THE FINISH LINE INC / 2011 ANNUAL REPORT

2011 Chairman's Letter to Shareholders

Fiscal 2011 was an outstanding year for Finish Line. Full-year comparable store sales increased more than 6%, driven by improved conversion and average dollars per transaction in our stores and strong growth in e-commerce sales, which were up 30%. Diluted EPS was up more than 39% over last year to $1.26 per share.

We continued to execute our company's strategic plan, which was put in place two years ago and has helped Finish Line focus on and deliver results that meet or exceed our goals and key financial targets. By consistently and aggressively executing this strategic plan, we are delivering on our mission to drive long-term shareholder value.

Our results have been exceptionally strong, putting us at or near historical highs on several key performance metrics. Operating margin for fiscal 2011 was 9%, which is well on the way to achieving our goal for annual double-digit operating margin performance. Product margins expanded again in fiscal 2011 to a new historical high. Inventory turn is at three times, a goal we achieved in fiscal 2011 and expect to maintain. Inventory aging ended the year in the best position it has ever been in our company's history. Shrink fell to its lowest level ever. E-commerce sales hit a peak as a percentage to total sales. Our balance sheet remains strong, as we ended the year with no debt and $300 million in cash on hand.

Clearly, our plan is producing results. Finish Line remains committed to these three strategic priorities to drive sales and earnings growth:

- Growing our core Finish Line business;
- Expanding beyond our core business to create long-term growth;
- Driving shareholder value through dividends and share repurchases.

To support these priorities, we have defined a four-part capital allocation strategy. The first part is to fund the growth of our core business from cash generated by operations. Second, we plan to invest up to $150 million over time toward growth outside of our core business. Third, we expect to return excess cash to shareholders through dividends and share repurchases. Finish Line plans to grow its dividend on an annual basis, funded through cash generated by the core business. We also plan to be more aggressive with opportunistic share repurchases, deploying up to $75 million over time. The fourth and final part of our capital allocation strategy is to maintain our strong balance sheet to preserve financial strength, flexibility, and security as well as a competitive edge.

In terms of our number one strategic priority—growing our core Finish Line business—it is important to point out that all of the performance milestones we reached in fiscal 2011 were achieved with sales per square foot in Finish Line stores of $317, which is well below our historical high of $352 per square foot. That means there is plenty of runway to grow our existing business by driving the top line in our stores as well as increasing e-commerce sales. Our goal is to double e-commerce sales within the next three years.

We expect to build sales by remaining focused on our premium positioning. Finish Line will continue to distinguish our brand through an exciting and compelling shopping experience as well as by carrying the most relevant products from the best brands. Footwear is, and will continue to be, our largest product category and we will continue to build upon our leadership position in running. We also expect basketball, a category that rebounded in the back half of fiscal 2011, to continue its positive momentum.

Finish Line will also make key investments to support our sales growth initiatives. For example, we will invest in marketing with a focus on strengthening our Winner's Circle loyalty program as well as outreach to our customers through traditional and digital channels. Within information technology, we are bolstering our infrastructure with people and technology and upgrading store and merchandising systems. With the major opportunity that digital commerce presents, we are also investing in the technology and people that will enable our ambitious e-commerce growth plans.

Finish Line will also continue to make investments in strengthening vendor partnerships, such as the highly productive relationship we have now with Nike. In fact, we plan to continue to roll out Nike Track Club in our stores nationwide. This concept is creating excitement and enhancing the shopping experience for our customers. We also expect to upgrade stores that require some form of remodel and will continue to learn from a new store prototype that we opened during fiscal 2011. This store is a great learning lab for us and we'll apply key takeaways--physical and technical--to our business at large as appropriate.

Make no mistake, we know the value of the successful organization we have created at Finish Line and the strong momentum we have in our core business. We've got a great thing going and we are absolutely committed to making sure we keep it moving, keep it growing and keep it successful. I want to thank our Board of Directors and Finish Line executive leadership team as well as all of our associates and employees everywhere for the tremendous effort and energy they continue to display.

