WELLS FARGO & COMPANY/MN
Form 424B2
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The information in this preliminary pricing supplement is not complete and may be changed. This preliminary pricing supplement and the accompanying prospectus supplement and prospectus are not an offer to sell these notes and we are not soliciting an offer to buy these notes in any jurisdiction where the offer or sale is not permitted.

Subject To Completion, dated July 27, 2018

PRICING SUPPLEMENT No. 16 dated August , 2018

(To Prospectus Supplement dated January 24, 2018

and Prospectus dated April 27, 2018)

Wells Fargo & Company

Medium-Term Notes, Series T

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Fixed to Floating Rate Notes

Notes Linked to the 10-Year Constant Maturity Swap Rate due August 24, 2028

The notes have a term of ten years. The notes pay interest quarterly at a rate that will be fixed at 5.25% per annum for the first three years and thereafter at a floating rate that will be reset each quarter and will be equal to the 10-Year Constant Maturity Swap Rate. All payments on the notes are subject to the credit risk of Wells Fargo & Company. If Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment. The notes will not be listed on any exchange and are designed to be held to maturity.

Issuer:	Wells Fargo & Company (“Wells Fargo”)

Original Offering Price:	$1,000 per note. References in this pricing supplement to a "note" are to a note with a principal amount of $1,000.
Pricing Date:	August 22, 2018.*
Issue Date:	August 24, 2018.* (T+2)
Stated Maturity Date:	August 24, 2028.* The notes are not subject to redemption by Wells Fargo or repayment at the option of any holder of the notes prior to the stated maturity date.
Payment at Maturity:	A holder will be entitled to receive on the stated maturity date a cash payment in U.S. dollars equal to $1,000 per note, plus any accrued and unpaid interest.
Interest Payment Dates:	Each February 24, May 24, August 24 and November 24, commencing November 24, 2018, and at maturity.* Except as described below for the first interest period, on each interest payment date, interest will be paid for the period commencing on and including the immediately preceding interest payment date and ending on and including the day immediately preceding that interest payment date. This period is referred to as an "interest period." The first interest period will commence on and include the issue date and end on and include November 23, 2018. Interest payable with respect to an interest period will be computed on the basis of a 360-day year of twelve 30-day months. If a scheduled interest payment date is not a business day, interest will be paid on the next business day, and interest on that payment will not accrue during the period from and after the scheduled interest payment date.
Interest Rate:	The interest rate that will apply during the first twelve quarterly interest periods (up to and including the interest period ending August 23, 2021) will be equal to 5.25% per annum. For all interest periods commencing on or after August 24, 2021, the interest rate that will apply during an interest period will be equal to the 10-Year Constant Maturity Swap Rate on the interest determination date for such interest period. As used herein, "10-Year Constant Maturity Swap Rate" or "10-Year CMS Rate" is the CMS rate, as defined herein and in the accompanying prospectus supplement and using a "designated maturity" of 10 years. See "Investment Description" herein and "Description of Notes—Floating Rate Notes—Base Rates—CMS Rate Notes" in the accompanying prospectus supplement for further information about the manner in which the 10-Year Constant Maturity Swap Rate will be determined.
Interest Determination Date:	The "interest determination date" for an interest period commencing on or after August 24, 2021 will be the date that is two U.S. government securities business days prior to the first day of such interest period.
Calculation Agent:	Wells Fargo Securities, LLC
Listing:	The notes will not be listed on any securities exchange or automated quotation system.
Denominations:	$1,000 and any integral multiples of $1,000
CUSIP Number:	95001D2R0

* To the extent that we make any change to the expected pricing date or expected issue date, the interest payment dates and stated maturity date may also be changed in our discretion to ensure that the term of the notes remains the same.

On the date of this preliminary pricing supplement, the estimated value of the notes is approximately $965.80 per note. While the estimated value of the notes on the pricing date may differ from the estimated value set forth above, we do not expect it to differ significantly absent a material change in market conditions or other relevant factors. In no event will the estimated value of the notes on the pricing date be less than $935.80 per note. The estimated value of the notes was determined for us by Wells Fargo Securities, LLC using its proprietary pricing models. It is not an indication of actual profit to us or to Wells Fargo Securities, LLC or any of our other affiliates, nor is it an indication of the price, if any, at which Wells Fargo Securities, LLC or

any other person may be willing to buy the notes from you at any time after issuance. See "Investment Description" in this pricing supplement.

The notes have complex features and investing in the notes involves risks not associated with an investment in conventional debt securities. See "Risk Factors" on page PRS-5.
The notes are unsecured obligations of Wells Fargo & Company, and all payments on the notes are subject to the credit risk of Wells Fargo & Company. If Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment. The notes are not deposits or other obligations of a depository institution and are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency of the United States or any other jurisdiction.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these notes or determined if this pricing supplement or the accompanying prospectus supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Original Offering Price	**Agent Discount[(1)]**	**Proceeds to Wells Fargo**
Per Note	$1,000.00	$17.50	$982.50
Total			

(1) The agent discount will not be more than $17.50 per note. Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company, is the agent for the distribution of the notes and is acting as principal. See "Investment Description" in this pricing supplement for further information.

Wells Fargo Securities

INVESTMENT DESCRIPTION

The Notes Linked to the 10-Year Constant Maturity Swap Rate due August 24, 2028 are senior unsecured debt securities of Wells Fargo & Company and are part of a series entitled "Medium-Term Notes, Series T."

All payments on the notes are subject to the credit risk of Wells Fargo.

The notes are designed for investors who seek fixed interest rate payments equal to 5.25% per annum for the first three years and floating interest rate payments equal to the 10-Year Constant Maturity Swap Rate (the "10-Year CMS Rate") thereafter. The 10-Year CMS Rate is, on any U.S. government securities business day, the fixed rate of interest payable on a U.S. dollar interest rate swap with a 10-year maturity as reported on Reuters page <ICESWAP1> (or any successor page thereto) as of 11:00 a.m., New York City time, on that day. An interest rate swap rate, at any given time, generally indicates the fixed rate of interest (paid semi-annually) that a counterparty in the swaps market would have to pay for a given maturity in order to receive a floating rate (paid quarterly) equal to 3 month LIBOR for that same maturity. The 10-Year CMS Rate is one of the market-accepted indicators of longer term interest rates. ICE Benchmark Administration Limited is the benchmark administrator of the 10-Year CMS Rate, and the official name of the 10-Year CMS Rate is the "10-Year ICE Swap Rate."

You should read this pricing supplement together with the prospectus supplement dated January 24, 2018 and the prospectus dated April 27, 2018 for additional information about the notes. When you read the accompanying prospectus supplement, please note that all references in such supplement to the prospectus dated November 3, 2017, or to any sections therein, should refer instead to the accompanying prospectus dated April 27, 2018 or to the corresponding sections of such prospectus, as applicable. Information included in this pricing supplement supersedes information in the prospectus supplement and prospectus to the extent it is different from that information. Certain defined terms used but not defined herein have the meanings set forth in the prospectus supplement.

You may access the prospectus supplement and prospectus on the SEC websiteiwww.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

Prospectus Supplement dated January 24, 2018:

https://www.sec.gov/Archives/edgar/data/72971/000119312518018274/d428281d424b2.htm

Prospectus dated April 27, 2018:

https://www.sec.gov/Archives/edgar/data/72971/000119312518136909/d557983d424b2.htm

The original offering price of each note of $1,000 includes certain costs that are borne by you. Because of these costs, the estimated value of the notes on the pricing date will be less than the original offering price. The costs included in the original offering price relate to selling, structuring, hedging and issuing the notes, as well as to our funding considerations for debt of this type.

The costs related to selling, structuring, hedging and issuing the notes include (i) the agent discount (if any), (ii) the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize for assuming risks inherent in hedging our obligations under the notes and (iii) hedging and other costs relating to the offering of the notes.

Our funding considerations take into account the higher issuance, operational and ongoing management costs of market-linked debt such as the notes as compared to our conventional debt of the same maturity, as well as our liquidity needs and preferences. Our funding considerations are reflected in the fact that we determine the economic terms of the notes based on an assumed funding rate that is generally lower than the interest rates implied by secondary market prices for our debt obligations and/or by other traded instruments referencing our debt obligations, which we refer to as our "secondary market rates." As discussed below, our secondary market rates are used in determining the estimated value of the notes.

If the costs relating to selling, structuring, hedging and issuing the notes were lower, or if the assumed funding rate we use to determine the economic terms of the notes were higher, the economic terms of the notes would be more favorable to you and the estimated value would be higher. The estimated value of the notes as of the pricing date will be set forth in the final pricing supplement.

Determining the estimated value

Our affiliate, Wells Fargo Securities, LLC (“WFS”), calculated the estimated value of the notes set forth on the cover page of this pricing supplement based on its proprietary pricing models. Based on these pricing models and related market inputs and assumptions referred to in this section below, WFS determined an estimated value for the notes by estimating the value of the combination of hypothetical financial instruments that would replicate the payout on the notes, which combination consists of a non-interest bearing, fixed-income bond (the “debt component”) and one or more derivative instruments underlying the economic terms of the notes (the “derivative component”).

The estimated value of the debt component is based on a reference interest rate, determined by WFS as of a recent date, that generally tracks our secondary market rates. Because WFS does not continuously calculate our reference interest rate, the reference interest rate used in the calculation of the estimated value of the debt component may be higher or lower than our secondary market rates at the time of that calculation. As noted above, we determine the economic terms of the notes based upon an assumed funding rate that is generally lower than our secondary market rates. In contrast, in determining the estimated value of the notes, we value the debt component using a reference interest rate that generally tracks our secondary market rates. Because the reference interest rate is generally higher than the assumed funding rate, using the reference interest rate to value the debt component generally results in a lower estimated value for the debt component, which we believe more closely approximates a market valuation of the debt component than if we had used the assumed funding rate.

WFS calculated the estimated value of the derivative component based on a proprietary derivative-pricing model, which generated a theoretical price for the derivative instruments that constitute the derivative component based on various inputs, including the “derivative component factors” identified in “Risk Factors—The Value Of The Notes Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways.” These inputs may be market-observable or may be based on assumptions made by WFS in its discretion.

The estimated value of the notes determined by WFS is subject to important limitations. See “Risk Factors—The Estimated Value Of The Notes Is Determined By Our Affiliate’s Pricing Models, Which May Differ From Those Of Other Dealers” and “—Our Economic Interests And Those Of Any Dealer Participating In The Offering Are Potentially Adverse To Your Interests.”

Valuation of the notes after issuance

The estimated value of the notes is not an indication of the price, if any, at which WFS or any other person may be willing to buy the notes from you in the secondary market. The price, if any, at which WFS or any of its affiliates may purchase the notes in the secondary market will be based upon WFS's proprietary pricing models and will fluctuate over the term of the notes due to changes in market conditions and other relevant factors. However, absent changes in these market conditions and other relevant factors, except as otherwise described in the following paragraph, any secondary market price will be lower than the estimated value on the pricing date because the secondary market price will be reduced by a bid-offer spread, which may vary depending on the aggregate principal amount of the notes to be purchased in the secondary market transaction, and the expected cost of unwinding any related hedging transactions. Accordingly, unless market conditions and other relevant factors change significantly in your favor, any secondary market price for the notes is likely to be less than the original offering price.

If WFS or any of its affiliates makes a secondary market in the notes at any time up to the issue date or during the 6-month period following the issue date, the secondary market price offered by WFS or any of its affiliates will be increased by an amount reflecting a portion of the costs associated with selling, structuring, hedging and issuing the notes that are included in the original offering price. Because this portion of the costs is not fully deducted upon issuance, any secondary market price offered by WFS or any of its affiliates during this period will be higher than it would be if it were based solely on WFS's proprietary pricing models less the bid-offer spread and hedging unwind costs described above. The amount of this increase in the secondary market price will decline steadily to zero over this 6-month period. If you hold the notes through an account at WFS or any of its affiliates, we expect that this increase will also be reflected in the value indicated for the notes on your brokerage account statement.

If WFS or any of its affiliates makes a secondary market in the notes, WFS expects to provide those secondary market prices to any unaffiliated broker-dealers through which the notes are held and to commercial pricing vendors. If you hold your notes through an account at a broker-dealer other than WFS or any of its affiliates, that broker-dealer may obtain market prices for the notes from WFS (directly or indirectly), but could also obtain such market prices from other sources, and may be willing to purchase the notes at any given time at a price that differs from the price at which WFS or any of its affiliates is willing to purchase the notes. As a result, if you hold your notes through an account at a broker-dealer other than WFS or any of its affiliates, the value of the notes on your brokerage account statement may be different than if you held your notes at WFS or any of its affiliates.

The notes will not be listed or displayed on any securities exchange or any automated quotation system. Although WFS and/or its affiliates may buy the notes from investors, they are not obligated to do so and are not required to make a market for the notes. There can be no assurance that a secondary market will develop.

INVESTOR CONSIDERATIONS

We have designed the notes for investors who:

- seek current income at a fixed rate of interest of 5.25% per annum for the first three years and are willing to accept a floating rate of interest thereafter;
- seek an investment with a per annum interest rate that will be reset quarterly after the first three years and will be equal to the 10-Year CMS Rate; and
- are willing to hold the notes until maturity.

The notes are not designed for, and may not be a suitable investment for, investors who:

- seek a liquid investment or are unable or unwilling to hold the notes to maturity;
- are unwilling to purchase notes with an estimated value as of the pricing date that is lower than the original offering price and that may be as low as the lower estimated value set forth on the cover page;
- are unwilling to accept the credit risk of Wells Fargo; or
- prefer the certainty of investments with fixed coupons for the entire term of the investment and with comparable maturities issued by companies with comparable credit ratings.

RISK FACTORS

The notes have complex features and investing in the notes will involve risks. You should carefully consider the risk factors set forth below as well as the other information contained in the prospectus supplement and prospectus, including the documents they incorporate by reference. You should reach an investment decision only after you have carefully considered with your advisors the suitability of an investment in the notes in light of your particular circumstances.

The Amount Of Interest You Receive May Be Less Than The Return You Could Earn On Other Investments.

Interest rates may change significantly over the term of the notes, and it is impossible to predict what interest rates will be at any point in the future. Although the interest rate on the notes will be based on 5.25% per annum for the first three years and thereafter will be based on the 10-Year CMS Rate, the interest rate that will apply at any time on the notes may be more or less than other prevailing market interest rates at such time. As a result, the amount of interest you receive on the notes may be less than the return you could earn on other investments.

The CMS Rate Is Based On A Hypothetical Interest Rate Swap Referencing 3 Month LIBOR; Uncertainty About The Future Of LIBOR May Adversely Affect The 10-Year CMS Rate And The Value Of Your Notes.

The 10-Year CMS Rate represents the fixed rate of interest payable on a hypothetical interest rate swap whose floating leg is based on 3 month LIBOR. On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR and it is impossible to predict the effect of any such alternatives on the value of LIBOR, and therefore, the value of, and the method of calculating, the 10-Year CMS Rate. Uncertainty as to the nature of alternative reference rates to LIBOR and as to potential changes or other reforms to LIBOR may adversely affect LIBOR rates, and therefore, the 10-Year CMS Rate, during the term of the notes, which may adversely affect the value of the notes.

The Notes Are Subject To The Credit Risk Of Wells Fargo.

The notes are our obligations and are not, either directly or indirectly, an obligation of any third party. Any amounts payable under the notes are subject to our creditworthiness. As a result, our actual and perceived creditworthiness may affect the value of the notes and, in the event we were to default on our obligations, you may not receive any amounts owed to you under the terms of the notes.

An Investment In The Notes May Be More Risky Than An Investment In Notes With A Shorter Term.

The notes have a term of ten years. By purchasing notes with a longer term, you will bear greater exposure to fluctuations in interest rates than if you purchased a note with a shorter term. In particular, you may be negatively affected if interest rates begin to rise because the interest rate applicable to your notes during a particular interest period may be less than the amount of interest you could earn on other investments available at such time. In addition, if you tried to sell your notes at such time, the value of your notes in any secondary market transaction would also be adversely affected.

Holders Of The Notes Have Limited Rights Of Acceleration.

Payment of principal on the notes may be accelerated only in the case of payment defaults that continue for a period of 30 days or certain events of bankruptcy or insolvency, whether voluntary or involuntary. If you purchase the notes, you will have no right to accelerate the payment of principal on the notes if we fail in the performance of any of our obligations under the notes, other than the obligations to pay principal and interest on the notes. See “Description of Notes—Events of Default and Covenant Breaches” in the accompanying prospectus supplement.

Holders Of The Notes Could Be At Greater Risk For Being Structurally Subordinated If We Convey, Transfer Or Lease All Or Substantially All Of Our Assets To One Or More Of Our Subsidiaries.

Under the indenture, we may convey, transfer or lease all or substantially all of our assets to one or more of our subsidiaries. In that event, third-party creditors of our subsidiaries would have additional assets from which to recover on their claims while holders of the notes would be structurally subordinated to creditors of our subsidiaries with respect to such assets. See "Description of Notes—Consolidation, Merger or Sale" in the accompanying prospectus supplement.

The Estimated Value Of The Notes On The Pricing Date, Based On WFS's Proprietary Pricing Models, Will Be Less Than The Original Offering Price.

The original offering price of the notes includes certain costs that are borne by you. Because of these costs, the estimated value of the notes on the pricing date will be less than the original offering price. The costs included in the original offering price relate to selling, structuring, hedging and issuing the notes, as well as to our funding considerations for debt of this type. The costs related to selling, structuring, hedging and issuing the notes include (i) the agent discount (if any), (ii) the projected profit that our hedge counterparty (which may be one of our affiliates) expects to realize for assuming risks inherent in hedging our obligations under the notes and (iii) hedging and other costs relating to the offering of the notes. Our funding considerations are reflected in the fact that we determine the economic terms of the notes based on an assumed funding rate that is generally lower than our secondary market rates. If the costs relating to selling, structuring, hedging and issuing the notes were lower, or if the assumed funding rate we use to determine the economic terms of the notes were higher, the economic terms of the notes would be more favorable to you and the estimated value would be higher.

The Estimated Value Of The Notes Is Determined By Our Affiliate's Pricing Models, Which May Differ From Those Of Other Dealers.

The estimated value of the notes was determined for us by WFS using its proprietary pricing models and related market inputs and assumptions referred to above under "Investment Description—Determining the estimated value." Certain inputs to these models may be determined by WFS in its discretion. WFS's views on these inputs may differ from other dealers' views, and WFS's estimated value of the notes may be higher, and perhaps materially higher, than the estimated value of the notes that would be determined by other dealers in the market. WFS's models and its inputs and related assumptions may prove to be wrong and therefore not an accurate reflection of the value of the notes.

The Estimated Value Of The Notes Is Not An Indication Of The Price, If Any, At Which WFS Or Any Other Person May Be Willing To Buy The Notes From You In The Secondary Market.

