the Code for Senior Executive and Financial Officers by posting such information on our website.

The information appearing in the Proxy Statement for the Annual Meeting of Stockholders (Proxy Statement) to be held on May 28, 2009, relating to the members of the Audit Committee and the Audit Committee financial expert under the caption “Board and Committees of the Board” as well as the information appearing in the Proxy Statement under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” is hereby incorporated by reference.

The balance of the information required in this item is incorporated by reference from the sections entitled “Directors and Executive Officers”, “The Board of Directors”, “Annual Compensation of Executive Officers” and “Related Person Transactions” in the Proxy Statement.

Item 11. Executive Compensation.

The information required in this item is incorporated by reference from the section entitled “Annual Compensation of Executive Officers”, “Compensation Committee Report” and “Compensation Committee Interlocks and Insider Participation” in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required in this item is incorporated by reference from the sections entitled “Security Ownership of Certain Beneficial Owners”, “Compensation of Non-Employee Directors”, “Annual Compensation of Executive Officers” and “Directors and Executive Officers” in the Proxy Statement.

Equity Compensation Plan Information (1)

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (2)	(b) Weighted average exercise price of outstanding options	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (3)
Equity compensation plans approved by security holders	1,572,086	$ 16.46	1,630,797
Equity compensation plans not approved by security holders	-	-	-
TOTAL	1,572,086	$ 16.46	1,630,797

(1) Information presented as of January 31, 2009.

(2) Includes 238,918 RSUs and 73,000 PSAs that may be awarded if specified targets and/or service periods are met. The weighted average exercise price of outstanding options does not include these awards.

(3) Includes 134,265 shares remaining under our ESPP and 83,185 shares remaining under our DEP of which approximately 3,000 shares were subject to purchase in the purchasing period ending March 31, 2009.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required in this item is incorporated by reference from the section entitled “Related Person Transactions” and “Governance Information” in the Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information required in this item is incorporated by reference from the section entitled “Independent Registered Public Accounting Firm” and “Proposal Number 2 – Ratification of the Appointment by the Audit Committee of the Board of Directors of KPMG LLP as the Company’s Independent Registered Public Accounting Firm” in the Proxy Statement.

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PART IV

Item 15. Exhibits and Consolidated Financial Statement Schedules.

(a) Documents filed as part of this report:

1. Financial Statements. Page

The following Financial Statements and Supplementary Data of the Registrant and Independent Registered Public Accounting Firm's Report on such Financial Statements are incorporated by reference from the Company's 2009 Annual Report to Stockholders, in Part II, Item 8:

2. Financial Statement Schedules.

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are not applicable, and therefore have been omitted.

3. Exhibits.

The Exhibits listed below are the exhibits of Hibbett Sports, Inc. and its wholly owned subsidiaries and are filed as part of, or incorporated by reference into, this report.

Number	Description
	Certificates of Incorporation and By-Laws
3.1	Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 of the Company's Form 8-K filed with the Securities and Exchange Commission on February 15, 2007.)
3.2	By-laws of the Company (incorporated herein by reference to Exhibit 3.2 of the Company's Form 8-K filed with the Securities and Exchange Commission on February 15, 2007.)

	Material Contracts
10.1	Credit Agreement between the Company and Bank of America, N.A., dated as of February 4, 2008; incorporated by reference as Exhibit 10.1 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on February 5, 2008.
10.2	Sub-Sub-Sublease Agreement between Hibbett Sporting Goods, Inc. and Books-A-Million, dated April 23, 1996; incorporated by reference as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on September 7, 2006.
10.3	Hibbett Sports, Inc. equity plan amendments approved by the Board of Directors, dated June 2, 2008; incorporated by reference as Exhibits 10.1, 10.2 and 10.3 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on June 6, 2008.
10.4	Credit Agreement between the Company and Regions Bank, effective August 28, 2008; incorporated as exhibit 10.1 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on August 21, 2008.

10.5	Credit Agreement between the Company and Bank of America, N.A., dated as of November 20, 2008; incorporated by reference as Exhibit 10.1 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on November 20, 2008.	
10.6	Hibbett Sports, Inc. equity plan amendments approved by the Board of Directors, dated November 20, 2008; incorporated by reference as Exhibits 10.2, 10.3 and 10.4 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on November 20, 2008.	
10.7	Hibbett Sports, Inc. Executive Officer Cash Bonus Plan amendment approved by the Board of Directors, dated November 20, 2008; incorporated by reference as Exhibit 10.5 to the Registrant's Form 8-K with the Securities and Exchange Commission on November 20, 2008.	
10.8	Hibbett Sports, Inc. Executive Restricted Stock Unit Agreement, adopted by the Compensation Committee of the Board of Directors on March 11, 2009 (filed herewith).	54
	Annual Report to Security Holders	
13.1	Fiscal 2009 Annual Report to Stockholders.	
	Subsidiaries of the Registrant	
21	List of Company's Subsidiaries:	
	1)Hibbett Sporting Goods, Inc.	
	2)Hibbett Team Sales, Inc.	
	3)Sports Wholesale, Inc.	
	4)Hibbett Capital Management, Inc.	
	5)Sports Holding, Inc.	
	6)Gift Card Services, LLC	
	7)Hibbett.com, Inc.	
	Consents of Experts and Counsel	
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith)	58
	Certifications	
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer (filed herewith)	59
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer (filed herewith)	60
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer (filed herewith)	61

SIGNATURES.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HIBBETT SPORTS, INC.

Date: March 31, 2009	By:	/s/ Gary A. Smith Gary A. Smith Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael J. Newsome Michael J. Newsome	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 31, 2009
/s/ Gary A. Smith Gary A. Smith	Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 31, 2009
/s/ Terrance G. Finley Terrance G. Finley	Director	March 31, 2009
/s/ Albert C. Johnson Albert C. Johnson	Director	March 31, 2009
/s/ Carl Kirkland Carl Kirkland	Director	March 31, 2009
/s/ Ralph T. Parks Ralph T. Parks	Director	March 31, 2009
/s/ Thomas A. Saunders, III Thomas A. Saunders, III	Director	March 31, 2009
/s/ Alton E. Yother Alton E. Yother	Lead Director	March 31, 2009

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