As we work toward making our existing business as strong as we know it can be, we also realize that we must look beyond our core business to secure our long-term future—to identify and pursue our company's next leg of growth. This process is ongoing as we look for format and/or geographic extensions that could come from a variety of paths up to and including mergers and acquisitions. Our commitment is to be disciplined and smart while identifying growth initiatives that play to our fundamental strengths as a company.

This is an exciting time for Finish Line. Our strategic plan has led us to achieve our best historical performance on many of the most important measures in retail. We've created and sustained a strong balance sheet, which is a competitive advantage. We have more opportunity to grow our core business and are aggressively pursing that growth. Finally, we are in the position to go to the next level of growth outside our core business and have the strong cash flow as well as the right capital allocation strategy to get us there.

Overall, we are moving into the new fiscal year with great confidence and optimism and look forward to continuing to reach our goals. Above all else, it is our mission to drive long-term value for you, our shareholders, and we want to thank you for the continued support you have shown by investing in Finish Line.

Glenn Lyon
Chairman and Chief Executive Officer

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended February 26, 2011

or

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from ______ to ______
Commission File Number 0-20184

THE FINISH LINE, INC.
(Exact name of registrant as specified in its charter)

Indiana	**35-1537210**
(State of Incorporation)	**(I.R.S. Employer ID No.)**

3308 N. Mitthoeffer Road, Indianapolis, Indiana 46235
Registrant's telephone number, including area code: (317) 899-1022

Securities registered pursuant to Section 12(b) of the Act:

(Title of Each Class)	**(Name of each exchange on which registered)**
Class A Common Stock, $.01 par value	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of August 27, 2010, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $685,958,000, which was based on the last sale price reported for such date by NASDAQ.

The number of shares of the Registrant's Common Stock outstanding on April 15, 2011 was:

Class A Common Stock: 52,571,691

Class B Common Stock: 1,361,680

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement (to be filed within 120 days after February 26, 2011) for the Annual Meeting of Shareholders to be held on July 21, 2011 (hereinafter referred to as the "2011 Proxy Statement") are incorporated into Part III.

PART I

Forward-Looking Statements

This Annual Report on Form 10-K, and the documents incorporated by reference, contain statements which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Except for the historical information contained herein, the matters discussed in this Form 10-K and the documents incorporated by reference are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to: general economic conditions and adverse factors impacting the retail footwear industry; depressed demand in the housing market; changing consumer preferences; the inability of The Finish Line, Inc. and its consolidated subsidiaries (collectively, the "Company") to successfully market its footwear, apparel, accessories and other merchandise; price, product and competition from other retailers (including internet and direct manufacturer sales); fluctuations in oil prices causing changes in gasoline and energy prices, resulting in changes in consumer spending and utility and product costs; the unavailability of products; the inability to locate and obtain acceptable lease terms for the Company's stores; the loss of key employees; management of strategic growth initiatives including potential mergers and acquisitions and other components of our capital allocation strategy; changes in financial condition or results of operations; litigation and the other risks detailed in the Company's Securities and Exchange Commission filings. In this Annual Report on Form 10-K, words such as "anticipates," "believes," "expects," "will continue," "future," "intends," "plans," "estimates," "projects," "budgets," "may," "will," "could" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to release publicly the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Item 1—Business

General

Throughout this Annual Report on Form 10-K, the fiscal years ended February 26, 2011, February 27, 2010 and February 28, 2009 are referred to as fiscal 2011, 2010 and 2009, respectively.

The Finish Line, Inc. ("Finish Line") together with its subsidiaries (collectively, the "Company"), is one of the nation's largest mall-based specialty retailers.

Finish Line. Finish Line is a premium retailer of athletic shoes, apparel and accessories. As of April 15, 2011, the Company operated 660 Finish Line stores averaging approximately 5,400 square feet in 47 states. In addition, the Company operates an e-commerce site, www.finishline.com, as well as mobile commerce via m.finishline.com. Finish Line stores generally carry a large selection of men's, women's and kids' performance and athletic casual shoes, as well as an assortment of apparel and accessories. Brand names offered by Finish Line include Nike, Brand Jordan, Reebok, Puma, adidas, Under Armour, Asics, Brooks, New Balance, Mizuno, Lacoste, The North Face and many others. Finish Line's goal is to be the premium athletic footwear retailer, which is defined by offering the most relevant products from the best brands in an engaging and exciting shopping environment (in stores and online) with knowledgeable staff trained to deliver outstanding customer service.