The price, if any, at which WFS or any of its affiliates may purchase the notes in the secondary market will be based on WFS's proprietary pricing models and will fluctuate over the term of the notes as a result of changes in the market and other factors described in the next risk factor. Any such secondary market price for the notes will also be reduced by a bid-offer spread, which may vary depending on the aggregate principal amount of the notes to be purchased in the secondary market transaction, and the expected cost of unwinding any related hedging transactions. Unless the factors described in the next risk factor change significantly in your favor, any such secondary market price for the notes is likely to be less than the original offering price.

If WFS or any of its affiliates makes a secondary market in the notes at any time up to the issue date or during the 6-month period following the issue date, the secondary market price offered by WFS or any of its affiliates will be increased by an amount reflecting a portion of the costs associated with selling, structuring, hedging and issuing the notes that are included in the original offering price. Because this portion of the costs is not fully deducted upon issuance, any secondary market price offered by WFS or any of its affiliates during this period will be higher than it would be if it were based solely on WFS's proprietary pricing models less the bid-offer spread and hedging unwind costs described above. The amount of this increase in the secondary market price will decline steadily to zero over this 6-month period. If you hold through an account at WFS or any of its affiliates, we expect that this increase will also be reflected in the value indicated for the notes on your brokerage account statement. If you hold your notes through an account at a broker-dealer other than WFS or any of its affiliates, the value of the notes on your brokerage account statement may be different than if you held your notes at WFS or any of its affiliates, as discussed above under "Investment Description."

The Value Of The Notes Prior To Stated Maturity Will Be Affected By Numerous Factors, Some Of Which Are Related In Complex Ways.

The value of the notes prior to stated maturity will be affected by interest rates at that time and a number of other factors, some of which are interrelated in complex ways. The effect of any one factor may be offset or magnified by the effect of another factor. The following factors, which we refer to as the "derivative component factors", are expected to affect the value of the notes. When we refer to the "value" of your note, we mean the value that you could receive for your note if you are able to sell it in the open market before the stated maturity date.

The 10-Year CMS Rate. The value of the notes prior to maturity will be influenced by the level of forward rates for the 10-Year CMS Rate at that time.
Interest Rates. The value of the notes may be affected by changes in the interest rates and in the yield curve in the U.S. markets.
Time Remaining To Maturity. The value of the notes at any given time prior to maturity will likely be different from that which would be expected based on the then-current level of the 10-Year CMS Rate. This difference will most likely reflect a discount due to expectations and uncertainty concerning the level of the 10-Year CMS Rate during the period of time still remaining to the maturity date. In general, as the time remaining to maturity decreases, the value of the notes will approach the amount payable at maturity.
Volatility of the 10-Year CMS Rate. Volatility is the term used to describe the size and frequency of fluctuations in the level of the 10-Year CMS Rate. The value of the notes may be affected if the volatility of the 10-Year CMS Rate changes.

In addition to the derivative component factors, the value of the notes will be affected by actual or anticipated changes in our creditworthiness, as reflected in our secondary market rates. You should understand that the impact of one of the factors specified above, such as a change in interest rates, may offset some or all of any change in the value of the notes attributable to another factor, such as a change in the 10-Year CMS Rate. Because several factors are expected to affect the value of the notes, changes in the 10-Year CMS Rate may not result in a comparable change in the value of the notes.

The Notes Will Not Be Listed On Any Securities Exchange And We Do Not Expect A Trading Market For The Notes To Develop.

The notes will not be listed or displayed on any securities exchange or any automated quotation system. Although the agent and/or its affiliates may purchase the notes from holders, they are not obligated to do so and are not required to make a market for the notes. There can be no assurance that a secondary market will develop. Because we do not expect that any market makers will participate in a secondary market for the notes, the price at which you may be able to sell your notes is likely to depend on the price, if any, at which the agent is willing to buy your notes.

If a secondary market does exist, it may be limited. Accordingly, there may be a limited number of buyers if you decide to sell your notes prior to stated maturity. This may affect the price you receive upon such sale. Consequently, you should be willing to hold the notes to stated maturity.

Our Economic Interests And Those Of Any Dealer Participating In The Offering Are Potentially Adverse To Your Interests.

You should be aware of the following ways in which our economic interests and those of any dealer participating in the distribution of the notes, which we refer to as a "participating dealer," are potentially adverse to your interests as an investor in the notes. In engaging in certain of the activities described below, our affiliates or any participating dealer or its affiliates may take actions that may adversely affect the value of and your return on the notes, and in so doing they will have no obligation to consider your interests as an investor in the notes. Our affiliates or any participating dealer or its affiliates may realize a profit from these activities even if investors do not receive a favorable investment return on the notes.

The calculation agent is our affiliate and may be required to make discretionary judgments that affect the return you receive on the notes. WFS, which is our affiliate, will be the calculation agent for the notes. As calculation agent, WFS will determine the 10-Year CMS Rate in the event that the 10-Year CMS Rate is not determined by reference to the Reuters page <ICESWAP1> or reference bank quotations. In performing its functions, the fact that WFS is our affiliate may cause it to have economic interests that are adverse to your interests as an investor in the notes, and WFS's determinations as calculation agent may adversely affect your return on the notes.

The estimated value of the notes was calculated by our affiliate and is therefore not an independent third-party valuation. WFS calculated the estimated value of the notes set forth on the cover page of this pricing supplement, which involved discretionary judgments by WFS, as described under "Risk Factors—The Estimated Value Of The Notes Is Determined By Our Affiliate's Pricing Models, Which May Differ From Those Of Other Dealers" above. Accordingly, the estimated value of the notes set forth on the cover page of this pricing supplement is not an independent third-party valuation.

A participating dealer or its affiliates may realize hedging profits projected by its proprietary pricing models in addition to any selling concession, creating a further incentive for the participating dealer to sell the notes to you. If any participating dealer or any of its affiliates conducts hedging activities for us in connection with the notes, that participating dealer or its affiliates will expect to realize a projected profit from such hedging activities and this projected profit will be in addition to any concession that the participating dealer realizes for the sale of the notes to you. This additional projected profit may create a further incentive for the participating dealer to sell the notes to you.

The Resolution Of Wells Fargo Under The Orderly Liquidation Authority Could Result In Greater Losses For Holders Of The Notes, Particularly If A Single-Point-Of-Entry Strategy Is Used.

Your ability to recover the full amount that would otherwise be payable on the notes in a proceeding under the U.S. Bankruptcy Code may be impaired by the exercise by the Federal Deposit Insurance Corporation (the "FDIC") of its powers under the "orderly liquidation authority" under Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). In particular, the single point of entry strategy described below is intended to impose losses at the top-tier holding company level in the resolution of a Global Systemically Important Bank ("G-SIB") such as Wells Fargo.

Title II of the Dodd-Frank Act created a new resolution regime known as the "orderly liquidation authority" to which financial companies, including bank holding companies such as Wells Fargo, can be subjected. Under the orderly liquidation authority, the FDIC may be appointed as receiver for a financial company for purposes of liquidating the entity if, upon the recommendation of applicable regulators, the United States Secretary of the Treasury determines, among other things, that the entity is in severe financial distress, that the entity's failure would have serious adverse effects on the U.S. financial system and that resolution under the orderly liquidation authority would avoid or mitigate those effects. Absent such determinations, Wells Fargo, as a bank holding company, would remain subject to the U.S. Bankruptcy Code.

If the FDIC is appointed as receiver under the orderly liquidation authority, then the orderly liquidation authority, rather than the U.S. Bankruptcy Code, would determine the powers of the receiver and the rights and obligations of creditors and other parties who have transacted with Wells Fargo. There are substantial differences between the rights available to creditors in the orderly liquidation authority and under the U.S. Bankruptcy Code, including the right of the FDIC under the orderly liquidation authority to disregard the strict priority of creditor claims in some circumstances (which would otherwise be respected by a bankruptcy court) and the use of an administrative claims procedure to determine creditors' claims (as opposed to the judicial procedure utilized in bankruptcy proceedings). In certain circumstances under the orderly liquidation authority, the FDIC could elevate the priority of claims if it determines that doing so is necessary to facilitate a smooth and orderly liquidation without the need to obtain the consent of other creditors or prior court review. In addition, under the orderly liquidation authority, the FDIC has the right to transfer assets or liabilities of the failed company to a third party or "bridge" entity.

The FDIC has announced that a "single point of entry" strategy may be a desirable strategy to resolve a large financial institution such as Wells Fargo in a manner that would, among other things, impose losses on shareholders, unsecured debt holders (including, in our case, holders of the notes) and other creditors of the top-tier holding company (in our case, Wells Fargo), while permitting the holding company's subsidiaries to continue to operate. In addition, in December 2016, the Board of Governors of the Federal Reserve System (the "FRB") finalized rules requiring U.S. G-SIBs, including Wells Fargo, to maintain minimum amounts of long-term debt and total loss-absorbing capacity (TLAC). It is possible that the application of the single point of entry strategy—in which Wells Fargo would be the only legal entity to enter resolution proceedings—could result in greater losses to holders of the notes than the losses that would result from the application of a bankruptcy proceeding or a different resolution strategy for Wells Fargo. Assuming Wells Fargo entered resolution proceedings and that support from Wells Fargo to its subsidiaries was sufficient to enable the subsidiaries to remain solvent, losses at the subsidiary level could be transferred to Wells Fargo and ultimately borne by Wells Fargo's security holders (including holders of the notes and our other unsecured debt securities), with the result that third-party creditors of Wells Fargo's subsidiaries would receive full recoveries on their claims, while Wells Fargo's security holders (including holders of the notes) and other unsecured creditors could face significant losses. In that case, Wells Fargo's security holders could face significant losses while the third-party creditors of Wells Fargo's subsidiaries would incur no losses because the subsidiaries would continue to operate and would not enter resolution or bankruptcy proceedings. In addition, holders of the notes and other debt securities of Wells Fargo could face losses ahead of our other similarly situated creditors in a resolution under the orderly liquidation authority if the FDIC exercised its right, described above, to disregard the strict priority of creditor claims.

The orderly liquidation authority also requires that creditors and shareholders of the financial company in receivership must bear all losses before taxpayers are exposed to any losses, and amounts owed by the financial company or the receivership to the U.S. government would generally receive a statutory payment priority over the claims of private creditors, including senior creditors such as claims in respect of the notes. In addition, under the orderly liquidation authority, claims of creditors (including holders of the notes) could be satisfied through the issuance of equity or other securities in a bridge entity to which Wells Fargo's assets are transferred. If securities were to be delivered in satisfaction of claims, there can be no assurance that the value of the securities of the bridge entity would be sufficient to repay all or any part of the creditor claims for which the securities were exchanged.

While the FDIC has issued regulations to implement the orderly liquidation authority, not all aspects of how the FDIC might exercise this authority are known and additional rulemaking is possible.

The Resolution Of Wells Fargo In A Bankruptcy Proceeding Could Also Result In Greater Losses For Holders Of Our Debt Securities, Including The Notes.

As required by the Dodd-Frank Act and regulations issued by the FRB and the FDIC, we are required to provide to the FRB and the FDIC a plan for our rapid and orderly resolution in the event of material financial distress affecting Wells Fargo or the failure of Wells Fargo. The strategy described in our most recently filed resolution plan is a "multiple point of entry" strategy, in which Wells Fargo, Wells Fargo Bank, National Association ("WFBNA") and Wells Fargo Securities, LLC ("WFS") would each undergo separate resolution proceedings under the U.S. Bankruptcy Code, the Federal Deposit Insurance Act, and the Securities Investor Protection Act, respectively. To further the orderly resolution of its businesses and those of its subsidiaries, Wells Fargo may provide capital and liquidity resources to certain of its major subsidiaries (such as WFBNA and WFS) during any period of distress, including through the forgiveness of intercompany indebtedness, the making of additional intercompany loans and by other means. These subsidiaries may enter into separate resolution proceedings even after receiving capital and liquidity resources from Wells Fargo. It is possible that creditors of some or all of Wells Fargo's major subsidiaries would receive significant, or even full, recoveries on their claims while holders of Wells Fargo's debt securities (including holders of the notes) could face significant or complete losses. It is also possible that holders of Wells Fargo's debt securities (including holders of the notes) could face greater losses than if the multiple point of entry strategy had not been implemented and Wells Fargo had not provided capital and liquidity resources to major subsidiaries that enter separate resolution proceedings because assets and other resources provided to those subsidiaries would not be available to pay Wells Fargo's creditors (including holders of the notes and Wells Fargo's other debt securities).

For our next resolution plan submission, we have made a decision to move to a single point of entry strategy, in which Wells Fargo would be resolved under the U.S. Bankruptcy Code using a strategy in which only Wells Fargo itself enters proceedings while some or all of its operating subsidiaries are maintained as going concerns. In this case, the effects on creditors of Wells Fargo would likely be similar to those arising under the orderly liquidation authority, as described above. We are not obligated to maintain either a single point of entry or multiple point of entry strategy, and the strategies reflected in our resolution plan submissions are not binding in the event of an actual resolution of Wells Fargo, whether conducted under the U.S. Bankruptcy Code or by the FDIC under the orderly liquidation authority. To carry out such a single point of entry strategy, Wells Fargo may seek to recapitalize its subsidiaries or provide them with liquidity in order to preserve them as going concerns prior to the commencement of Wells Fargo's bankruptcy proceeding. Moreover, Wells Fargo could seek to elevate the priority of its guarantee obligations relating to its major subsidiaries' derivatives contracts over its other obligations, so that cross-default and early termination rights under derivatives contracts at its subsidiaries would be stayed under the ISDA Resolution Stay Protocol. This elevation would result in holders of our debt securities (including the notes) incurring losses ahead of the beneficiaries of those guarantee obligations. It is also possible that holders of our debt securities (including the notes) could incur losses ahead of other similarly situated creditors.

In response to the regulators' guidance and to facilitate the orderly resolution of Wells Fargo using either a single point of entry or multiple point of entry resolution strategy, on June 28, 2017, Wells Fargo entered into a Support Agreement with WFC Holdings, LLC, an intermediate holding company and subsidiary of Wells Fargo (the "IHC"), and WFBNA, WFS, and Wells Fargo Clearing Services, LLC ("WFCS"), each an indirect subsidiary of Wells Fargo (the "Support Agreement"). Pursuant to the Support Agreement, Wells Fargo transferred a significant amount of its assets, including the majority of its cash, deposits, liquid securities and intercompany loans (but excluding its equity interests in its subsidiaries and certain other assets), to the IHC and will continue to transfer those types of assets to the IHC from time to time. In the event of Wells Fargo's material financial distress or failure, the IHC will be obligated to use the transferred assets to provide capital and/or liquidity to WFBNA pursuant to the Support Agreement and to WFS and WFCS through repurchase facilities entered into in connection with the Support Agreement. Under the Support Agreement, the IHC will also provide funding and liquidity to Wells Fargo through subordinated notes and a committed line of credit, which, together with the issuance of dividends, is expected to provide Wells Fargo, during business as usual operating conditions, with the same access to cash necessary to service its debts, pay dividends, repurchase its shares and perform its other obligations as it would have if it had not entered into these arrangements and transferred any assets. If certain liquidity and/or capital metrics fall below defined triggers, the subordinated notes would be forgiven and the committed line of credit would terminate, which could materially and adversely impact Wells Fargo's liquidity and its ability to satisfy its debts and other obligations, and could result in the commencement of bankruptcy proceedings by Wells Fargo at an earlier time than might have otherwise occurred if the Support Agreement were not implemented. Wells Fargo's and the IHC's respective obligations under the Support Agreement are secured pursuant to a related security agreement.

If either resolution strategy proved to be unsuccessful, holders of our debt securities (including the notes) may as a consequence be in a worse position than if the strategy had not been implemented. In all cases, any payments to holders of our debt securities are dependent on our ability to make such payments and are therefore subject to our credit risk.

HISTORICAL INFORMATION

The following graph sets forth the 10-Year CMS Rate for each day in the period from January 1, 2008 to July 25, 2018. On July 25, 2018, the 10-Year CMS Rate was 2.990%. The historical 10-Year CMS Rates set forth below should not be taken as an indication of the 10-Year CMS Rate in the future.

10-Year Constant Maturity Swap Rate Daily Rates

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UNITED STATES FEDERAL TAX CONSIDERATIONS

The following is a discussion of the material U.S. federal income and certain estate tax consequences of the ownership and disposition of the notes. It applies to you only if you purchase a note for cash in the initial offering at the "issue price," which is the first price at which a substantial amount of the notes is sold to the public, and hold the note as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). It does not address all of the tax consequences that may be relevant to you in light of your particular circumstances or if you are an investor subject to special rules, such as:

- a financial institution;
- a "regulated investment company";
- a "real estate investment trust";
- a tax-exempt entity, including an "individual retirement account" or "Roth IRA";
- a dealer or trader subject to a mark-to-market method of tax accounting with respect to the notes;
- a person holding a note as part of a "straddle" or conversion transaction or who has entered into a "constructive sale" with respect to a note;
- a U.S. holder (as defined below) whose functional currency is not the U.S. dollar; or
- an entity classified as a partnership for U.S. federal income tax purposes.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds the notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partnership holding the notes or a partner in such a partnership, you should consult your tax adviser as to the particular U.S. federal tax consequences of holding and disposing of the notes to you.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, changes to any of which subsequent to the date of this pricing supplement may affect the tax consequences described herein, possibly with retroactive effect. This discussion does not address the effects of any applicable state, local or non-U.S. tax laws, any alternative minimum tax consequences, the potential application of the Medicare tax on net investment income or the consequences to taxpayers subject to special tax accounting rules under Section 451(b) of the Code. You should consult your tax adviser concerning the application of the U.S. federal income and estate tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. jurisdiction.

Tax Treatment of the Notes

In the opinion of our counsel, Davis Polk & Wardwell LLP, the notes should be treated as "variable rate debt instruments" that provide for a single fixed rate followed by a qualified floating rate ("QFR") for U.S. federal income tax purposes.

Tax Consequences to U.S. Holders

This section applies only to U.S. holders. You are a "U.S. holder" if you are a beneficial owner of a note that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Qualified Stated Interest and Original Issue Discount. If a debt instrument's stated redemption price at maturity exceeds its issue price by an amount that does not satisfy a de minimis test, the excess will be treated as original issue discount ("OID") for U.S. federal income tax purposes. Under applicable Treasury Regulations, the "stated redemption price at maturity" of a debt instrument generally will equal the sum of all payments required under the debt instrument other than payments of qualified stated interest ("QSI"). QSI generally includes stated interest unconditionally payable (other than in debt instruments of the issuer) at least annually at a single rate.

In order to determine the amount of QSI and OID (if any) in respect of the notes, an equivalent fixed rate debt instrument must be constructed. The equivalent fixed rate debt instrument is constructed in the following manner: (i) first, the initial fixed rate is converted to a QFR that would preserve the fair market value of the notes, and (ii) second, each QFR (including the QFR determined under (i) above) is converted to a fixed rate substitute (which will generally be the value of that QFR as of the issue date of the notes). Then, the rules described in the preceding paragraph will apply to the equivalent fixed rate debt instrument to determine the amount of QSI and OID on the notes. Under these rules, the notes will generally be treated as providing for QSI at a rate equal to the lowest rate of interest in effect at any time under the equivalent fixed rate debt instrument, and any interest in excess of that rate will generally be treated as part of the stated redemption price at maturity and, therefore, as giving rise to OID.

QSI on the notes generally will be taxable to you as ordinary interest income at the time it accrues or is received in accordance with your method of tax accounting. You will be required to include the OID, if any, in income for federal income tax purposes as it accrues, in accordance with a constant-yield method based on a compounding of interest. If the notes are not issued with OID, all stated interest on the notes will be treated as QSI and will be taxable to you as ordinary interest income at the time it accrues or is received in accordance with your method of tax accounting. If the amount of interest you receive on the notes in a calendar year is greater than the interest assumed to be paid or accrued under the equivalent fixed rate debt instrument, the excess is treated as additional QSI taxable to you as ordinary income. Otherwise, any difference will reduce the amount of QSI you are treated as receiving and will therefore reduce the amount of ordinary income you are required to take into income.

Information regarding the determination of QSI and the amount of OID, if any, on the notes may be obtained by submitting a written request to us at: Wells Fargo Securities, LLC, Investment Solutions Group, 375 Park Avenue, New York, NY 10152.

Sale, Exchange or Retirement of the Notes. Upon a sale, exchange or retirement of the notes, you generally will recognize capital gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (other than amounts attributable to accrued QSI, which will be treated as a payment of QSI) and your tax basis in the notes. Your tax basis in the notes generally will equal the amount you paid to acquire them, increased by the amount of OID (if any) previously included in income with respect to the notes and reduced by any payments other than QSI received. Such gain or loss generally will be long-term capital gain or loss if, at the time of the sale, exchange or retirement, you held the notes for more than one year, and short-term capital gain or loss otherwise. Long-term capital gains recognized by non-corporate U.S. holders are generally subject to taxation at reduced rates. The deductibility of capital losses is subject to certain limitations.

Tax Consequences to Non-U.S. Holders

This section applies only to non-U.S. holders. You are a "non-U.S. holder" if you are a beneficial owner of a note that is, for U.S. federal income tax purposes:

- an individual who is classified as a nonresident alien;
- a foreign corporation; or
- a foreign estate or trust.

You are not a non-U.S. holder for purposes of this discussion if you are (i) an individual who is present in the United States for 183 days or more in the taxable year of disposition, (ii) a former citizen or resident of the United States or (iii) a person for whom income or gain in respect of the notes is effectively connected with the conduct of a trade or business in the United States. If you are or may become such a person during the period in which you hold a note, you should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the notes.

Subject to the discussion below concerning FATCA, you generally will not be subject to U.S. federal income or withholding tax in respect of the notes, provided that:

you do not own, directly or by attribution, ten percent or more of the total combined voting power of all classes of our stock entitled to vote;

you are not a controlled foreign corporation related, directly or indirectly, to us through stock ownership;

- you are not a bank receiving interest under Section 881(c)(3)(A) of the Code; and
- you provide to the applicable withholding agent an appropriate Internal Revenue Service ("IRS") Form W-8 on which you certify under penalties of perjury that you are not a U.S. person.

U.S. Federal Estate Tax

Individual non-U.S. holders and entities the property of which is potentially includible in such an individual's gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers) should consider the U.S. federal estate tax implications of an investment in the notes. Absent an applicable treaty benefit, a note will be treated as U.S.-situs property subject to U.S. federal estate tax if payments on the note if received by the decedent at the time of death would have been subject to U.S. federal withholding tax as described above (even if the Form W-8 certification requirement described above were satisfied and not taking into account an elimination of such U.S. federal withholding tax due to the application of an income tax treaty). You should consult your tax adviser regarding the U.S. federal estate tax consequences of an investment in the notes in your particular situation and the availability of benefits provided by an applicable estate tax treaty, if any.

Backup Withholding and Information Reporting

Information returns generally will be filed with the IRS with respect to payments of interest (including OID, if any) on the notes and may be filed with the IRS in connection with the payment of proceeds from a sale, exchange or other disposition of the notes. If you fail to provide certain identifying information (such as an accurate taxpayer identification number if you are a U.S. holder) or meet certain other conditions, you may also be subject to backup withholding at the rate specified in the Code. If you are a non-U.S. holder that provides an appropriate IRS Form W-8, you will generally establish an exemption from backup withholding. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the relevant information is timely furnished to the IRS.

FATCA Legislation

Legislation commonly referred to as "FATCA" generally imposes a withholding tax of 30% on payments to certain non-U.S. entities (including financial intermediaries) with respect to certain financial instruments, unless various U.S. information reporting and due diligence requirements have been satisfied. An intergovernmental agreement between the United States and the non-U.S. entity's jurisdiction may modify these requirements. Withholding under these rules (if applicable) applies to payments of amounts treated as interest (including OID, if any) on the notes and, after 2018, to payments of gross proceeds of the disposition (including upon retirement) of the notes. If withholding applies to the notes, we will not be required to pay any additional amounts with respect to amounts withheld. Both U.S. and non-U.S. holders should consult their tax advisers regarding the potential application of FATCA to the notes.

The preceding discussion constitutes the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of owning and disposing of the notes.

SUPPLEMENTAL PLAN OF DISTRIBUTION

Wells Fargo Securities, LLC, a wholly owned subsidiary of Wells Fargo & Company, is the agent for the distribution of the notes. The agent may resell the notes to other securities dealers at the original offering price of the notes less a concession not in excess of $17.50 per note. Such securities dealers may include Wells Fargo Advisors (the trade name of the retail brokerage business of our affiliates, Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC).

The agent or another affiliate of ours expects to realize hedging profits projected by its proprietary pricing models to the extent it assumes the risks inherent in hedging our obligations under the notes. If any dealer participating in the distribution of the notes or any of its affiliates conducts hedging activities for us in connection with the notes, that dealer or its affiliate will expect to realize a profit projected by its proprietary pricing models from such hedging activities. Any such projected profit will be in addition to any discount or concession received in connection with the sale of the notes to you.

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versely affect our financial results.

Our stores are concentrated within the South, Southwest, Mid-Atlantic and Midwest regions of the United States, which could subject us to regional risks.

Our stores are heavily concentrated in certain regions of the United States. We are subject to regional risks, such as the regional economy, weather conditions and natural disasters, increasing costs of electricity, oil and natural gas, as well as government regulations specific in the states and localities within which we operate. We sell a significant amount of team sports merchandise that can be adversely affected by significant weather events that postpone the start of or shorten sports seasons or that limit participation of fans and sports enthusiasts.

The occurrence of severe weather events, catastrophic health events or natural disasters could significantly damage or destroy our retail locations, could prohibit consumers from traveling to our retail locations or could prevent us from resupplying our stores or distribution center, especially during peak shopping seasons.

Unforeseen events, including public health issues and natural disasters such as earthquakes, hurricanes, tornados, snow or ice storms, floods and heavy rains, could disrupt our operations or the operations of our suppliers, as well as the behavior of our consumer. We believe that we take reasonable precautions to prepare for such events; however, our precautions may not be adequate to deal with such events in the future. If such events occur in areas in which we have our distribution center or a concentration of retail stores, or if they occur during peak shopping seasons, it could have a material adverse effect on our business, financial condition and results of operations.

Poor performance of college and professional sports teams within our core regions of operation, as well as professional team lockouts, could adversely affect our financial results.

We sell a significant amount of licensed team sports merchandise, the sale of which may be subject to fluctuations based on the success or failure of such teams. The poor performance by the college and professional sports teams within our core regions of operations, as well as professional team lockouts, could cause our financial results to fluctuate year over year.

Our inability to identify, and anticipate changes in consumer demands and preferences and our inability to respond to such consumer demands in a timely manner could reduce our net sales.

Our products appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to rapid change. Our success depends on our ability to identify product trends as well as to anticipate and respond to changing merchandise trends and consumer demand in a timely manner. We cannot assure you that we will be able to continue to offer assortments of products that appeal to our customers or that we will satisfy changing consumer demands in the future. Accordingly, our business, financial condition and results of operations could be materially and adversely affected if:

- we are unable to identify and respond to emerging trends, including shifts in the popularity of certain products;
- we miscalculate either the market for the merchandise in our stores or our customers' purchasing habits; or
- consumer demand unexpectedly shifts away from athletic footwear or our more profitable apparel lines.

In addition, we may be faced with significant excess inventory of some products and missed opportunities for other products, which could decrease our profitability.

If we lose any of our key vendors or any of our key vendors fail to supply us with merchandise, we may not be able to meet the demand of our customers and our net sales could decline.

We are a reseller of manufacturers' branded items and are thereby dependent on the availability of key products and brands. Our business is dependent to a significant degree upon close relationships with vendors and our ability to purchase brand name merchandise at competitive prices. As a reseller, we cannot control the supply, design, function or cost of many of the products we offer for sale. In addition, many of our vendors provide us with return privileges, volume purchasing allowances and cooperative advertising.

We believe that we have long-standing and strong relationships with our vendors and that we have adequate sources of brand name merchandise on competitive terms. However, the loss or decline of key vendor support could have a material adverse effect on our business, financial condition and results of operations. We cannot guarantee that we will be able to acquire such merchandise at competitive prices or on competitive terms in the future. In this regard, certain merchandise that is in high demand may be allocated by vendors based upon the vendors' internal criteria, which is beyond our control.

We also rely on services and products from non-merchandise vendors. A disruption in these services or products due to the financial condition or inefficient operations of these vendors could adversely affect our business operations.

Our success depends substantially on the value and perception of the brand name merchandise we sell.

Our success is largely dependent on our consumers' perception and connection to the brand names we carry, such as Nike, Under Armour, Reebok, adidas, Easton, The North Face, etc. Brand value is based in part on our consumer's perception on a variety of subjective qualities so that even an isolated incident could erode brand value and consumer trust, particularly if there is considerable publicity or litigation. Consumer demand for our products or brands could diminish significantly in the event of erosion of consumer confidence or trust, resulting in lower sales which could have a material adverse effect on our business, financial condition and results of operations.

A disruption in the flow of imported merchandise or an increase in the cost of those goods could significantly decrease our net sales and operating income.

We believe many of our largest vendors source a substantial majority of their products from foreign countries. Imported goods are generally less expensive than domestic goods and contribute significantly to our favorable profit margins. We may experience a disruption or increase in the cost of imported vendor products at any time for reasons beyond our control. If imported merchandise becomes more expensive or unavailable, the transition to alternative sources by our vendors may not occur in time to meet our demands or the demands of our customers. Products from alternative sources may also be more expensive than those our vendors currently import. Risks associated with reliance on imported goods include:

- disruptions in the flow of imported goods because of factors such as:
- raw material shortages, work stoppages, labor availability and political unrest;
- problems with oceanic shipping, including blockages or labor union strikes at U.S. or foreign ports; and
- economic crises and international disputes.

- increases in the cost of purchasing or shipping foreign merchandise resulting from:
- foreign government regulations;
- rising commodity prices;
- changes in currency exchange rates or policies and local economic conditions; and
- trade restrictions, including import duties, import quotas or loss of "most favored nation" status with the United States.

In addition, to the extent that any foreign manufacturer from whom our vendors are associated may directly or indirectly utilize labor practices that are not commonly accepted in the United States, we could be affected by any resulting negative publicity.

Security threats, including physical and cyber security threats, and unauthorized disclosure of sensitive or confidential information could harm our business and reputation with our consumers.

The protection of Company, customer and employee data is critical to us. We rely on third-party systems, software and monitoring tools to provide security for processing, transmission and storage of confidential customer and employee information such as payment card and personal information. Although we have security measures designed to protect against the misappropriation or corruption of our information systems, our systems may still be vulnerable to computer viruses, thefts, cyber attacks, acts of vandalism, programming and/or human errors, disruptions caused by unauthorized tampering or outages caused by natural disasters or other similar events.

Cyber security threats are persistent and evolving. They include, but are not limited to, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential information, intentional or unintentional, whether by us or our providers, could damage our reputation, expose us to risk of litigation and liability and harm our business.

Pressure from our competitors may force us to reduce our prices or increase our spending, which would lower our net sales, gross profit and operating income.
The business in which we are engaged is highly competitive. The marketplace for sporting goods is highly fragmented as many different retailers compete for market share by utilizing a variety of store formats and merchandising strategies. We compete with local sporting goods stores, department and discount stores, traditional

shoe stores and mass merchandisers and, on a limited basis, national sporting goods stores. Many of our competitors have greater financial resources than we do. In addition, many of our competitors employ price discounting policies that, if intensified, may make it difficult for us to reach our sales goals without reducing our prices. As a result of this competition, we may also need to spend more on advertising and promotion than we anticipate. We cannot guarantee that we will continue to be able to compete successfully against existing or future competitors. Expansion into markets served by our competitors, entry of new competitors or expansion of existing competitors into our markets could be detrimental to our business, financial condition and results of operations.

Our operating results are subject to seasonal and quarterly fluctuations. Furthermore, our quarterly operating results, including comparable store net sales, will fluctuate and may not be a meaningful indicator of future performance.

We have historically experienced and expect to continue to experience seasonal fluctuations in our net sales, operating income and net income. Our net sales, operating income and net income are typically higher in the spring, back-to-school and holiday shopping seasons. An economic downturn during these periods could adversely affect us to a greater extent than if a downturn occurred at other times of the year.

Customer buying patterns around the spring sales period and the holiday season historically result in higher first and fourth quarter net sales. In the past few years, we have also experienced higher than historical third quarter net sales resulting from the back-to-school period complimented by sales tax holidays in many of our markets. In addition, our quarterly results of operations may fluctuate significantly as a result of a variety of factors, many outside our control, including the timing of new store openings, the amount and timing of net sales contributed by new stores, merchandise mix, demand for apparel and accessories driven by local interest in sporting events, the disgrace of sports superstars key to certain product promotions or strikes or lockouts involving professional sports teams. Any of these events, particularly in the fourth quarter, could have a material adverse effect on our business, financial condition and operating results for the entire fiscal year.

Comparable store net sales vary from quarter to quarter, and an unanticipated decline in comparable store net sales may cause the price of our common stock to fluctuate significantly. Factors which could affect our comparable store net sales results include:

· shifts in consumer tastes and fashion trends;
· calendar shifts of holiday or seasonal periods;
· the timing of income tax refunds to customers;
· increases in personal income taxes paid by our customers;
· calendar shifts or cancellations of sales tax-free holidays in certain states;
· the success or failure of college and professional sports teams within our core regions;
· changes in the other tenants in the shopping centers in which we are located;
· pricing, promotions or other actions taken by us or our existing or possible new competitors; and
· unseasonable weather conditions or natural disasters.

We cannot assure you that comparable store net sales will trend at the rates achieved in prior periods or that rates will not decline.

We would be materially and adversely affected if our single distribution center were shut down.

We currently operate a single distribution center in Birmingham, Alabama. While we plan to transition to our new wholesaling and logistics facility in early Fiscal 2015, we will continue to receive and ship substantially all of our merchandise at a single facility after the completion of the transition. Any natural disaster or other serious disruption to this facility would damage a portion of our inventory and could impair our ability to adequately stock our stores and process returns of products to vendors and could adversely affect our net sales and profitability. In addition, we could incur significantly higher costs and longer lead times associated with distributing our products to our stores during the time it takes for us to reopen or replace the center.

We depend on key personnel, the loss of which may adversely affect our ability to run our business effectively and our results of operations.

We benefit from the leadership and performance of our senior management team and other key employees. If we lose the services of any of our principal executive officers or other skilled and experienced personnel, we may not be able to fully implement our business strategy or run our business effectively and operating results could suffer.

The Compensation Committee of our Board of Directors reviews a succession plan prepared by senior management in consideration of the loss of key personnel positions on a regular basis. The goal of the succession plan is to have a contingency plan that minimizes disruptions in the workplace until a suitable replacement can be found, but no assurance can be given that we will be able to retain existing or attract additional qualified personnel when needed.

Provisions in our charter documents and Delaware law might deter acquisition bids for us.

Certain provisions of our certificate of incorporation and bylaws may be deemed to have anti-takeover effects and may discourage, delay or prevent a takeover attempt that a stockholder might consider in its best interest. These provisions, among other things:

- classify our Board of Directors into three classes, each of which serves for different three-year periods;
- provide that a director may be removed by stockholders only for cause by a vote of the holders of not less than two-thirds of our shares entitled to vote;
- provide that all vacancies on our Board of Directors, including any vacancies resulting from an increase in the number of directors, may be filled by a majority of the remaining directors, even if the number is less than a quorum;
- provide that special meetings of the common stockholders may only be called by the Board of Directors, the Chairman of the Board of Directors or upon the demand of the holders of a majority of the total voting power of all outstanding securities of the Company entitled to vote at any such special meeting; and
- call for a vote of the holders of not less than two-thirds of the shares entitled to vote in order to amend the foregoing provisions and certain other provisions of our certificate of incorporation and bylaws.

In addition, our Board of Directors, without further action of the stockholders, is permitted to issue and fix the terms of preferred stock, which may have rights senior to those of common stock. We are also subject to the Delaware business combination statute, which may render a change in control of us more difficult. Section 203 of the Delaware General Corporation Laws would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the Board of Directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Increases in transportation costs due to rising fuel costs, climate change regulation and other factors may negatively impact our results of operations.

We rely upon various means of transportation, including ship and truck, to deliver products from vendors to our distribution center and from our distribution center to our stores. Consequently, our results can vary depending upon the price of fuel. The price of oil has fluctuated drastically over the last few years. In addition, efforts to combat climate change through reduction of greenhouse gases may result in higher fuel costs through taxation or other means. Any such future increases in fuel costs would increase our transportation costs for delivery of product to our distribution center and distribution to our stores, as well as our vendors' transportation costs.

In addition, labor shortages in the transportation industry could negatively affect transportation costs and our ability to supply our stores in a timely manner. We also rely on efficient and effective operations within our distribution center to ensure accurate product delivery to our stores. Failure to maintain such operations could adversely affect net sales.

We manage cash and cash equivalents beyond federally insured limits per financial institution and purchase investments not fully guaranteed by the Federal Deposit Insurance Corporation (FDIC), subjecting us to investment and credit availability risks.

We manage cash and cash equivalents in various institutions at levels beyond federally insured limits per institution, and we purchase investments not guaranteed by the FDIC. Accordingly, there is a risk that we will not recover the full principal of our investments or that their liquidity may be diminished. In an attempt to mitigate this risk, our investment policy emphasizes preservation of principal and liquidity. We cannot be assured that we will not experience losses on our deposits.

We face risk that financial institutions may fail to fulfill commitments under our committed credit facilities.

We have financial institutions that are committed to providing loans under our revolving credit facilities. There is a risk that these institutions cannot deliver against these obligations in a timely matter, or at all. If the financial institutions that provide these credit facilities were to default on their obligation to fund the commitments, these facilities would not be available to us, which could adversely affect our liquidity and financial condition. For discussion of our credit facilities, see "Liquidity and Capital Resources" in Item 7 and Note 5 to our consolidated financial statements.

Risks Related to Ownership of Our Common Stock.