Man Alive. The Company operated Man Alive stores, which was a street fashion retailer offering men's and women's name brand fashions from the industry's leading designers, until July 4, 2009. On June 21, 2009, the Company entered into a definitive asset purchase agreement with an unaffiliated buyer, Man Alive Acquisitions, LLC ("the Buyer"), under which the Buyer assumed certain assets and liabilities of Man Alive, effective July 4, 2009. Results of Man Alive are included in discontinued operations.

The Company's principal executive offices are located at 3308 N. Mitthoeffer Road, Indianapolis, Indiana 46235, and its telephone number is (317) 899-1022.

Operating Strategies

The Company seeks to be the premium athletic footwear retailer in the markets it serves. To achieve this, the Company has developed the following elements to its business strategy:

Emphasis on Customer Service and Convenience. The Company is committed to providing a premium shopping experience that is relevant and rewarding for customers both in stores and online.

Finish Line seeks to achieve this objective in stores by providing convenient mall-based locations that feature a compelling store design and a differentiated customer experience as well as a vast selection of fashion-forward and innovative products. Finish Line also works to maintain optimal in-stock levels of merchandise and employs knowledgeable and courteous sales associates. In the year ending March 3, 2012 ("fiscal 2012"), Finish Line plans to roll out nationally a commission program to incentivize sales associates. This program was piloted in three markets in fiscal 2011 with improved sales results in those selected locations.

Online, Finish Line seeks to provide an easy shopping experience, robust product selection and outstanding service as well as new solutions to providing access for customers to the Company's products, such as mobile commerce.

Inventory Management. The Company stresses effective replenishment and distribution to each store. The Company's advanced information and distribution systems enable it to track inventory in each store by stockkeeping unit (SKU) on a daily basis, giving the Company flexibility to merchandise its products effectively. Also, store associates are able to use the wide area network ("WAN") and perpetual inventory system to locate and sell merchandise that can then be fulfilled from another store. Finish Line recently deployed a new merchandise planning and allocation program to strengthen its ability to have the right merchandise in the right stores at the right time. These systems allow the Company to respond promptly to changing customer preferences and to maintain optimal inventory levels in each store. The Company's inventory management system features automatic replenishment driven by point-of-sale (POS) data capture and a highly automated distribution center, which enables the Company to ship merchandise to each store every third day.

Product Diversity; Target Customer Appeal. The Company stocks its stores with a combination of the leading and newest brand name merchandise, including in-line offerings and unique products manufactured exclusively for the Company. The focus is on Finish Line maintaining its status as a leader in the running category; however, several product categories are represented. Product diversity, in combination with the Company's store formats and commitment to customer service, is intended to attract a core customer (typically male, age 18-24) as well as other key demographics. The Company is focused on premium product, meaning the best brands, trend-right styles and most relevant selection, not necessarily dictated by price.

Brand Strategies

Finish Line Store Strategy. Since the Company's initial public offering in June 1992, Finish Line has expanded from 104 stores to 660 stores at April 15, 2011. The Company opened 11 new Finish Line stores and closed 13 stores in fiscal 2011. Total square footage decreased 0.7% in fiscal 2011 due to closings offset partially by an increase from new stores. The 11 new stores in fiscal 2011 averaged approximately 4,500 square feet.

In fiscal 2012, the Company intends to open approximately five to 10 new Finish Line stores and close 10-15 stores. The Company expects Finish Line's square footage to decrease by less than 1% due to more store closings anticipated than new store openings. The actual closings in fiscal 2012 will depend on the outcome of landlord negotiations on an individual store by store basis. The new Finish Line stores in fiscal 2012 will consist of stores averaging approximately 5,000 square feet.

Commitment to Continually Strengthen Infrastructure. Over the last several years, the Company has made a number of strategic infrastructure investments, including enhancements to its management, payroll, store operations, distribution and information systems. The Company has also invested in material handling equipment that includes a high speed shipping sorter and a tilt-tray sortation system. This equipment enables the Company to process merchandise through the distribution center in a more efficient and accurate manner. This equipment has increased the Company's throughput capacity and allows it to increase its in-stock position at the stores.