The market price of our common stock, like the stock market in general, is likely to be highly volatile. Factors that could cause fluctuation in our common stock price may include, among other things:

- actual or anticipated variations in quarterly operating results;
- changes in financial estimates by investment analysts and our inability to meet or exceed those estimates;
- additions or departures of key personnel;
- market rumors or announcements by us or by our competitors of significant acquisitions, divestitures or joint ventures, strategic partnerships, large capital commitments or other strategic initiatives; and
- sales of our common stock by key personnel or large institutional holders.

Many of these factors are beyond our control and may cause the market price of our common stock to decline, regardless of our operating performance.

Risks Related to Regulatory, Legislative and Legal Matters.

We operate in a number of jurisdictions. It can be cumbersome to fill needed positions and comply with labor laws and regulations, many of which vary from jurisdiction to jurisdiction.

We are heavily dependent upon our labor force. Our compensation packages are designed to provide benefits commensurate with our level of expected service. However, within our retail and our distribution operations, we face the challenge of filling many positions at wage scales that are appropriate to the industry and competitive factors. We operate in a number of jurisdictions which can make it cumbersome to comply with labor laws and regulations, many of which vary from jurisdiction to jurisdiction. As a result of these and other factors, we face many external risks and internal factors in meeting our labor needs, including competition for qualified personnel, overall unemployment levels, prevailing wage rates, as well as rising employee benefit costs. Changes in any of these factors, including a shortage of available workforce in areas in which we operate, could interfere with our ability to adequately service our customers or to open suitable locations and could result in increasing labor costs.

We cannot be assured that we will not experience pressure from labor unions or become the target of labor union campaigns.

While we believe we maintain good relations with our employees, we cannot be assured that we will not experience pressure from labor unions or become the target of labor union campaigns. The potential for unionization could increase in the United States if Congress passes federal legislation that would facilitate labor organization. Significant union representation would require us to negotiate wages, salaries, benefits and other terms with many of our employees collectively and could adversely affect our results of operations by increasing our labor costs or otherwise restricting our ability to maximize the efficiency of our operations.

Changes in federal, state or local laws, or our failure to comply with such laws, could increase our expenses and expose us to legal risks.

Our Company is subject to numerous laws and regulatory matters relating to the conduct of our business. In addition, certain jurisdictions have taken a particularly aggressive stance with respect to certain matters and have stepped up enforcement, including fines and other sanctions. Such laws and regulatory matters include:

- The Americans with Disabilities Act and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas;
- The Patient Protection and Affordable Care Act provisions;
- Labor and employment laws that govern employment matters such as minimum wages, overtime, family leave mandates and workplace safety regulations;
- Securities and exchange laws and regulations;
- New or changing laws relating to state and local taxation and licensing, including sales and use tax laws, withholding taxes and property taxes;
- New or changing laws relating to information security, privacy, cashless payments and consumer credit, protection and fraud;
- New or changing environmental regulations, including measures related to climate change and greenhouse gas emissions;
- New or changing laws and regulations concerning product safety or truth in advertising; and
- New or changing federal and state immigration laws and regulations.

Increasing regulations could expose us to a challenging enforcement environment or to third-party liability (such as monetary recoveries and recoveries of attorney's fees) and could have a material adverse effect on our business and results of operations.

Our corporate legal department monitors regulatory activity and is active in notifying and updating applicable departments and personnel on pertinent matters and legislation. Our Human Resources (HR) Department leads HR compliance training programs to ensure our field managers are kept abreast of HR-related regulatory activity that affects their areas of responsibility. We believe that we are in substantial compliance with applicable environment and other laws and regulations, and although no assurance can be given, we do not foresee the need for any significant expenditure in this area in the near future.

Changes in rules related to accounting for income taxes, changes in tax laws in any of the jurisdictions in which we operate or adverse outcomes from audits by taxing authorities could result in an unfavorable change in our effective tax rate.

We operate our business in numerous tax jurisdictions. As a result, our effective tax rate is derived from a combination of the federal rate and applicable tax rates in the various states in which we operate. Our effective tax rate may be lower or higher than our tax rates have been in the past due to numerous factors, including the sources of our income and the tax filing positions we take. We base our estimate of an effective tax rate at any given point in time upon a calculated mix of the tax rates applicable to our Company and on estimates of the amount of business likely to be done in any given jurisdiction. Changes in rules related to accounting for income taxes, changes in tax laws in any of the jurisdictions in which we operate, expiration of tax credits formerly available, or adverse outcomes from tax audits that we may be subject to in any of the jurisdictions in which we operate could result in an unfavorable change in our effective tax rate.

Litigation may adversely affect our business, financial condition and results of operations.

Our business is subject to the risk of litigation by employees, consumers, suppliers, competitors, stockholders, government agencies or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify. We may incur losses relating to these claims, and in addition, these proceedings could cause us to incur costs and may require us to devote resources to defend against these claims that could adversely affect our results of operations. For a description of current legal proceedings, see "Part I, Item 3, Legal Proceedings."

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We currently lease all of our existing 927 store locations and expect that our policy of leasing rather than owning will continue as we continue to expand. Our leases typically provide for terms of five to ten years with options on our part to extend. Most leases also contain a kick-out clause if projected sales levels are not met and an early termination/remedy option if co-tenancy and exclusivity provisions are violated. We believe this leasing strategy enhances our flexibility to pursue various expansion opportunities resulting from changing market conditions and to periodically re-evaluate store locations. See "Risk Factors."

As current leases expire, we believe we will either be able to obtain lease renewals for present store locations or to obtain leases for equivalent or better locations in the same general area. Historically, we have not experienced any significant difficulty in either renewing leases for existing locations or securing leases for suitable locations for new stores. However, in recent years, we have experienced some difficulty securing leases for new stores related to new construction due to the economic issues facing the commercial real estate market and landlords, thus reducing our ability to open stores at our historical rates. This trend has continued, but has improved to some extent each year and into Fiscal 2014. Based primarily on our belief that we maintain good relations with our landlords, that most of our leases are at approximate market rents and that generally we have been able to secure leases for suitable locations, we believe our lease strategy will not be detrimental to our business, financial condition or results of operations.

We moved our corporate office in Fiscal 2014 from a leased facility to a building owned by us. Our distribution center is leased under an operating lease which expires in December 2014. We own the Team facility located in Birmingham, Alabama that warehouses inventory for educational institutions and youth associations. We have completed construction on a new wholesaling and logistics facility that we expect to be in operation in early Fiscal 2015. We believe our new facility is suitable and adequate to support our operations in the coming years. See "Risk Factors."

Store Locations

As of February 1, 2014, we operated 927 stores in 31 contiguous states. Of these stores, 195 are located in enclosed malls and 732 are located in strip-shopping centers, which are frequently near a Wal-Mart store. Strip-shopping centers include free-standing stores. The following shows the number of locations by state as of February 1, 2014:

Alabama	87	Kentucky	56	Pennsylvania	1
Arizona	6	Louisiana	48	South Carolina	35
Arkansas	42	Maryland	2	South Dakota	1
Colorado	8	Minnesota	1	Tennessee	59
Delaware	1	Mississippi	62	Texas	89
Florida	49	Missouri	33	Utah	3
Georgia	92	Nebraska	9	Virginia	16
Iowa	9	New Mexico	11	West Virginia	11
Illinois	26	North Carolina	54	Wisconsin	8
Indiana	23	Ohio	20	TOTAL	927
Kansas	23	Oklahoma	42		

As of March 15, 2014, we operated 931 stores in 31 states.

Item 3. Legal Proceedings.

We are a party to various legal proceedings incidental to our business. Where we are able to reasonably estimate an amount of probable loss in these matters based on known facts, we have accrued that amount as a current liability on our balance sheet. We are not able to reasonably estimate the possible loss or range of loss in excess of the amount accrued for these proceedings based on the information currently available to us, including, among others, (i) uncertainties as to the outcome of pending proceedings (including motions and appeals) and (ii) uncertainties as to the likelihood of settlement and the outcome of any negotiations with respect thereto. We do not believe that any of these matters will, individually or in the aggregate, have a material effect on our business or financial condition. We cannot give assurance, however, that one or more of these proceedings will not have a material effect on our results of operations for the period in which they are resolved. At February 1, 2014 and February 2, 2013, we estimated that the liability related to these matters was approximately $0.2 million and $0.3 million, respectively, and accordingly, we accrued $0.2 million and $0.3 million, respectively, as a current liability in our consolidated balance sheets.

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 we believe that a loss is both probable and estimable for a particular matter, the loss is accrued in accordance with the requirements of ASC Topic 450, Contingencies. With respect to any matter, we could change our belief as to whether a loss is probable or estimable, or its estimate of loss, at any time.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the NASDAQ Global Select Market (NASDAQ/GS) under the symbol HIBB. The following table sets forth, for the periods indicated, the high and low sales prices of shares of our Common Stock as reported by NASDAQ.

Fiscal 2014:	High	Low
First Quarter ended May 4, 2013	$56.54	$51.00
Second Quarter ended August 3, 2013	$61.50	$55.00
Third Quarter ended November 2, 2013	$61.64	$51.16
Fourth Quarter ended February 1, 2014	$67.73	$58.74
Fiscal 2013:		
First Quarter ended April 28, 2012	$59.79	$47.91
Second Quarter ended July 28, 2012	$62.24	$54.34
Third Quarter ended October 27, 2012	$62.91	$53.45
Fourth Quarter ended February 2, 2013	$54.99	$50.71

On March 15, 2014, the last reported sale price for our common stock as quoted by NASDAQ was $55.70 per share. As of March 15, 2014, we had 35 stockholders of record.

The Stock Price Performance Graph below compares the percentage change in our cumulative total stockholder return on our common stock against a cumulative total return of the NASDAQ Composite Index and the NASDAQ Retail Trade Index. The graph below outlines returns for the period beginning on January 31, 2009 to January 31, 2014. We have not paid any dividends. Total stockholder return for prior periods is not necessarily an indication of future performance.

	01/31/09	01/31/10	01/31/11	01/31/12	01/31/13	01/31/14
Hibbett Sports, Inc.	100.00	155.91	235.27	352.17	386.92	440.93
NASDAQ Composite	100.00	145.73	185.35	196.13	222.33	296.73
NASDAQ Retail Trade	100.00	176.03	231.96	262.10	333.70	401.19

Dividend Policy. We have never declared or paid any dividends on our common stock. We currently intend to retain our future earnings to finance the growth and development of our business and for our stock repurchase program, and therefore do not anticipate declaring or paying cash dividends on our common stock for the foreseeable future. Any future decision to declare or pay dividends will be at the discretion of our Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as our Board of Directors deems relevant.

Equity Compensation Plans. For information on securities authorized for issuance under our equity compensation plans, see "Part III, Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Issuer Repurchases of Equity Securities

The following table presents our shares repurchase activity for the thirteen weeks ended February 1, 2014 (1):

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that may yet be Purchased Under the Programs (in thousands)
November 3, 2013 to November 30, 2013	9,500	$ 61.58	9,500	$ 230,352
December 1, 2013 to January 4, 2014	5,000	$ 64.21	5,000	$ 230,031
January 5, 2014 to February 1, 2014	7,000	$ 59.76	7,000	$ 229,613
Total	21,500	$ 61.60	21,500	$ 229,613

(1) In November 2012, the Board of Directors authorized a Stock Repurchase Program of $250.0 million to repurchase our common stock through January 29, 2016. See Note 1, "Stock Repurchase Program."

Item 6. Selected Consolidated Financial Data.

The following selected consolidated financial data has been derived from the consolidated financial statements of the Company. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our "Consolidated Financial Statements and Supplementary Data" and "Notes to Consolidated Financial Statements" thereto.

(In thousands, except per share amounts, Selected Store Data or where noted otherwise)

	Fiscal Year Ended				
	February 1, 2014 (52 weeks)	February 2, 2013 (53 weeks)	January 28, 2012 (52 weeks)	January 29, 2011 (52 weeks)	January 30, 2010 (52 weeks)
Statement of Operations Data:					
Net sales	$851,965	$818,700	$732,645	$664,954	$593,492
Cost of goods sold, including distribution center and store occupancy costs	542,700	519,818	470,237	434,552	397,292
Gross profit	309,265	298,882	262,408	230,402	196,200
Store operating, selling and administrative expenses	181,527	169,872	155,672	143,232	129,888
Depreciation and amortization	13,847	13,029	13,205	13,623	13,905
Operating income	113,891	115,981	93,531	73,547	52,407
Interest expense, net	188	168	217	105	57
Income before provision for income taxes	113,703	115,813	93,314	73,442	52,350
Provision for income taxes	42,826	43,231	34,254	27,042	19,801
Net income	$70,877	$72,582	$59,060	$46,400	$32,549

Basic earnings per share	$2.74	$2.78	$2.19	$1.63	$1.14
Diluted earnings per share	$2.70	$2.72	$2.15	$1.60	$1.12
Basic weighted shares outstanding	25,870	26,132	26,978	28,426	28,629
Diluted weighted average shares outstanding	26,266	26,638	27,506	29,033	29,089

Note: No dividends have been declared or paid.

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(In thousands, except per share amounts, Selected Store Data or where noted otherwise)

	Fiscal Year Ended February 1, 2014 (52 weeks)	February 2, 2013 (53 weeks)	January 28, 2012 (52 weeks)	January 29, 2011 (52 weeks)	January 30, 2010 (52 weeks)
Other Data:					
Net sales increase	4.1 %	11.8 %	10.2 %	12.0 %	5.2 %
Comparable store sales increase	1.8 %(1)	6.9 %(2)	6.8 %	9.8 %	0.1 %
Gross profit (as a % to net sales)	36.3 %	36.5 %	35.8 %	34.7 %	33.1 %
Store operating, selling and administrative expenses (as a % to net sales)	21.3 %	20.8 %	21.2 %	21.5 %	21.9 %
Depreciation and amortization (as a % to net sales)	1.6 %	1.6 %	1.8 %	2.1 %	2.3 %
Provision for income taxes (as a % to net sales)	5.0 %	5.3 %	4.7 %	4.1 %	3.3 %
Net income (as a % to net sales)	8.3 %	8.9 %	8.1 %	7.0 %	5.5 %
Balance Sheet Data:					
Cash and cash equivalents	$66,227	$76,911	$55,138	$75,517	$49,691
Average inventory per store	$244	$254	$234	$219	$221
Working capital	$232,235	$202,899	$177,115	$175,007	$147,583
Total assets	$416,345	$377,331	$313,696	$314,265	$276,704
Long-term capital lease obligations	$2,889	$2,138	$2,072	$2,245	$152
Stockholders' investment	$304,023	$239,127	$203,750	$200,088	$175,079
Treasury shares repurchased	366	904	1,897	1,461	-
Cost of treasury shares purchased	$20,095	$49,852	$68,613	$37,859	$-
Selected Store Data:					
Stores open at beginning of period	873	832	798	767	745
New stores opened	72	54	52	45	42
Stores closed	(18)	(13)	(18)	(14)	(20)
Stores open at end of period	927	873	832	798	767
Stores expanded during the period	14	13	15	14	18
Estimated square footage at end of period	5,331	5,003	4,755	4,558	4,399

(1) Represents the increase in comparable store sales for the period ended February 2, 2013 to February 1, 2014.
(2) As originally reported for the period ended February 2, 2013.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with Item 6, "Selected Consolidated Financial Data" and our consolidated financial statements and related notes appearing elsewhere in this report. This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. See "Forward-Looking Statements" and Part I, Item 1A. "Risk Factors."

Overview

Note: All references to comparable store sales in Fiscal 2013 refer to the 52-week comparison to Fiscal 2012 without consideration of the 53rd week in Fiscal 2013. All other Fiscal 2013 financial information includes the full 53-week period.

Hibbett Sports, Inc. operates sporting goods stores in small to mid-sized markets, predominantly in the South, Southwest, Mid-Atlantic and Midwest regions of the United States. We believe Hibbett Sports stores are typically the primary sporting goods retailers in smaller markets due to the extensive selection of premium brand name merchandise, availability of local merchandise, an emphasis on team sports and a high level of customer service. As of February 1, 2014, we operated a total of 927 retail stores in 31 states composed of 910 Hibbett Sports stores and 17 Sports Additions athletic shoe stores.

Our primary retail format and growth vehicle is Hibbett Sports, an approximately 5,000-square-foot store located primarily in strip centers, which are frequently near a Wal-Mart store. Approximately 80% of our Hibbett Sports store base is located in strip centers, which includes free-standing stores, while approximately 20% of our Hibbett Sports store base is located in enclosed malls. Over the last several years, we have concentrated and expect to continue our store base growth in strip centers versus enclosed malls. We do not expect that the average size of our stores opening in Fiscal 2015 will vary significantly from the average size of stores opened in Fiscal 2014.

Hibbett operates on a 52- or 53-week fiscal year ending on the Saturday nearest to January 31 of each year. The consolidated statements of operations for Fiscal 2014 included 52 weeks of operations. The consolidated statements of operations for Fiscal 2013 included 53 weeks of operations and Fiscal 2012 included 52 weeks of operations. Fiscal 2015 will include 52 weeks of operations. We have operated as a public company and have been incorporated under the laws of the State of Delaware since October 6, 1996.

Fiscal 2014 experienced a total company-wide square footage increase of 6.5%. Our plan for Fiscal 2015 is to increase total company-wide square footage by 6% to 7%. To supplement new store openings, we continue to expand high performing stores, increasing the square footage in 14 existing stores in Fiscal 2014 for an average increase in square footage of 56%. We expect to expand an additional 10 to 15 stores in Fiscal 2015.

In Fiscal 2013, we began construction on a new wholesaling and logistics facility to support our expected growth over the next several years with an expected operations date in early Fiscal 2015. The expected total cost of the new facility is estimated at approximately $40.0 million.

We historically have had increases in comparable store net sales in the low to mid-single digit range. In Fiscal 2014, activewear, accessories and footwear experienced mid-single digit comparable store gains. Total comparable store sales percentage growth is expected to be in the low to mid-single digits in Fiscal 2015. We expect a flat to slightly positive increase in merchandise margin, but a slight decrease in overall gross profit rate in Fiscal 2015 due to additional costs related to our new wholesaling and logistics facility.

Due to our increased net sales, we have historically leveraged our store operating, selling and administrative expenses. Based on projected net sales, we expect operating, selling and administrative rates to increase slightly in Fiscal 2015, primarily due to increases in marketing, information technology and health care costs. We also expect to continue to generate sufficient cash to enable us to expand and remodel our store base, to provide capital expenditures for our wholesaling and logistics facility, technology upgrade projects and to repurchase our common stock under our stock repurchase program.

Due to the 53rd week in Fiscal 2013, each quarter in Fiscal 2014 started one week later than the same quarter in Fiscal 2013. The chart below presents comparable store sales for Fiscal 2013 as originally reported and as adjusted to represent the same 13-week period as the Fiscal 2014 quarters:

	FISCAL 2013				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Comparable store sales increase (originally reported)	11.1%	4.8%	6.4%	4.9%	6.9%
Comparable store sales increase (adjusted for week shift)	8.6%	12.5%	-0.7%	4.4%	6.0%
Impact of week shift	-2.5%	7.7%	-7.1%	-0.5%	-0.9%

Comparable store net sales data for the periods presented reflects sales for our traditional format Hibbett Sports and Sports Additions stores open throughout the period and the corresponding period of the prior fiscal year. If a store remodel, relocation or expansion results in the store being closed for a significant period of time, its sales are removed from the comparable store base until it has been open a full 12 months.

Executive Summary

Following is a highlight of our financial results over the last three fiscal years:

	Fiscal 2014 (52 weeks)	Fiscal 2013 (53 weeks)	Fiscal 2012 (52 weeks)
Net sales (in millions)	$852.0	$818.7	$732.6
Operating income, percentage to net sales	13.4 %	14.2 %	12.8 %
Comparable store sales increase	1.8 %	6.9 %	6.8 %
Net income (in millions)	$70.9	$72.6	$59.1
Net income, percentage (decrease) increase	(2.4)%	22.9 %	27.3 %
Diluted earnings per share	$2.70	$2.72	$2.15

During Fiscal 2014, Hibbett opened 72 new stores and closed 18 underperforming stores, bringing the store base to 927 in 31 states as of February 1, 2014. Inventory on a per store basis at February 1, 2014 decreased by 3.6% resulting from planned later receipts of spring inventory to better coincide with the timing of sales. Hibbett ended Fiscal 2014 with $66.2 million of available cash and cash equivalents on the consolidated balance sheet and full availability under its $80.0 million unsecured credit facilities.

Recent Accounting Pronouncements

See Note 2 of Item 8 of this Annual Report on Form 10-K for the fiscal year ended February 1, 2014, for information regarding recent accounting pronouncements.

Results of Operations

The following table sets forth the percentage relationship to net sales of certain items included in our consolidated statements of operations for the periods indicated.

	Fiscal Year Ended February 1, 2014	February 2, 2013	January 28, 2012
Net sales	100.0 %	100.0 %	100.0 %
Costs of goods sold, including distribution and store occupancy costs	63.7	63.5	64.2
Gross profit	36.3	36.5	35.8
Store operating, selling and administrative expenses	21.3	20.8	21.2
Depreciation and amortization	1.6	1.6	1.8
Operating income	13.4	14.2	12.8
Interest (expense) income, net	-	-	-
Income before provision for income taxes	13.4	14.2	12.7
Provision for income taxes	5.0	5.3	4.7
Net income	8.3 %	8.9 %	8.1 %

Note: Columns may not sum due to rounding.

Fiscal 2014 Compared to Fiscal 2013

Net sales. Net sales increased $33.3 million, or 4.1%, to $852.0 million for Fiscal 2014 from $818.7 million for Fiscal 2013. Furthermore:

- We opened 72 Hibbett Sports stores while closing 18 underperforming Hibbett Sports stores for net stores opened of 54 stores in Fiscal 2014. Stores not in the comparable store net sales calculation accounted for $19.9 million of the increase in net sales. We expanded, remodeled or relocated 17 high performing stores. Store openings and closings are reported net of relocations.
- We achieved a 1.8% increase in comparable store net sales for Fiscal 2014 compared to Fiscal 2013. Comparable store net sales contributed $13.4 million to the increase in net sales.

During Fiscal 2014, 799 stores were included in the comparable store sales comparison. The increase in comparable store net sales was broad-based with gains across activewear, accessories and footwear. Product performances were led by positive trends in youth and fleece activewear, branded accessories and youth footwear. Basketball shoes were the highest performer in our footwear categories while our running business under performed in Fiscal 2014. The majority of our comparable store sales increase was from increased sales per transaction primarily due to a continued trend towards premium product.

Gross profit. Cost of goods sold includes the cost of inventory, occupancy costs for stores and occupancy and operating costs for our distribution center. Gross profit was $309.3 million, or 36.3% of net sales, in Fiscal 2014, compared with $298.9 million, or 36.5% of net sales, in Fiscal 2013.

- Gross profit rate decreased slightly as a percentage of net sales due to increased markdowns to liquidate aged inventory. We expect gross profit rate to decrease slightly in Fiscal 2015 due to increased expenses as we transition into our new wholesaling and logistics facility.

- Distribution expense as a percentage of net sales decreased 16 basis points resulting primarily from decreased labor costs, which was due to improvements in labor efficiency and product flow through the current facility. In Fiscal 2015, with the transition into our new wholesaling and logistics facility, we expect this expense to increase as a percentage of net sales due to the transition to the new facility, higher on-going operating costs of the new facility and duplicate expenses from the current facility until the lease expires in December 2014.

- Store occupancy expense as a percentage of net sales increased 23 basis points due to weakened sales resulting from closed store days caused by the unusual winter weather in a large portion of our markets in January. The largest increase as a percent to net sales was rent expense.

Store operating, selling and administrative expenses. Store operating, selling and administrative expenses were $181.5 million, or 21.3% of net sales, for Fiscal 2014, compared with $169.9 million, or 20.8% of net sales, for Fiscal 2013. Expense trends we experienced included:

- Total salary and benefit costs increased in dollars and as a percentage to net sales by 32 basis points due to Company growth, higher health care costs, annual pay rate increases and as a consequence of weaker sales growth. As our store base grows, we expect an increase in salary and benefit dollars, but believe these costs as a percentage to net sales will remain relatively stable.
- New store costs increased 6 basis points as a percentage of net sales resulting from an increase in new store openings. We expect these costs to increase slightly in Fiscal 2015 as we continue to increase new store openings.
- Stock-based compensation decreased by 8 basis points as a percentage of net sales due to the achievement of certain performance awards at a lower level than those achieved in the prior year and the expectation of future awards being achieved at less than the goal established.
- Expenses associated with our new corporate headquarters contributed an increase of 10 basis points as a percentage of net sales. We expect these costs will increase in Fiscal 2015 as we record a complete year of expense related to the new building.

Depreciation and amortization. Depreciation and amortization as a percentage of net sales was 1.6% in Fiscal 2014 and in Fiscal 2013. In Fiscal 2014, the addition of our new corporate headquarters and inventory markdown optimization system resulted in an elevated depreciation expense in both dollars and in percentage of net sales. This expense will increase in Fiscal 2015 as we place our new wholesaling and logistics facility into service.

Provision for income taxes. The combined federal, state and local effective income tax rate as a percentage of pre-tax income was 37.7% for Fiscal 2014 and 37.3% for Fiscal 2013. The increase in rate resulted primarily from less deductible stock option expense and fewer federal employment tax credits compared to Fiscal 2013.

Fiscal 2013 Compared to Fiscal 2012

Net sales. Net sales increased $86.1 million, or 11.8%, to $818.7 million for Fiscal 2013 from $732.6 million for Fiscal 2012. Furthermore:

- We opened 54 Hibbett Sports stores while closing 13 underperforming Hibbett Sports stores for net stores opened of 41 stores in Fiscal 2013. Stores not in the comparable store net sales calculation accounted for $37.7 million of the increase in net sales. The 53rd week contributed $11.9 million of the increase in net sales. We expanded, remodeled or relocated 18 high performing stores. Store openings and closings are reported net of relocations.
- We achieved a 6.9% increase in comparable store net sales for Fiscal 2013 compared to Fiscal 2012. Comparable store net sales contributed $48.4 million to the increase in net sales.

During Fiscal 2013, 763 stores were included in the comparable store sales comparison. The increase in comparable store net sales was broad-based with strong performances across accessories, activewear and footwear. Strong product performances were led by positive trends in footwear accessories, branded headwear, youth activewear and all categories of footwear. Basketball shoes were the highest performer in our footwear categories while our running business moderated in Fiscal 2013. The majority of our comparable store sales increase was from increased sales per transaction primarily due to an assortment change mix to premium product.

Gross profit. Cost of goods sold included the cost of inventory, occupancy costs for stores and occupancy and operating costs for our distribution center. Gross profit was $298.9 million, or 36.5% of net sales, in Fiscal 2013, compared with $262.4 million, or 35.8% of net sales, in Fiscal 2012.

- Gross profit percentage improved as a percentage of net sales due to continued improvements in assortments by market, tight controls over markdowns and promotions and improved inventory shrinkage. Strong sales performance and improved aged inventory negated the need for liquidating promotions and resulted in higher initial sell-through of inventory at regular prices.
- Distribution expense as a percentage of net sales increased 9 basis points resulting primarily from increases in data processing, third-party services and labor expenses. In Fiscal 2012, we initiated broadband service in the majority of our stores and experienced its full cost impact in Fiscal 2013. We also experienced an increase in freight costs due to higher gas prices.
- Store occupancy expense as a percentage of net sales decreased 53 basis points due to strong sales and careful management of occupancy costs. The largest decrease as a percent to net sales was rent expense as we continued to experience rent savings through lease renegotiations and from co-tenancy violations by our landlords, offset somewhat by a decrease in construction allowances.

Store operating, selling and administrative expenses. Store operating, selling and administrative expenses were $169.9 million, or 20.8% of net sales, for Fiscal 2013, compared with $155.7 million, or 21.2% of net sales, for Fiscal 2012. Expense trends we experienced included:

- Total salary expense increased in dollars due to Company growth and annual pay rate increases but decreased 21 basis points as a percentage of net sales due to strong sales results. Salary costs in our stores decreased 20 basis points as a percentage of net sales. As our store base grows, we expect an increase in salary and benefit dollars, but believe these costs as a percentage to net sales will remain relatively stable.
- Credit card fees decreased 13 basis points as a percentage of net sales resulting from lower debit card transaction fees.
- Stock-based compensation decreased by 6 basis points as a percentage of net sales due to the achievement of certain performance awards at less than the rate of those achieved in the prior year. We also experienced a larger than average forfeiture of restricted stock units compared to prior year.
- Expenses associated with preparing our new corporate headquarters contributed an increase of 2 basis points as a percentage of net sales.

Depreciation and amortization. Depreciation and amortization as a percentage of net sales was 1.6% in Fiscal 2013 compared to 1.8% in Fiscal 2012. We attributed the decrease in depreciation expense as a percent of net sales to a decrease in the investment in leasehold improvements in recent years as more of the build-out work was being done by landlords offset somewhat by changes in estimates of useful lives of leasehold improvements in underperforming stores.

Provision for income taxes. The combined federal, state and local effective income tax rate as a percentage of pre-tax income was 37.3% for Fiscal 2013 and 36.7% for Fiscal 2012. The increase in rate resulted primarily from lower federal income tax credits as a result of the expiration of the Work Opportunity Tax Credit program and the resolution of an income tax matter with a state taxing authority in Fiscal 2012.

Liquidity and Capital Resources

Our capital requirements relate primarily to new store openings, stock repurchases, facilities and systems to support company growth and working capital requirements. Our working capital requirements are somewhat seasonal in nature and typically reach their peak near the end of the third and the beginning of the fourth quarters of our fiscal year. Historically, we have funded our cash requirements primarily through our cash flow from operations and occasionally from borrowings under our revolving credit facilities. Due to the low interest rates currently available, we are using excess cash on deposit to offset bank fees versus investing such funds in an equity market or in interest-bearing deposits.

Our consolidated statements of cash flows are summarized as follows (in thousands):

	Fiscal Year Ended		
	February 1, 2014	February 2, 2013	January 28, 2012
Net cash provided by operating activities	$53,301	$87,124	$54,921
Net cash used in investing activities	(50,990)	(22,318)	(13,375)
Net cash used in financing activities	(12,995)	(43,033)	(61,925)
Net (decrease) increase in cash and cash equivalents	$(10,684)	$21,773	$(20,379)

Operating Activities.

Cash flow from operations is seasonal in our business. Typically, we use cash flow from operations to increase inventory in advance of peak selling seasons, such as winter holidays and back-to-school. Inventory levels are reduced in connection with higher sales during the peak selling seasons and this inventory reduction, combined with proportionately higher net income, typically produces a positive cash flow.

Net cash provided by operating activities was $53.3 million for Fiscal 2014 compared with net cash provided by operating activities of $87.1 million and $54.9 million in Fiscal 2013 and Fiscal 2012, respectively. The decrease in net cash provided by operating activities for Fiscal 2014 compared to Fiscal 2013 and Fiscal 2012 was impacted by the following:

- The change in accounts payable used cash of $27.5 million, provided cash of $28.3 million in Fiscal 2013 and used cash of $2.3 million during Fiscal 2012. The decrease in Fiscal 2014 resulted from a later receipt of inventory in advance of the spring season. The increase in Fiscal 2013 resulted from an earlier receipt of inventory in advance of the spring season. The fluctuation in cash provided by accounts payable in Fiscal 2012 resulted from the anniversary of payment term extensions initiated in Fiscal 2011 with the use of corporate purchasing cards.
- Ending inventory declined 3.6% and increased 8.2% on a per store level basis at February 1, 2014 and February 2, 2013, respectively, compared to the prior year. This was primarily due to the later receipt of spring inventory compared to the prior year. The increase in inventory used cash of $5.2 million, $26.3 million and $20.2 million during Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively.
- Net income provided cash of $70.9 million, $72.6 million and $59.1 million during Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively.
- Non-cash charges included depreciation and amortization expense of $13.8 million, $13.0 million and $13.2 million during Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively, and stock-based compensation expense of $5.8 million, $5.6 million and $5.5 million during Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively. Depreciation expense increased in Fiscal 2014 due to investments in facilities and information technology systems and will continue to increase as all facilities and systems are placed into service. Fluctuations in stock-based compensation generally result from the achievement of performance-based equity awards at greater or lesser than their granted level and fluctuations in the price of our common stock.

Investing Activities.

Cash used in investing activities in the fiscal periods ended February 1, 2014, February 2, 2013 and January 28, 2012 totaled $51.0 million, $22.3 million and $13.4 million, respectively. Gross capital expenditures used $50.5 million, $22.0 million and $13.0 million during Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively. Capital expenditures in Fiscal 2014 included our new corporate headquarters, our inventory markdown optimization system and construction costs on our new wholesale and logistics facility.

We use cash in investing activities to build new stores and remodel, expand or relocate existing stores. We opened 72 new stores and relocated, expanded and/or remodeled 17 existing stores during Fiscal 2014. We opened 54 new stores and relocated, expanded and/or remodeled 18 existing stores during Fiscal 2013. We opened 52 new stores and relocated, expanded and/or remodeled 18 existing stores during Fiscal 2012.

We estimate the cash outlay for capital expenditures in the fiscal year ending January 31, 2015 will be approximately $25.0 million to $30.0 million, which relates to expenditures for our new wholesaling and logistics facility, the opening of 75 to 80 new stores, the remodeling, relocation or expansion of selected existing stores, information system upgrades, and other departmental needs. Of the total budgeted dollars for capital expenditures for Fiscal 2015, we anticipate that approximately 43% will be related to the opening of new stores and remodeling and/or relocating of existing stores. Approximately 19% will be related to the completion of our new wholesaling and logistics facility. The remaining 38% relates primarily to expenditures in information technology, but also includes store fixtures, transportation equipment, automobiles and security equipment for our stores.

The lease for our existing distribution center expires in December 2014. We expect to relocate our new wholesaling and logistics facility in early Fiscal 2015 at a total cost of $40.0 million of which $33.2 million was expended by the end of Fiscal 2014.

Financing Activities.

Net cash used in financing activities was $13.0 million, $43.0 million and $61.9 million in Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively. The financing activity cash fluctuation between years is primarily the result of repurchases of our common stock. We expended $15.8 million, $45.9 million and $67.5 million on repurchases of our common stock during Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively.

Financing activities also consisted of proceeds from stock option exercises and employee stock plan purchases and the excess tax benefit from the exercise of incentive stock options. As stock options are exercised and shares are purchased through our employee stock purchase plan, we will continue to receive proceeds and expect a tax deduction; however, the amounts and timing cannot be predicted.

At February 1, 2014, we had two unsecured revolving credit facilities that allow borrowings up to $30.0 million and $50.0 million, and which renew in August 2014 and November 2014, respectively. The facilities do not require a commitment or agency fee nor are there any covenant restrictions. We plan to renew these facilities as they expire and do not anticipate any problems in doing so; however, no assurance can be given that we will be granted a renewal or terms which are acceptable to us. As of February 1, 2014, we did not have any debt outstanding under either of these facilities.

The following table lists the aggregate maturities of various classes of obligations and expiration amounts of various classes of commitments related to Hibbett Sports, Inc. at February 1, 2014 (in thousands):

	Payment due by period				
Contractual Obligations	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Long-term debt obligations	$-	$-	$-	$-	$-
Capital lease obligations (1)	331	741	854	1,285	3,211
Interest on capital lease obligations (1)	288	514	405	406	1,613
Operating lease obligations (1)	50,162	71,540	40,428	29,941	192,071
Purchase obligations (2)	4,497	933	21	-	5,451
Other liabilities (3)	515	-	-	2,437	2,952
Total	$55,793	$73,728	$41,708	$34,069	$205,298

(1) See "Part II, Item 8, Consolidated Financial Statements Note 6 – Leases."

(2) Purchase obligations include all material legally binding contracts such as software license commitments and service contracts. The table above also includes a stand-by letter of credit in conjunction with our self-insured workers' compensation and general liability insurance coverage. Contractual obligations that are not binding agreements, including purchase orders for inventory, are excluded from the table above. Store utility contracts, including waste disposal agreements, are also excluded.

(3) Other liabilities include amounts accrued for various deferred compensation arrangements. See "Part II, Item 8, Consolidated Financial Statements Note 7 – Defined Contribution Benefit Plans" for a discussion regarding our employee benefit plans.

Non-current liabilities, primarily consisting of deferred rent and unrecognized tax benefits, have been excluded from the above table to the extent that the timing and/or amount of any cash payment are uncertain. Excluded from this table are approximately $1.5 million of unrecognized tax benefits, which have been recorded as liabilities in accordance with ASC Topic 740, Income Taxes, as the timing of such payments cannot be reasonably determined. See "Part II, Item 8, Consolidated Financial Statements Note 1 – Deferred Rent" for a discussion on our deferred rent liabilities. See "Part II, Item 8, Consolidated Financial Statements Note 9 – Income Taxes" for a discussion of our unrecognized tax benefits.

Off-Balance Sheet Arrangements

We have not provided any financial guarantees through February 1, 2014. We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any arrangements or relationships with entities that are not consolidated into the financial statements.

Inflation and Other Economic Factors

Our ability to provide quality merchandise on a profitable basis may be subject to economic factors and influences that we cannot control. National or international events, including uncertainties in the global financial markets, U.S. government policies, the Middle East and Asia, could lead to disruptions in economies in the United States or in foreign countries where a significant portion of our merchandise is manufactured. These and other factors could increase our merchandise costs and other costs that are critical to our operations. Consumer spending could also decline because of economic pressures. See "Risk Factors."

We do not believe that inflation has had a material impact on our financial position or results of operations to date. However, we are experiencing increased prices and a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross profit and selling, general and administrative expenses as a percentage of net sales if the selling prices of our merchandise do not increase with these increased costs.

Our Critical Accounting Policies

Our critical accounting policies reflected in the consolidated financial statements are detailed below.

Revenue Recognition. We recognize revenue, including gift card and layaway sales, in accordance with ASC Topic 605, 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.