The Company intends to commit significant resources over the next couple of years to make the necessary changes to the Company's system infrastructure to accommodate multiple store formats. The Company intends to establish a system infrastructure that is capable of handling other potential acquisitions or new concepts that may arise in the future.

In fiscal 2012, the Company will continue to invest capital to enhance its merchandising and allocation systems, improve technology in information systems at both the stores and back office, along with upgrades to its e-commerce site.

Merchandise

The following table sets forth net sales along with the percentage of net sales attributable to the categories of footwear and softgoods during the years indicated. These amounts and percentages fluctuate substantially during the different consumer buying seasons. To take advantage of this seasonality, the Company's stores have been designed to allow for a shift in emphasis in the merchandise mix between footwear and softgoods items.

	Year Ended					
Category	**February 26, 2011**		**February 27, 2010**		**February 28, 2009**	
			(in thousands)			
Footwear	$1,056,586	86%	$1,005,166	86%	$1,023,009	86%
Softgoods	172,416	14%	167,249	14%	171,648	14%
Total	$1,229,002	100%	$1,172,415	100%	$1,194,657	100%

All merchandising decisions, including merchandise mix, pricing, promotions and markdowns, are made at the Company's corporate headquarters. The store manager and district sales manager, along with management at the Company's headquarters, review the merchandise mix to adapt to permanent or temporary changes or trends in the marketplace.

Footwear

Finish Line's distinctive shoe walls are stocked with the latest in performance, athletic casual and seasonal footwear that the industry has to offer, including Nike, Brand Jordan, Reebok, Puma, adidas, Under Armour, Asics, Brooks, New Balance, Mizuno, Lacoste and others. To make shopping easier for customers, footwear is categorized into sections including: running, basketball, athletic casual, fitness and seasonal. Most categories are available in men's, women's and kid's styles.

Softgoods (Apparel and Accessories)

Many of the same companies that supply Finish Line with quality footwear also supply softgoods, including products made by Brand Jordan, Nike, Under Armour, and The North Face. Additional suppliers within the accessories business include New Era, Oakley, Implus, Power Balance, Lance Armstrong Foundation, along with many others. Categories of softgoods consist of tops, pants, shorts, outer wear, running wear, fleece, fitness wear and sport-casual wear. In addition, the Company carries licensed apparel, socks, athletic bags, backpacks, sunglasses, watches and shoe-care products.

Finish Line has its own private label, which focuses on basics such as t-shirts, shorts and socks.

The Company also works closely with the branded apparel vendors to continue developing new exclusive product offerings.

Direct-to-Consumer

The Company continues its focus on increasing the direct-to-consumer business and enhancing a cross-channel customer experience in-line with its strategic direction. The Company continues to redesign and update its e-commerce site to enhance the quality and functionality of the site. The Company has an established and dedicated team focused exclusively on its growing e-commerce channel, which includes the e-commerce advertising, design and content team, along with the technology and operations team. In addition, the Company has developed a mobile commerce site and is expanding its presence on social media to stay in-step with the evolving lifestyles of its target consumers. Finishline.com is the Company's most visible store with approximately 180,000 visitors per day.

Marketing

The Company attempts to reach its target audience by using a multifaceted approach to marketing and advertising on national, regional and local levels. The Company utilizes its store windows, direct mail, e-mail, viral media, outdoor and the internet in its marketing efforts.

The Company also takes advantage of advertising and promotional assistance from many of its suppliers. This assistance takes the form of cooperative advertising programs, in-store sales incentives, point-of-purchase materials, product training for employees and other programs. Total advertising expense was 1.6% of net sales after deducting co-op reimbursements in fiscal 2011 compared to 1.4% in fiscal 2010. These percentages fluctuate substantially during the different consumer buying seasons. The Company also believes that it benefits from the multi-million dollar advertising campaigns of its key suppliers, such as Nike, adidas and Reebok.

The Company also uses in-store contests, promotions and event sponsorships to further market the brand.

The Company also has a customer loyalty program called "Winner's Circle." Customers earn a $20 reward certificate for every $200 they spend at Finish Line within a 12 month period, in addition to receiving special member offers and discounts on footwear and apparel. The Company maintains a database with the Winner's Circle information that it uses to communicate to members regarding key initiatives and promotions as well as to mail members other pertinent information. The Company continues to put an emphasis on growing the membership base of the Winner's Circle program, which increased 18% in fiscal 2011 and improving the marketing effectiveness of the Winner's Circle program to drive sales. In fiscal 2012, the Company will be enhancing the Winner's Circle program to drive sales and move the model from its main reliance on discounts to include other member benefits as well.

Purchasing and Distribution

A footwear and softgoods buying department performs the Company's merchandise purchasing. These departments consist of vice-presidents and divisional merchandise managers, multiple buyers and associate buyers. These centralized merchandising departments are under the direction of a President, Chief Merchandising Officer. The buying department is supported by a planning and merchandising department.

The Company believes that its ability to buy in large quantities directly from suppliers enables it to obtain favorable pricing and trade terms. Currently, the Company purchases product from approximately 100 suppliers and manufacturers of athletic and fashion products, the largest of which (Nike) accounted for approximately 61% and 65% of total purchases in fiscal 2011 and 2010, respectively. The Company purchased approximately 82% of total merchandise in fiscal 2011 and 2010 from its five largest suppliers. The Company and its vendors use EDI technology to streamline purchasing and distribution operations.

The Company utilizes warehouse management computer software for distribution center processing that features RF technology. This software was modified to interface with the high speed shipping sorter and tilt-tray sortation system. This system has helped improve productivity and accuracy as well as reduce the time it takes to send merchandise to stores. The Company believes this innovative technology will continue to improve its operations as well as allow for real-time tracking of inventory within the distribution center and in transit to the stores.

Nearly all of the Company's merchandise is shipped directly from suppliers to the distribution center, where the Company processes and ships it by contract and common carriers to its stores. Each day shipments are made to one-third of the Company's stores. In any three-week period, each store will receive five shipments. A shipment is normally received by the store one to four days from the date that the order is filled depending on the store's distance from the distribution center.

Management Information System

The Company has a computerized management information system, which includes a local area network of computers at corporate headquarters used by management to support decision-making along with PC-based POS computers at the stores. Store computers are connected via Multiprotocol Label Switching to computers at corporate headquarters. A perpetual inventory system permits corporate management to review daily each store's inventory by department, class and SKU. This system includes an automated replenishment system that allows the Company to replace faster-selling items more quickly. Store associates are able to use the WAN and perpetual inventory system to locate and sell merchandise that can then be fulfilled from another store. Other functions in the system include accounting, distribution, inventory tracking and control.

The Company has also made significant investments in its Human Capital Management systems over the past several years by purchasing and implementing a new HR and Payroll system for processing efficiencies, a new Time, Labor and Scheduling system for better store labor management and new Performance Management software applications to assist the corporate office with talent management, recruiting and staff evaluations.

Store Operations

The Company's Corporate Vice Presidents, Regional Vice Presidents and District Sales Managers visit the stores regularly to review the implementation of Company plans and policies, monitor operations, and review inventories and the presentation of merchandise. Accounting and general financial functions for the stores are conducted at corporate headquarters. Each store has a store manager or co-managers that are responsible for supervision and overall operations, one or more assistant managers, and additional full and part-time sales associates.

Regional, district and store managers receive a fixed salary (except store managers in California) and are eligible for bonuses, based primarily on sales, payroll and shrinkage performance goals of the stores for which they are responsible. All store managers in California, assistant store managers and sales associates are paid on an hourly basis. In fiscal 2012, the Company plans to roll out nationally a commission program to incentivize sales associates. This program was piloted in three markets in fiscal 2011 with improved sales results in those selected locations.

Real Estate

As of April 15, 2011, the Company operated 660 stores averaging approximately 5,400 square feet in 47 states. The Company's stores are primarily located in enclosed shopping malls. The typical Finish Line store format has a sales floor, which includes a try-on area, and a display area where each style of footwear carried in the store is displayed by category (e.g., running, basketball, athletic casual), and adjacent stock room where the footwear inventory is maintained. Sales floors in Finish Line stores represent approximately 65% to 75% of the total space.