We offer a customer loyalty program, the MVP Rewards program, whereby customers, upon registration, can earn points in a variety of ways, including store purchases, website surveys and other activities on our website. Based on the number of points accumulated, customers receive reward certificates on a quarterly basis that can be redeemed in our stores. An estimate of the obligation related to the program, based on historical redemption rates, is recorded as a current liability and a reduction of net sales in the period earned by the customer. The current liability is reduced, and a corresponding amount is recognized in net sales, in the amount of and at the time of redemption of the reward certificate. At February 1, 2014 and February 2, 2013, 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 by us. 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.

Gift card breakage revenue is recognized to the extent not required to be remitted to jurisdictions as unclaimed property and is based upon historical redemption patterns and represents the balance of gift cards for which we believe the likelihood of redemption by the customer is remote. Based on our analyses of redemption activity, we have determined the likelihood of redemption for gift cards 5 years after the date of initial issuance is remote. For Fiscal 2014, Fiscal 2013 and Fiscal 2012, $0.2 million, $0.3 million and $0.2 million of breakage revenue, respectively, was recorded as other income and is included in the accompanying consolidated statements of operations as a reduction to store operating, selling and administrative expenses. The net deferred revenue liability at February 1, 2014 and February 2, 2013 was $4.5 million and $3.9 million, respectively.

Inventory Valuation.

Inventories are valued using the lower of weighted average cost or market method. Items are removed from inventory using the weighted average cost method.

Lower of Cost or Market: 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 February 1, 2014 and February 2, 2013, the accrual was $2.2 million and $2.3 million, respectively. A determination of net realizable value requires significant judgment and estimates.

Shrink Reserves: We accrue for inventory shrinkage based on the actual historical results of our physical inventories. These estimates are compared to actual results as physical inventory counts are performed and reconciled to the general ledger. Store and distribution center physical counts are performed on a cyclical basis. As of February 1, 2014 and February 2, 2013, the accrual was $1.3 million and $1.5 million, respectively.

Inventory Purchase Concentration: Our business is dependent to a significant degree upon close relationships with our vendors. Our largest vendor, Nike, represented 52.3%, 48.9% and 48.3% of our purchases for Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively. Our second largest vendor in Fiscal 2014 represented 15.6%, 12.8% and 9.3% of our purchases while our third largest vendor in Fiscal 2014 represented 8.6%, 10.9% and 11.4% of our purchases for Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively.

Consignment Inventories: Consignment inventories, which are owned by the vendor but located in our stores, are not reported as our inventory until title is transferred to us or our purchase obligation is determined. At February 1, 2014 and February 2, 2013, vendor-owned inventories held at our locations (and not reported as our inventory) were $1.1 million and $1.6 million, respectively.

Accrued Expenses. On a monthly basis, we estimate certain significant expenses in an effort to record those expenses in the period incurred. Our most significant estimates relate to payroll and payroll tax expenses, property taxes, insurance-related expenses and utility expenses. Estimates are primarily based on current activity and historical results and are adjusted as our estimates change. Determination of estimates and assumptions for accrued expenses requires significant judgment.

Income Taxes. We estimate the annual tax rate based on projected taxable income for the full year and record a quarterly income tax provision in accordance with the anticipated annual rate. As the year progresses, we refine the estimates of the year's taxable income as new information becomes available, including year-to-date financial results. This continual estimation process often results in a change to our expected effective tax rate for the year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected annual tax rate. Significant judgment is required in determining our effective tax rate and in evaluating our tax position and changes in estimates could materially impact our results of operations and financial position.

We account for uncertain tax positions in accordance with ASC Topic 740, Income Taxes. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in our subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of operations. See "Part II, Item 8, Consolidated Financial Statements Note 9 – Income Taxes" for additional detail on our uncertain tax positions.

Legal Proceedings and Claims. Estimated amounts for claims that are probable and can be reasonably estimated are recorded as liabilities in the consolidated balance sheets. The likelihood of a material change in these estimated accruals is dependent on new claims as they may arise and the favorable or unfavorable outcome of a particular litigation. As additional information becomes available, we assess the potential liability related to pending litigation and revise estimates as appropriate. Such revisions in estimates of the potential liability could materially impact our results of operations and financial position. See "Risk Factors."

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 adjust the remaining useful life of depreciable assets and to recognize any impairment loss on long-lived assets as a charge to current income when 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. See "Risk Factors."

Stock-Based Compensation. We measure stock-based compensation for all share-based awards granted based on the estimated fair value of those awards at grant date. The cost of restricted stock units and performance-based restricted stock units is determined using the fair value of our common stock on the date of grant. For stock options granted, we use the Black-Scholes valuation model to estimate the fair value at the date of grant for options granted under our equity incentive plans and stock purchase rights associated with the Employee Stock Purchase Plan.

Stock-based compensation is expensed over the service period of the awards. Performance-based awards are expensed based on the probability of achievement of the underlying target, which is estimated and adjusted as financial results dictate during the performance period. The Black-Scholes valuation model requires the input of assumptions and estimates which are regularly evaluated and updated when applicable. These include estimating the length of time vested stock options will be retained before being exercised (expected term), the estimated volatility of our common stock price over the expected term and the risk-free interest rate based on the annual continuously compounded risk-free rate with a term equal to the option's expected term. In addition, we estimate the number of awards that will ultimately not complete their vesting requirements (forfeitures).

Changes in these assumptions and estimates can materially affect the estimate of fair value of stock-based compensation and consequently, the related expense recognized on the consolidated statements of operations. Our stock option grants have a life of up to ten years and are not transferable. Therefore, the actual fair value of a stock option grant may be different from our estimates. We believe that our estimates incorporate all relevant information and represent a reasonable approximation in light of the difficulties involved in valuing non-traded stock options.

Insurance Accruals. We use a combination of insurance and self-insurance for a number of risks including workers' compensation, general liability, property liability and employee-related health benefits, a portion of which is paid by our employees. The estimates and accruals for the liabilities associated with these risks are regularly evaluated for adequacy based on the most current available information, including historical claims experience and expected future claims costs.

Leases. We lease all our retail stores, our distribution center and certain equipment, including transportation and office equipment. We evaluate each lease at inception to determine whether the lease will be accounted for as an operating or capital lease. The term of the lease used for this evaluation includes renewal option periods only in instances in which the exercise of the renewal option can be reasonably assured and failure to exercise such option would result in an economic penalty. The majority of our retail stores and our distribution center are operating leases.

Many of our operating lease agreements contain rent holidays, rent escalation clauses and/or contingent rent provisions. We recognize rent expense on a straight-line basis over the expected lease term, including cancelable option periods where failure to exercise such options would result in an economic penalty. We use a time period for our straight-line rent expense calculation that equals or exceeds the time period used for depreciation on leasehold improvements. In addition, the commencement date of the lease term is the earlier of the date when we become legally obligated for the rent payments or the date when we take possession of the building for initial setup of fixtures and merchandise.

We make judgments regarding the probable term for each lease, which can impact the classification and accounting for a lease as capital or operating, the escalations in payments that are taken into consideration when calculating straight-line rent and the term over which landlord allowances received are amortized. These judgments may produce materially different amounts of depreciation, amortization and rent expense than would be reported in a specific period if different assumed lease terms were used.

Dividend Policy

We have never declared or paid any dividends on our common stock. We currently intend to retain our future earnings to finance the growth and development of our business and for our stock repurchase program, and therefore do not anticipate declaring or paying cash dividends on our common stock for the foreseeable future. Any future decision to declare or pay dividends will be at the discretion of our Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as our Board of Directors deems relevant.

Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer (see "Part II, Item 9A, Controls and Procedures").

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Investment and Credit Availability Risk

We manage cash and cash equivalents in various institutions at levels beyond federally insured limits per institution, and we may purchase investments not guaranteed by the FDIC. Accordingly, there is a risk that we will not recover the full principal of our investments or that their liquidity may be diminished. In an attempt to mitigate this risk, our investment policy emphasizes preservation of principal and liquidity.

We also have financial institutions that are committed to provide loans under our revolving credit facilities. There is a risk that these institutions cannot deliver against these obligations. See "Risk Factors."

Interest Rate Risk

Our net exposure to interest rate risk results primarily from interest rate fluctuations on our credit facilities, which bears interest at a rate which varies with LIBOR, prime or federal funds rates. At the end of Fiscal 2014 and Fiscal 2013, we had no borrowings outstanding under any credit facility, nor did we have any borrowings against either of the facilities during Fiscal 2014 and Fiscal 2013.

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Quarterly and Seasonal Fluctuations

We experience seasonal fluctuations in our net sales and results of operations. Customer buying patterns around the spring sales period and the holiday season historically result in higher first and fourth quarter net sales. Over the past few years, our third quarter has experienced higher than historical net sales, resulting from back-to-school shopping combined with tax-free holidays in many of our markets. In addition, our quarterly results of operations may fluctuate significantly as a result of a variety of factors, including the timing of new store openings, the amount and timing of net sales contributed by new stores, merchandise mix and demand for apparel and accessories driven by local interest in sporting events.

Although our operations are influenced by general economic conditions, we do not believe that, historically, inflation has had a material impact on our results of operations as we are generally able to pass along inflationary increases in costs to our customers.

Tax Matters

We do not believe that there are any tax matters that could materially affect our financial condition, results of operations or cash flows.

Item 8. Consolidated Financial Statements and Supplementary Data.

The following consolidated financial statements and supplementary data of our Company are included in response to this item:

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Hibbett Sports, Inc.:

We have audited the accompanying consolidated balance sheets of Hibbett Sports, Inc. and subsidiaries as of February 1, 2014 and February 2, 2013, and the related consolidated statements of operations, stockholders' investment, and cash flows for each of the years in the three-year period ended February 1, 2014. We also have audited Hibbett Sports, Inc.'s internal control over financial reporting as of February 1, 2014, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Hibbett Sports, Inc.'s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on Hibbett Sports, Inc.'s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hibbett Sports, Inc. and subsidiaries as of February 1, 2014 and February 2, 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended February 1, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Hibbett Sports, Inc. maintained, in all material respects, effective internal control over financial reporting as of February 1, 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP
Birmingham, Alabama
March 31, 2014

HIBBETT SPORTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share information)

ASSETS	February 1, 2014	February 2, 2013
Current Assets:		
Cash and cash equivalents	$66,227	$76,911
Trade receivables, net	3,798	3,346
Accounts receivable, other	4,602	2,608
Inventories, net	226,545	221,378
Prepaid expenses and other	13,429	8,603
Deferred income taxes, net	9,048	8,768
Total current assets	323,649	321,614
Property and Equipment:		
Land and building	6,280	245
Buildings under capital lease	3,247	2,662
Equipment	61,604	58,660
Equipment under capital lease	501	510
Furniture and fixtures	29,717	28,041
Leasehold improvements	72,216	68,661
Construction in progress	37,639	11,781
	211,204	170,560
Less accumulated depreciation and amortization	125,190	121,484
Net property and equipment	86,014	49,076
Deferred income taxes, net	3,497	4,085
Other assets, net	3,185	2,556
Total Assets	$416,345	$377,331
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current Liabilities:		
Accounts payable	$74,532	$102,021
Capital lease obligations	322	714
Accrued payroll expenses	8,464	8,112
Deferred rent	3,792	3,492
Other accrued expenses	4,304	4,376
Total current liabilities	91,414	118,715
Capital lease obligations	2,889	2,138
Deferred rent	13,803	12,006
Unrecognized tax benefits	1,738	3,027
Other liabilities, net	2,478	2,318
Total liabilities	112,322	138,204
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, 38,202,486 and 37,846,321 shares issued at February 1, 2014 and February 2, 2013, respectively	382	378

Paid-in capital	154,533	140,423
Retained earnings	492,471	421,594
Treasury stock, at cost, 12,389,531 and 12,023,834 shares repurchased at February 1, 2014 and February 2, 2013, respectively	(343,363)	(323,268)
Total stockholders' investment	304,023	239,127
Total Liabilities and Stockholders' Investment	$416,345	$377,331

See accompanying notes to consolidated financial statements.

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

	Fiscal Year Ended		
	February 1, 2014 (52 weeks)	February 2, 2013 (53 weeks)	January 28, 2012 (52 weeks)
Net sales	$851,965	$818,700	$732,645
Cost of goods sold, including distribution center and store occupancy costs	542,700	519,818	470,237
Gross profit	309,265	298,882	262,408
Store operating, selling and administrative expenses	181,527	169,872	155,672
Depreciation and amortization	13,847	13,029	13,205
Operating income	113,891	115,981	93,531
Interest income	11	14	25
Interest expense	(199)	(182)	(242)
Interest expense, net	(188)	(168)	(217)
Income before provision for income taxes	113,703	115,813	93,314
Provision for income taxes	42,826	43,231	34,254
Net income	$70,877	$72,582	$59,060
Basic earnings per share	$2.74	$2.78	$2.19
Diluted earnings per share	$2.70	$2.72	$2.15
Weighted average shares outstanding:			
Basic	25,870	26,132	26,978
Diluted	26,266	26,638	27,506

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 February 1, 2014	February 2, 2013	January 28, 2012
Cash Flows From Operating Activities:			
Net income	$$ 70,877	$$ 72,582	$ $59,060
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,847	13,029	13,205
Deferred and unrecognized income tax benefit, net	(73)	(1,507)	(46)
Excess tax benefit from stock option exercises	(4,357)	(4,002)	(1,834)
Loss on disposal and write-down of assets, net	173	68	151
Stock-based compensation	5,838	5,649	5,453
Changes in operating assets and liabilities:			
Trade receivables, net	(452)	577	(633)
Accounts receivable, other	(1,993)	(408)	(105)
Inventories, net	(5,167)	(26,307)	(20,193)
Prepaid expenses and other	36	34	3,146
Other assets, net, non-current	(475)	(115)	(157)
Accounts payable	(27,489)	28,286	(2,251)
Deferred rent, non-current	1,798	435	(1,245)
Accrued expenses and other	738	(1,197)	370
Net cash provided by operating activities	53,301	87,124	54,921
Cash Flows From Investing Activities:			
Purchase of investments, net	(704)	(530)	(481)
Capital expenditures	(50,507)	(21,970)	(12,997)
Proceeds from sale of property and equipment	221	182	103
Net cash used in investing activities	(50,990)	(22,318)	(13,375)
Cash Flows From Financing Activities:			
Cash used for stock repurchases	(15,807)	(45,938)	(67,484)
Net payments on capital lease obligations	(268)	(181)	(311)
Excess tax benefit from stock option exercises	4,357	4,002	1,834
Cash used to settle net share equity awards	(4,288)	(3,914)	(1,129)
Proceeds from options exercised and purchase of shares under the employee stock purchase plan	3,011	2,998	5,165
Net cash used in financing activities	(12,995)	(43,033)	(61,925)
Net (decrease) increase in cash and cash equivalents	(10,684)	21,773	(20,379)
Cash and cash equivalents, beginning of year	76,911	55,138	75,517
Cash and cash equivalents, end of year	$66,227	$76,911	$55,138
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for:			
Interest	$195	$178	$238
Income taxes, net of refunds	$42,276	$39,878	$30,788

Supplemental Schedule of Non-Cash Financing Activities:			
Property and plant additions under capital lease	$ 1,086	$ 1,040	$ -

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 29, 2011	37,130,646	$ 371	$ 114,568	$ 289,952	9,223	$ (204,803)	$ 200,088
Net income	-	-	-	59,060	-	-	59,060
Issuance of shares through the Company's equity plans, including tax benefit of $1,834	367,482	4	6,995	-	-	-	6,999
Tax shortfall on release of restricted stock and option exercises	-	-	(51)	-	-	-	(51)
Adjustment to income tax benefit from exercises of employee stock options	-	-	814	-	-	-	814
Purchase of shares under the stock repurchase program	-	-	-	-	1,897,002	(68,613)	(68,613)
Stock-based compensation	-	-	5,453	-	-	-	5,453
Balance-January 28, 2012	37,498,128	375	127,779	349,012	11,120,040	(273,416)	203,750
Net income	-	-	-	72,582	-	-	72,582
Issuance of shares through the Company's equity plans, including tax benefit of $4,002	348,193	3	6,997	-	-	-	7,000
Adjustment to income tax benefit from exercises of employee stock options	-	-	(2)	-	-	-	(2)
Purchase of shares under the stock repurchase program	-	-	-	-	903,794	(49,852)	(49,852)
Stock-based compensation	-	-	5,649	-	-	-	5,649
Balance-February 2, 2013	37,846,321	378	140,423	421,594	12,023,834	(323,268)	239,127
Net income	-	-	-	70,877	-	-	70,877
Issuance of shares through the Company's equity plans, including tax benefit of $4,357	356,165	4	7,364	-	-	-	7,368
Adjustment to income tax benefit from exercises of employee stock options	-	-	908	-	-	-	908
Purchase of shares under the stock repurchase program	-	-	-	-	365,697	(20,095)	(20,095)
Stock-based compensation	-	-	5,838	-	-	-	5,838
Balance-February 1, 2014	38,202,486	$ $ 382	$ $ 154,533	$ $ 492,471	12,389,531	$ (343,363)	$ $ 304,023

See accompanying notes to consolidated financial statements.

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 South, Southwest, Mid-Atlantic and Midwest regions of the United States. References to "we," "our," "us" and the "Company" refer to Hibbett Sports, Inc. and its subsidiaries as well as its predecessors. Our fiscal year ends on the Saturday closest to January 31 of each year. The consolidated statement of operations for Fiscal 2014 includes 52 weeks of operations while our consolidated statements of operations for Fiscal 2013 includes 53 weeks of operations and Fiscal 2012 includes 52 weeks of operations. Our merchandise assortment features a core selection of brand name merchandise emphasizing athletic footwear, team sports equipment, athletic and fashion apparel and related accessories. We complement this core assortment with a selection of localized apparel, footwear and accessories designed to appeal to a wide range of customers within each market.

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 in any of the years presented.

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 (U.S. GAAP) 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 could change significantly in future estimates 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 February 1, 2014, February 2, 2013 and January 28, 2012.

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 inventories 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 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. Vendor compliance charges and defective merchandise credits reduce the cost of inventories.

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		
	February 1, 2014	February 2, 2013	January 28, 2012
Gross advertising costs	$8,980	$9,554	$8,329
Advertising reimbursements	(3,335)	(4,002)	(3,748)
Net advertising costs	$5,645	$5,552	$4,581

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. Costs associated with moving merchandise to and between stores are included in store operating, selling and administrative expenses.

Stock Repurchase Program

In November 2012, the Board of Directors (Board) authorized a Stock Repurchase Program (2012 Program) of $250.0 million to repurchase our common stock through January 29, 2016. The 2012 Program replaced an existing plan that was adopted in November 2009 (2009 Program). Stock repurchases may be made in the open market or in negotiated transactions, with the amount and timing of repurchases dependent on market conditions and at the discretion of our management.

Under the 2012 Program, we repurchased 0.4 million shares of our common stock during Fiscal 2014 at a cost of $20.1 million, including 0.1 million shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements of $4.3 million. Under both the 2012 Program and 2009 Program, we repurchased 0.9 million shares of our common stock during Fiscal 2013 at a cost of $49.9 million, including 0.1 million shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements of $3.9 million.

Historically, under all stock repurchase authorizations, we have repurchased a total of 12.4 million shares of our common stock at an approximate cost of $343.4 million as of February 1, 2014, and had approximately $229.6 million remaining under the 2012 Program for stock repurchase. Shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements do not reduce the authorization.

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 are exposed to credit risk in the event of default by our financial institutions where we maintain deposits 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 February 1, 2014 and February 2, 2013 were $3.5 million and $3.6 million, respectively.

Investments

We hold investments in trust for the Hibbett Sports, Inc. Supplemental 401(k) Plan (Supplemental Plan) and the Hibbett Sports, Inc. Executive Voluntary Deferral Plan (Deferral Plan). These are trading securities. At February 1, 2014, we had $2.6 million of investments of which $0.5 million was included in prepaid expenses and other and $2.1 million was included in other assets, net. At February 2, 2013, we had $1.9 million of investments included in other assets, net. Net unrealized holding gains for Fiscal 2014 and Fiscal 2013 were $0.2 million and $0.1 million, respectively.

Trade and Other Accounts Receivable

Trade accounts receivable consist primarily of amounts due to us from sales to educational institutions for athletic programs. 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 February 1, 2014 and February 2, 2013 was $42,000.

Other accounts receivable consists primarily of tenant allowances due from landlords and cooperative advertising due from vendors. We analyze other accounts receivable for collectability based on aging of individual components, underlying contractual terms and economic conditions. Recorded amounts are deemed to be collectible.

Inventory Valuation

Inventories are valued using the lower of weighted average cost or market method. Items are removed from inventory using the weighted average cost method.

Lower of Cost or Market: 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 February 1, 2014 and February 2, 2013, the accrual was $2.2 million and $2.3 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 physical inventories. These estimates are compared to actual results as physical inventory counts are performed and reconciled to the general ledger. Store and distribution center physical counts are performed on a cyclical basis. As of February 1, 2014 and February 2, 2013, the accrual was $1.3 million and $1.5 million, respectively.

Inventory Purchase Concentration: Our business is dependent to a significant degree upon close relationships with our vendors. Our largest vendor, Nike, represented 52.3%, 48.9% and 48.3% of our purchases in Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively. Our next largest vendor in Fiscal 2014 represented 15.6%, 12.8% and 9.3% of our purchases while our third largest vendor in Fiscal 2014 represented 8.6%, 10.9% and 11.4% of our purchases in Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively.

Consignment Inventories: Consignment inventories, which are owned by the vendor but located in our stores, are not reported as our inventory until title is transferred to us or our purchase obligation is determined. At February 1, 2014 and February 2, 2013, vendor-owned inventories held at our locations (and not reported as our inventory) were $1.1 million and $1.6 million, respectively.

Property and Equipment

Property and equipment are recorded at cost and include assets acquired through capital leases. Depreciation on assets is principally provided using the straight-line method over the following estimated service lives:

Buildings	39 years
Leasehold improvements	3 – 10 years
Furniture and fixtures	7 years
Equipment	3 – 5 years

In the case of leasehold improvements, we calculate depreciation using the shorter of the initial term of the underlying leases or the estimated economic lives of the improvements. The term of the lease includes renewal option periods only in instances in which the exercise of the renewal option can be reasonably assured and failure to exercise such option would result in an economic penalty. We continually reassess the remaining useful life of leasehold improvements in light of store closing plans.

Construction in progress has historically been comprised primarily of property and equipment related to unopened stores and costs associated with technology upgrades at period-end. At February 1, 2014, approximately 94% of the construction in progress balance was comprised of costs associated with our new wholesaling and logistics facility. Information technology costs not associated with the new facility accounted for approximately 5% and unopened stores accounted for approximately 1% of the construction in progress balance on February 1, 2014.

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 net 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 we record 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 in accordance with the terms of the lease and a deferred rent liability. This deferred rent is amortized into net 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.

In 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 \$3.1 million and \$2.9 million at February 1, 2014 and February 2, 2013, respectively. The liability for the long-term portion of unamortized landlord allowances was \$10.5 million and \$8.8 million at February 1, 2014 and February 2, 2013, respectively. We estimate the non-cash portion of landlord allowances was \$2.1 million and \$1.1 million in Fiscal 2014 and Fiscal 2013, respectively.

Revenue Recognition

We recognize revenue, including gift card and layaway sales, in accordance with the Accounting Standards Codification (ASC) Topic 605, 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.

We offer a customer loyalty program, the MVP Rewards program, whereby customers, upon registration, can earn points in a variety of ways, including store purchases, website surveys and other activities on our website. Based on the number of points accumulated, customers receive reward certificates on a quarterly basis that can be redeemed in our stores. An estimate of the obligation related to the program, based on historical 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 February 1, 2014 and February 2, 2013, 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 by us. 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.

Gift card breakage revenue is recognized to the extent not required to be remitted to jurisdictions as unclaimed property and is based upon historical redemption patterns and represents the balance of gift cards for which we believe the likelihood of redemption by the customer is remote. Based on our analyses of redemption activity, we have determined the likelihood of redemption for gift cards 5 years after the date of initial issuance is remote. For Fiscal 2014, Fiscal 2013 and Fiscal 2012, $0.2 million, $0.3 million and $0.2 million of breakage revenue, respectively, was recorded in net income as other income and is included in the accompanying consolidated statements of operations as a reduction to store operating, selling and administrative expense. The net deferred revenue liability at February 1, 2014 and February 2, 2013 was $4.5 million and $3.9 million, respectively.

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.

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 experience. 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 that reimburses us for losses over $0.2 million per covered person per year, limited to a lifetime maximum reimbursement of $2.0 million per covered person. As of February 1, 2014 and February 2, 2013, the accrual for these liabilities was $0.8 million and $0.7 million, respectively, and was included in accrued expenses in the consolidated balance sheets.

We are also self-insured for our workers' compensation, property and general liability insurance up to an established deductible with a cumulative stop-loss on workers' compensation. As of February 1, 2014 and February 2, 2013, 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 sales returns were $30.5 million for Fiscal 2014, $28.8 million for Fiscal 2013 and $25.7 million for Fiscal 2012. The accrual for the effect of estimated returns was $0.4 million as of February 1, 2014 and February 2, 2013, and was included in accrued expenses in the consolidated balance sheets. Determination of the accrual for estimated returns requires significant judgment and estimates.

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

We continuously monitor and review all current accounting pronouncements and standards from the Financial Accounting Standards Board (FASB) and other authoritative sources of U.S. GAAP for applicability to our operations.

Proposed Amendments to Current Accounting Standards. The FASB is currently working on amendments to existing accounting standards governing a number of areas including, but not limited to, accounting for leases. In August 2010, the FASB issued an exposure draft, Leases, which would replace the existing guidance in ASC Topic 840, Leases. When and if effective, this proposed standard will likely have a significant impact on our consolidated financial statements. However, as the standard-setting process is still ongoing, we are unable to determine the impact this proposed change in accounting will have on the consolidated financial statements at this time.

NOTE 3. STOCK-BASED COMPENSATION

At February 1, 2014, we had four stock-based compensation plans:

(a) The Amended 2005 Equity Incentive Plan (EIP) provides that the Board of Directors may grant equity awards to certain employees of the Company at its discretion. The EIP was adopted effective July 1, 2005 and authorizes grants of equity awards of up to 1,983,159 authorized but unissued shares of common stock. At February 1, 2014, there were 651,869 shares available for grant under the EIP.

(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 February 1, 2014, there were 77,253 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 February 1, 2014, there were 48,675 shares available for grant under the Deferred Plan.

(d) The 2012 Non-Employee Director Equity Plan (DEP) provides for grants of equity awards to non-employee directors. The DEP was adopted effective May 24, 2012 and authorizes grants of equity awards of up to 500,000 authorized but unissued shares of common stock. At February 1, 2014, there were 473,235 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 February 1, 2014, we had only granted awards in the form of stock options, restricted stock units (RSUs) and performance-based units (PSUs) to our employees. The annual grant made for Fiscal 2014, Fiscal 2013 and Fiscal 2012 to employees consisted solely of RSUs. We have also awarded PSUs to our Named Executive Officers (NEOs) and expect the Compensation Committee of the Board will continue to grant PSUs to our NEOs in the future.

As of February 1, 2014, we had only granted awards in the form of stock, stock options and deferred stock units (DSUs) to our Board members. Under the DEP, Board members currently receive an annual value of $75,000 worth of equity in the form of stock options or restricted stock units upon election to the Board and a value of $100,000 worth of equity in any form allowed within the DEP, for each full year of service, pro-rated for Directors who serve less than one full year. The Chairman of the Board, Mr. Newsome, will receive an annual value of $150,000 worth of equity in any form he chooses allowed within the DEP beginning in Fiscal 2015.

The terms and vesting schedules for stock-based awards vary by type of grant and generally vest upon time-based conditions. Under the DEP, Directors have the option with certain equity forms to set vest dates. Upon exercise, stock-based compensation awards are settled with authorized but unissued company stock. All of our awards are classified as equity awards.

The compensation cost for these plans was as follows (in thousands):

	Fiscal Year Ended		
	February 1, 2014	February 2, 2013	January 28, 2012
Stock-based compensation expense by type:			
Stock options	$358	$ 805	$460
Restricted stock units	5,250	4,715	4,857
Employee stock purchases	100	93	76
Director deferred compensation	130	36	60
Total stock-based compensation expense	5,838	5,649	5,453
Income tax benefit recognized	2,154	2,082	1,987
Stock-based compensation expense, net of income tax	$3,684	$ 3,567	$3,466

Stock-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 unit awards vested during the period. The actual income tax benefit realized for the deductions considered on our income tax returns for Fiscal 2014, Fiscal 2013 and Fiscal 2012 was from option exercises and restricted stock unit releases and totaled $6.5 million, $5.9 million and $3.2 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 options granted awarded to employees under the EIP 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 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 Fiscal 2014. 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 4, 2013		August 3, 2013	November 2, 2013	February 1, 2014
Grant date	Mar 19	Mar 31	Jun 30	Sep 30	Dec 31
Exercise price	$54.06	$56.27	$55.57	$56.11	$67.15
Weighted average fair value at date of grant	$17.50	$17.98	$17.40	$21.51	$26.10
Expected option life (years)	4.71	4.71	4.71	5.18	5.18
Expected volatility	36.96%	36.47%	34.38%	41.03%	40.95%
Risk-free interest rate	0.74%	0.72%	1.31%	1.43%	1.79%
Dividend yield	None	None	None	None	None

We calculate the expected term for our stock options based on the historical exercise behavior of our participants. Historically, an increase in our stock price has led to a pattern of earlier exercise by participants. Grants made to our Directors have a contractual term of 10 years, while grants made to our employees have a contractual term of 8 years. We have not awarded a stock option grant to employees since 2009. With the absence of option grants to employees, we anticipate the expected term will remain relatively stable.

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 ASC Topic 718, Stock Compensation.

In accordance with ASC Topic 718, 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. The dividend yield is assumed to be zero since we have no current plan to declare dividends.

Activity for our option plans during Fiscal 2014 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, 2013	342,173	$ 27.34	5.29	$ 8,875
Granted	19,928	54.74		
Exercised	(118,075)	22.34		
Forfeited, cancelled or expired	-	-		
Options outstanding at February 1, 2014	244,026	$ 31.99	5.69	$ 6,841
Exercisable at February 1, 2014	244,026	$ 31.99	5.69	$ 6,841

The weighted average grant-date fair value of options granted during Fiscal 2014, Fiscal 2013 and Fiscal 2012 was $17.97, $19.39 and $12.95, respectively. The compensation expense included in store operating, selling and administrative expenses and recognized during Fiscal 2014, Fiscal 2013 and Fiscal 2012 was $0.4 million, $0.8 million and $0.5 million, respectively, before the recognized income tax benefit of $0.1 million, $0.3 million and $0.2

million, respectively.

The total intrinsic value of stock options exercised during Fiscal 2014, Fiscal 2013 and Fiscal 2012 was $6.8 million, $4.0 million and $5.3 million, respectively. The total cash received from these stock option exercises during Fiscal 2014, Fiscal 2013 and Fiscal 2012 was $2.6 million, $2.7 million and $4.9 million, respectively. Excess income tax proceeds from stock option exercises are included in cash flows from financing activities as required by ASC Topic 230, Statement of Cash Flows. As of February 1, 2014, there was no unrecognized compensation cost related to nonvested stock options.

Restricted Stock and Performance-Based Units

RSUs and PSUs are granted with a fair value equal to the closing market price of our common stock on the date of grant. All PSUs 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 PSUs, at the estimated percent of achievement. Restricted stock unit awards to our employees generally cliff vest in four years from the date of grant for those awards that are not performance-based. If a Director chooses to receive their annual equity award in stock and he or she sets the vesting period in the future, then the form of stock is a DSU. PSUs provide for awards based on achievement of certain predetermined corporate performance goals and 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 unit awards activity under all of our plans during Fiscal 2014:

	RSUs		PSUs		Totals	
	Number of Awards	Weighted Average Grant-Date Fair Value	Number of Awards	Weighted Average Grant-Date Fair Value	Number of Awards	Weighted Average Grant-Date Fair Value
Restricted stock unit awards outstanding at February 2, 2013	378,366	$ 29.00	265,700	$ 27.66	644,066	$ 28.45
Granted	70,603	54.17	36,700	54.06	107,303	54.13
PSU multiplier earned (1)	-	-	28,650	18.46	28,650	18.46
Vested	(117,862)	18.27	(110,000)	17.01	(227,862)	17.66
Forfeited, cancelled or expired	(10,790)	37.98	-	-	(10,790)	37.98
Restricted stock unit awards outstanding at February 1, 2014	320,317	$ 38.20	221,050	$ 33.55	541,367	$ 36.30

(1) PSU multiplier earned represents the net additional RSUs awarded to our NEOs above and below their target grants resulting from the achievement of performance goals above or below the performance targets established at grant.

The weighted average grant date fair value of our RSUs granted was $54.13, $52.26 and $31.31 for Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively. There were 107,303, 104,417 and 156,143 RSUs awarded during Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively. The compensation expense included in store operating, selling and administrative expenses and recognized during Fiscal 2014, Fiscal 2013 and Fiscal 2012 was $5.3 million, $4.7 million and $4.9 million, respectively, before the recognized income tax benefit of $2.0 million, $1.8 million and $1.8 million, respectively.

During Fiscal 2014, RSU awards of 227,862 unit awards, including 110,000 awards that were PSUs, vested with an intrinsic value of $11.6 million. The total intrinsic value of our RSU awards outstanding and unvested at February 1, 2014, February 2, 2013 and January 28, 2012 was $32.5 million, $34.3 million and $36.9 million, respectively. As of February 1, 2014, there was approximately $8.5 million of total unamortized unrecognized compensation cost related to RSU awards. This cost is expected to be recognized over a weighted average period of 2.1 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 employee purchases of common stock and the average price per share through the ESPP were as follows:

Fiscal Year Ended	Shares Purchased	Average Price Per Share
February 1, 2014	8,066	$ 46.39
February 2, 2013	7,596	$ 43.45
January 28, 2012	9,184	$ 29.76

The assumptions used in the option pricing model were as follows:

	Fiscal Year Ended		
	February 1, 2014	February 2, 2013	January 28, 2012
Weighted average fair value at date of grant	$12.47	$12.37	$8.23
Expected life (years)	0.25	0.25	0.25
Expected volatility	34.4% - 41.0%	39.7% - 42.6%	43.6% - 45.2%
Risk-free interest rate	0.01% - 0.05%	0.02% - 0.10%	0.04% - 0.10%
Dividend yield	None	None	None

The expense related to the ESPP was determined using the Black-Scholes option pricing model and the provisions of ASC Topic 718 as it relates to accounting for certain employee stock purchase plans with a look-back option. The compensation expense included in store operating, selling and administrative expenses and recognized during each of Fiscal 2014, Fiscal 2013 and Fiscal 2012 was $0.1 million.

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 2,215, 646 and 1,561 stock units were deferred under this plan in Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively. One director has elected to defer compensation into stock units in calendar 2014.

The compensation expense included in store operating, selling and administrative expenses and recognized during Fiscal 2014, Fiscal 2013 and Fiscal 2012 was $130,000, $36,000 and $60,000, respectively, before the recognized income tax benefit of $49,000, $14,000 and $22,000, respectively.

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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 in thousands:

	Fiscal Year Ended		
	February 1, 2014	February 2, 2013	January 28, 2012
Net income	$70,877	$72,582	$59,060
Weighted average number of common shares outstanding	25,870	26,132	26,978
Dilutive stock options	96	372	177
Dilutive restricted stock units	300	134	351
Weighted average number of common shares outstanding and dilutive shares	26,266	26,638	27,506
Basic earnings per share	$2.74	$2.78	$2.19
Diluted earnings per share	$2.70	$2.72	$2.15

In calculating diluted earnings per share for Fiscal 2014, Fiscal 2013 and Fiscal 2012, there were no options to purchase shares of common stock outstanding as of the end of the period that were excluded in the computations of diluted earnings per share due to their anti-dilutive effect.

We excluded 34,550 nonvested stock awards granted to certain employees from the computation of diluted weighted average common shares and common share equivalents outstanding, because they are subject to performance-based annual vesting conditions which had not been achieved by the end of Fiscal 2014. Assuming the performance criteria had been achieved at target as of February 1, 2014, the incremental dilutive impact would have been 12,242 shares.

NOTE 5. DEBT

At February 1, 2014, we had two unsecured credit facilities, which are renewable in August 2014 and November 2014. The August facility allows for borrowings up to $30.0 million at a rate equal to the higher of prime rate, the federal funds rate plus 0.5% or LIBOR. The November facility allows for borrowings up to $50.0 million at a rate of prime plus 2%. Under the provisions of both facilities, we do not pay commitment fees and are not subject to covenant requirements. We did not have any borrowings against either of these facilities during Fiscal 2014, nor was there any debt outstanding under either of these facilities at February 1, 2014. At February 1, 2014, a total of $80.0 million was available to us from these facilities.

At February 2, 2013, we had two unsecured credit facilities, which were renewable in August 2013 and November 2013. The August facility allowed for borrowings up to $30.0 million at a rate equal to the higher of prime rate, the federal funds rate plus 0.50% or LIBOR. The November facility allowed for borrowings up to $50.0 million at a rate of prime plus 2%. Under the provisions of both facilities, we did not pay commitment fees and were not subject to covenant requirements. We did not have any borrowings against either of these facilities during Fiscal 2013, nor was there any debt outstanding under either of these facilities at February 2, 2013.

NOTE 6. LEASES

We have entered into capital leases for certain property and transportation equipment. At February 1, 2014, the total capital lease obligation was $3.2 million, of which $0.3 million was classified as a short-term liability and included in capital lease obligations and $2.9 million was classified as a long-term liability as obligations under capital leases in our consolidated balance sheet. At February 2, 2013, the total capital lease obligation was $2.8 million, of which $0.7 million was classified as a short-term liability and included in capital lease obligations and $2.1 million was classified as a long-term liability as obligations under capital leases in our consolidated balance sheet. The cost basis of total assets under capital leases at February 1, 2014 and February 2, 2013 was $3.7 million and $3.2 million, respectively, with accumulated amortization at February 1, 2014 and February 2, 2013 of $0.8 million and $0.5 million, respectively. Amortization expense related to assets under capital leases was $0.3 million, $0.2 million and $0.3 million in Fiscal 2014, Fiscal 2013 and Fiscal 2012, respectively.

We lease the majority of our retail sporting goods stores under non-cancelable operating leases. 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) based on net sales for the location. 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.

Most of our retail store leases contain provisions that allow for early termination of the lease 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.

We also lease certain office equipment and transportation equipment under non-cancelable operating leases having initial 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 $0.9 million. The transaction is also subject to quarterly financial covenants based on certain ratios.

During Fiscal 2014, we increased our lease commitments by a net of 54 retail stores, each having initial lease termination dates between April 2018 and April 2024 as well as various office and transportation equipment. At February 1, 2014, the future minimum lease payments under capital leases and the present value of such payments, and the future minimum lease payments under our operating leases, excluding maintenance, insurance and real estate taxes, including the net 54 operating leases added during Fiscal 2014, were as follows (in thousands):

	Capital	Operating	Total
Fiscal 2015	$619	$50,162	$50,781
Fiscal 2016	623	39,836	40,459
Fiscal 2017	632	31,704	32,336
Fiscal 2018	632	23,760	24,392
Fiscal 2019	627	16,668	17,295
Thereafter	1,691	29,941	31,632
Total minimum lease payments	4,824	192,071	196,895
Less amount representing interest	1,613	-	1,613

Present value of total minimum lease payments	$3,211	$192,071	$195,282

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

	Fiscal Year Ended		
	February 1, 2014	February 2, 2013	January 28, 2012
Minimum rentals	$44,984	$40,075	$37,971
Contingent rentals	5,280	6,331	5,767
	$50,264	$46,406	$43,738

NOTE 7. DEFINED CONTRIBUTION BENEFIT 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, worked 1,000 hours and who are at least 18 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 6.0% of a participant's compensation. For Fiscal 2014, Fiscal 2013 and Fiscal 2012, 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 2014, Fiscal 2013 and Fiscal 2012 was $0.8 million.

We maintain 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 2015 has been set by the Board to equal no more than $0.75 for each dollar of compensation deferred under both the 401(k) Plan and the Supplemental Plan up to 6.0% of compensation. Contribution expense incurred under the Supplemental Plan for Fiscal 2014, Fiscal 2013 and Fiscal 2012 was $0.1 million, $0.1 million and $0.2 million, respectively. The Supplemental Plan is intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended.

We maintain the Hibbett Sports, Inc. Executive Voluntary Deferral Plan (Voluntary Plan) that provides key executives of the Company an opportunity to defer, on a pre-tax basis, up to 50% of their base salary and up to 100% of any bonus earned. Participants, at election, determine the date payout is to be made with payout options as either a lump-sum payout or installment payments over 2 to 10 years. The Voluntary Plan is subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA) and was effective February 1, 2010 and is also intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended.

We maintain a Flexible Spending Account Plan (FSA) that allows employees to set aside pre-tax amounts for out-of-pocket health care and dependent care expenses. The health care FSA is subject to ERISA, whereas the dependent care FSA is not. Employees are eligible to participate in the FSA upon meeting eligibility requirements or upon a defined qualifying event, and may enroll annually during an open enrollment period. Plan amounts are determined annually by the employee in advance and are subject to IRS dollar limitations. Employee elections, in general, cannot be increased, decreased or discontinued during the election period. Unused amounts at the end of the plan year are subject to forfeiture and such forfeitures can be used to offset administrative expenses.

NOTE 8. RELATED-PARTY TRANSACTIONS

The Company leases one store under a lease arrangement with AL Florence Realty Holdings 2010, LLC, a wholly-owned subsidiary of Books-A-Million, Inc., (BAMM). One of our Directors, Terrance G. Finley is an executive officer and stockholder of BAMM and another Director, Albert C. Johnson, is a Director and stockholder of BAMM. Minimum annual lease payments are $0.1 million, if not in co-tenancy and the lease termination date is February 2017. In Fiscal 2014 and Fiscal 2013, minimum lease payments were $0.1 million. In Fiscal 2012, there were no minimum annual lease payments. Minimum lease payments remaining under this lease at February 1, 2014 were $0.3 million.

NOTE 9. INCOME TAXES

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

	Fiscal Year Ended		
	February 1, 2014	February 2, 2013	January 28, 2012
Federal:			
Current	$37,313	$39,511	$30,529
Deferred	312	(1,418)	26
	37,625	38,093	30,555
State:			
Current	5,205	5,355	3,820
Deferred	(4)	(217)	(121)
	5,201	5,138	3,699
Provision for income taxes	$42,826	$43,231	$34,254

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

	Fiscal Year Ended		
	February 1, 2014	February 2, 2013	January 28, 2012
Tax provision computed at the federal statutory rate	35.00%	35.00%	35.00%
Effect of state income taxes, net of federal benefits	2.81	2.76	2.61
Other, net	(0.15)	(0.43)	(0.90)
	37.66%	37.33%	36.71%

In accordance with ASC Topic 740, Income Taxes, deferred income taxes on the consolidated balance sheets 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 taxes, net, are as follows (in thousands):

	February 1, 2014		February 2, 2013	
	Current	Non-current	Current	Non-current
Deferred rent	$1,452	$ 5,193	$1,406	$ 4,834
Inventories	4,649	-	4,439	-
Accruals	3,068	1,605	2,980	1,672
Stock-based compensation	1,267	4,118	1,308	4,148
Other	17	2	17	1
Total deferred tax assets	10,453	10,918	10,150	10,655
Accumulated depreciation and amortization	-	(7,289)	-	(6,414)
Prepaid expenses	(927)	-	(901)	-
Accruals	(42)	-	(58)	-
State taxes	(436)	(132)	(423)	(156)
Total deferred tax liabilities	(1,405)	(7,421)	(1,382)	(6,570)
Deferred income taxes, net	$9,048	$ 3,497	$8,768	$ 4,085

Deferred tax assets represent items that will be used as a tax deduction or credit in future tax returns or are items of income that have not been recognized for financial statement purposes but were included in the current or prior 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 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 tax asset. To the extent recovery is not more likely than not, a valuation allowance is established against the deferred tax asset, increasing our income tax expense in the year such determination is made. We have determined that no such allowance is required.

We apply the provisions of ASC Subtopic 740-10 in accounting for uncertainty in income taxes. In accordance with ASC Subtopic 740-10, we recognize a tax benefit associated with an uncertain tax position when, in our judgment based on technical merits, 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.

We file income tax returns in the U.S. federal and various state jurisdictions. 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. Generally, we are not subject to changes in income taxes by the U.S. federal taxing jurisdiction for years prior to Fiscal 2011 or by most state taxing jurisdictions for years prior to Fiscal 2010. 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 ASC Topic 740 follows (in thousands):

	Fiscal Year Ended February 1, 2014	February 2, 2013	January 28, 2012
Unrecognized tax benefits - beginning of year	$2,708	$ 2,604	$3,887
Gross increases - tax positions in prior period	245	55	31
Gross decreases - tax positions in prior period	(964)	(42)	(1,412)
Gross increases - tax positions in current period	277	278	496
Settlements	(517)	-	(230)
Lapse of statute of limitations	(210)	(187)	(168)
Unrecognized tax benefits - end of year	$1,539	$ 2,708	$2,604

We classify interest and penalties recognized on unrecognized tax benefits as income tax expense. We have accrued interest and penalties in the amount of $0.2 million, $0.3 million and $0.3 million as of February 1, 2014, February 2, 2013 and January 28, 2012, respectively. During Fiscal 2014, Fiscal 2013 and Fiscal 2012, we recorded ($43,000), $0.1 million and $0.1 million, respectively, for the accrual of interest and penalties in the consolidated statement of operations

Of the unrecognized tax benefits as of February 1, 2014, February 2, 2013 and January 28, 2012, $1.0 million, $1.1 million and $1.1 million, respectively, if recognized, would affect our effective income tax rate.

On September 13, 2013, the U.S. Treasury Department and the Internal Revenue Service issued final Tangible Property Regulations (TPR) under Internal Revenue Code (IRC) Section 162 and IRC Section 263(a). The regulations are not effective until tax years beginning on or after January 1, 2014; however, certain portions may require an accounting method change on a retroactive basis, thus requiring an IRC Section 481(a) adjustment related to fixed and real asset deferred taxes.

The accounting rules under ASC 740 treat the release of the regulations as a change in tax law as of the date of issuance and required us to determine the impact on our financial statements for the period ended February 1, 2014. Any such impact of the final tangible property regulations would affect temporary deferred taxes only and result in a balance sheet reclassification between current and deferred taxes. We have analyzed the impact of the TPR and concluded that the impact is not material. We will continue to monitor the impact of any future changes to the TPR on us prospectively.

NOTE 10. COMMITMENTS AND CONTINGENCIES

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 February 1, 2014 and February 2, 2013, there was $4.0 million and $4.3 million, respectively, of annual bonus-related expense included in accrued expenses.

In addition, the Compensation Committee (Committee) of the Board of Directors places performance criteria on awards of PSUs made in the form of RSUs to our NEOs under the EIP. The performance criteria are tied to performance targets with respect to future sales and operating income over a specified period of time. These PSUs are expensed under the provisions of ASC Topic 718 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. Where we are able to reasonably estimate an amount of probable loss in these matters based on known facts, we have accrued that amount as a current liability on our balance sheet. We are not able to reasonably estimate the possible loss or range of loss in excess of the amount accrued for these proceedings based on the information currently available to us, including, among others, (i) uncertainties as to the outcome of pending proceedings (including motions and appeals) and (ii) uncertainties as to the likelihood of settlement and the outcome of any negotiations with respect thereto. We do not believe that any of these matters will, individually or in the aggregate, have a material effect on our business or financial condition. We cannot give assurance, however, that one or more of these proceedings will not have a material effect on our results of operations for the period in which they are resolved. At February 1, 2014 and February 2, 2013, we estimated that the liability related to these matters was approximately $0.2 million and $0.3 million, respectively, and accordingly, we accrued $0.2 million and $0.3 million, respectively, as a current liability in our consolidated balance sheets.

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 we believe that a loss is both probable and estimable for a particular matter, the loss is accrued in accordance with the requirements of ASC Topic 450, Contingencies. With respect to any matter, we could change our belief as to whether a loss is probable or estimable, or its estimate of loss, at any time.

NOTE 11. QUARTERLY FINANCIAL DATA (UNAUDITED)

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

	Fiscal Year Ended February 1, 2014			
	First (13 weeks)	Second (13 weeks)	Third (13 weeks)	Fourth (13 weeks)
Net sales	$239,993	$186,235	$207,971	$217,767
Gross profit	$90,877	$63,927	$76,488	$77,973
Operating income	$42,439	$16,966	$27,443	$27,042
Net income	$26,214	$10,542	$17,250	$16,870
Basic earnings per share	$1.01	$0.41	$0.67	$0.65
Diluted earnings per share	$1.00	$0.40	$0.66	$0.64

	Fiscal Year Ended February 2, 2013			
	First (13 weeks)	Second (13 weeks)	Third (13 weeks)	Fourth (14 weeks)
Net sales	$232,914	$165,445	$202,934	$217,407
Gross profit	$88,428	$56,525	$75,440	$78,489
Operating income	$42,399	$12,377	$30,300	$30,906
Net income	$26,363	$7,895	$18,965	$19,359
Basic earnings per share	$1.00	$0.30	$0.73	$0.75
Diluted earnings per share	$0.98	$0.30	$0.71	$0.73

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.

NOTE 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC Topic 820, Fair Value Measurement, establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. 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.
- 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.

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 (in thousands):

	February 1, 2014			February 2, 2013		
	Level I	Level II	Level III	Level I	Level II	Level III
Short-term investments	$509	$ -	$ -	$-	$ -	$ -
Long-term investments	2,107	-	-	1,912	-	-
Total investments	$2,616	$ -	$ -	$1,912	$ -	$ -

Short-term investments are reported in prepaid and other while long-term investments are reported in other assets in our consolidated balance sheets.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

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

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including the Chief Executive Officer and President (principal executive officer) and Senior Vice President and Chief Financial Officer (principal financial officer), as appropriate, to allow timely decisions regarding the required disclosures.

As of February 1, 2014, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, performed an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in the Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of February 1, 2014.

(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 February 1, 2014, 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 February 1, 2014.

KPMG LLP, our independent registered public accounting firm, has issued an audit report on the Company's internal control over financial reporting as of February 1, 2014 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 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

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 Named Executive Officers as determined for our Proxy Statement for the 2014 Annual Meeting of Stockholders (Proxy Statement) to be held on May 29, 2014. We have also adopted a set of Corporate Governance Guidelines (Guidelines) and charters for all of our Board Committees, including the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. 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 as well as any change or amendments to our Guidelines or committee charters by posting such information on our website. The Code, Guidelines and charters are posted on our website, www.hibbett.com under "Investor Relations."

The information appearing in the Proxy Statement, 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	789,815	$31.99	1,251,032
Equity compensation plans not approved by security holders	-	-	-
TOTAL	789,815	$31.99	1,251,032

(1) Information presented as of February 1, 2014.

(2) Includes 312,679 RSUs and 221,050 PSUs that may be awarded if specified targets and/or service periods are met. It also includes 12,060 DSUs. The weighted average exercise price of outstanding options does not include these awards.

(3) Includes 77,253 shares remaining under our ESPP and 48,675 shares remaining under our DEP without consideration of shares subject to purchase in the purchasing period ending March 31, 2014.

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.

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 Registrant's 2014 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 Registrant's Form 8-K filed with the Securities and Exchange Commission on May 31, 2012.
3.2	Bylaws of the Registrant, as amended; incorporated herein by reference to Exhibit 3.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on May 31, 2012.
	<u>Form of Stock Certificate</u>
4.1	Form of Common Stock Certificate; attached as Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on September 26, 2007.
	<u>Material Contracts</u>
10.1	Master Note – Regions Bank Line of Credit; incorporated by reference as

	Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 12, 2013..
10.2	Amendment No. 6 to Loan Documents; incorporated by reference as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 15, 2013.
10.3	Executive Transition Agreement and General Release between Michael J. Newsome and Hibbett Sporting Goods, Inc.; attached as Exhibit 10.3 to this Annual Report on Form 10-K.
10.4	Hibbett Sports, Inc. Non-Employee Director Equity Plan; incorporated by reference as Exhibit 10.2 to the Registrant's Current Report

	on Form 8-K filed with the Securities and Exchange Commission on May 31, 2012.
10.5	Hibbett Sports, Inc. Non-Employee Director Non-Qualified Option Agreement (Initial Grant, Service Requirement); incorporated by reference as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 17, 2012.
10.6	Hibbett Sports, Inc. Non-Employee Director Restricted Stock Unit Award Agreement (Initial Grant, Service Requirement); incorporated by reference as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 17, 2012.

10.7	Hibbett Sports, Inc. Non-Employee Director Non-Qualified Option Agreement (Annual Grant; Fully Vested); incorporated by reference as Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 17, 2012.
10.8	Hibbett Sports, Inc. Non-Employee Director Restricted Stock Unit Award Agreement (Annual Grant; Fully Vested); incorporated by reference as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 17, 2012.
10.9	Amended and Restated Agreement of Lease between Hibbett Sporting Goods, Inc. and AL Florence Realty Holdings 2010, LLC, dated October 3, 2011; incorporated by reference as Exhibit 10.1 to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 26, 2012.
10.10	Change in Control Severance Agreement; incorporated by reference as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 24, 2008.
10.11	Executive Restricted Stock Unit Award Agreement; incorporated by reference as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 11, 2008.
10.12	Amended and Restated 2005 Directors Deferred Compensation Plan; incorporated by reference as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 20, 2008.
10.13	Amended and Restated 2006 Executive Cash Bonus Plan; incorporated by reference as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 20, 2008.
10.14	Hibbett Sports, Inc. Executive Voluntary Deferral Plan; incorporated by reference as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 20, 2009.
10.15	Hibbett Sports, Inc. 2005 Equity Incentive Plan (as amended and restated); incorporated by reference as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 14, 2011.
	Annual Report to Security Holders
13.1	Fiscal 2014 Annual Report to Stockholders.
	Subsidiaries of the Registrant
21	List of Company's Subsidiaries: 1) Hibbett Sporting Goods, Inc., a Delaware Corporation 2) Hibbett Team Sales, Inc., an Alabama Corporation 3) Sports Wholesale, Inc., an Alabama Corporation 4) Hibbett Capital Management, Inc., a Nevada Corporation 5) Sports Holdings, Inc., a Nevada Corporation 6) Gift Card Services, LLC., a Virginia Limited Liability Company 7) Hibbett.com, Inc., a Nevada Corporation 8) Hibbett Wholesale, Inc., an Alabama Corporation 9) Hibbett Holdings, LLC, an Alabama Limited Liability Company
	Consents of Experts and Counsel
23.1	Consent of Independent Registered Public Accounting Firm (filed herewith)
	Certifications
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer (filed herewith)
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer (filed herewith)
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer (filed herewith)

	<u>Interactive Data Files</u>
101	The following financial information from the Annual Report on Form 10-K for the fiscal year ended February 1, 2014, formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) the Audited Consolidated Balance Sheets at February 1, 2014 and February 2, 2013; (ii) the Audited Consolidated Statements of Operations for the fiscal year ended February 1, 2014, February 2, 2013 and January 28, 2012; (iii) the Audited Consolidated Statements of Cash Flows for the fiscal year ended

February 1, 2014, February 2, 2013 and January 28, 2012; (vi) the Audited Statements of Stockholders' Investment for the fiscal year ended February 1, 2014, February 2, 2013 and January 28, 2012; (v) the Notes to Audited Consolidated Financial Statements.

Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise

are not
subject to
liability under
those
sections.

SIGNATURES.

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, 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, 2014

By: /s/ Scott J. Bowman

Scott J. Bowman
Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Exchange Act, 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/ Jeffry O. Rosenthal Jeffry O. Rosenthal	Chief Executive Officer, President and Director (Principal Executive Officer)	March 31, 2014
/s/ Scott J. Bowman Scott J. Bowman	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2014
/s/ Michael J. Newsome Michael J. Newsome	Chairman of the Board	March 31, 2014
/s/ Alton E. Yother Alton E. Yother	Lead Director	March 31, 2014
/s/ Jane F. Aggers Jane F. Aggers	Director	March 31, 2014
/s/ Anthony F. Crudele Anthony F. Crudele	Director	March 31, 2014
/s/ Terrance G. Finley Terrance G. Finley	Director	March 31, 2014
/s/ Albert C. Johnson Albert C. Johnson	Director	March 31, 2014
/s/ Carl Kirkland Carl Kirkland	Director	March 31, 2014
/s/ Ralph T. Parks Ralph T. Parks	Director	March 31, 2014
/s/ Thomas A. Saunders III Thomas A. Saunders III	Director	March 31, 2014