The Company believes that its ability to obtain attractive, high traffic store locations, such as in enclosed malls, and maintaining and or improving productivity in its existing store base are critical elements of its business and a key factor in its future growth and profitability. In determining new store locations, management evaluates market areas, in-mall locations, “anchor” stores, consumer traffic, mall sales per square foot, competition and occupancy, construction and other costs associated with opening a store.

The Company leases all of its stores. Initial lease terms of the stores are generally 10 years in duration without renewal options, although some of the stores are subject to leases for five years with one or more renewal options. The leases generally provide for a fixed minimum rental plus a percentage of sales in excess of a specified amount and contain a clause (kick-out) that allows the Company to terminate the lease if specific sales

Retirement Plan

In fiscal 2011, the Company contributed cash in the amount of $300,000 (net of forfeitures) to the Company's Profit Sharing Plan.

The Company's Profit Sharing Plan also includes a 401(k) feature whereby the Company matches 50 percent of employee contributions to the plan up to six percent of the employee's wages. The Company contributed matching funds of approximately $962,000 in fiscal 2011 and $1,757,000 in fiscal 2010.

Intellectual Property

The Company has registered in the United States and other countries, trademarks and service marks relating to its business. The Company believes its trademark and service mark registrations are valid, and it intends to be vigilant with regard to infringing or diluting uses by other parties, and to enforce vigorously its rights in its trademarks and service marks.

Available Information

The Company's Internet address is www.finishline.com. The Company makes available free of charge through its Internet website the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such reports and amendments are electronically filed with or furnished to the Securities and Exchange Commission. In addition, the Company's Code of Ethics is available on its Investor Relations page under "Corporate Governance."

Item 1A—Risk Factors

The current economic and financial conditions have caused and may continue to cause a decline in consumer spending and may adversely affect the Company's business, operations, liquidity, financial results and stock price.

The Company's operating results are affected by the relative condition of the U.S. economy. Business and financial performance may be adversely affected by current and future economic conditions that cause a decline in business and consumer spending, including a reduction in the availability of credit, increased unemployment levels, higher energy and fuel costs, rising interest rates, financial market volatility and recession. Additionally, the Company may experience difficulties in operating and growing its operations to react to economic pressures in the U.S.

As a business that depends on consumer discretionary spending, our customers may reduce their purchases due to job losses or fear of job losses, foreclosures, bankruptcies, higher consumer debt and interest rates, reduced access to credit, falling home prices and lower consumer confidence. Decreases in comparable store net sales, customer traffic or average dollar per transaction negatively affect the Company's financial performance, and a prolonged period of depressed consumer spending could have a material adverse effect on our business. Promotional activities and decreased demand for consumer products could affect profitability and margins. Customer traffic is difficult to forecast. As a consequence, sales, operating and financial results for a particular period are difficult to predict, and, therefore, it is difficult to forecast results to be expected in future periods. Any of the foregoing could have a material adverse effect on the business, results of operations, and financial condition and could adversely affect the Company's stock price.

Additionally, many of the effects and consequences of the U.S. and global financial and economic conditions could potentially have a material adverse effect on the Company's liquidity and capital resources, including the ability to raise additional capital if needed, and the ability of banks to honor draws on the

Company's credit facility, or could otherwise negatively affect the Company's business and financial results. Although the Company normally generates funds from operations to pay operating expenses and fund capital expenditures, the ability to continue to meet these cash requirements over the long-term may require access to additional sources of funds, including capital and credit markets, and continuing market volatility, the impact of government intervention in financial markets and general economic conditions may adversely affect the ability of the Company to access capital and credit markets.

The global economic conditions may also adversely affect suppliers' access to capital and liquidity with which to maintain their inventory, production levels and product quality and to operate their businesses, all of which could adversely affect the Company's supply chain. In addition, suppliers might reduce their offerings of customer incentives and vendor allowances, cooperative marketing expenditures and product promotions. Market instability could make it more difficult for the Company and its suppliers to accurately forecast future product demand trends, which could cause the Company to carry too much or too little merchandise in various product categories. The current financial and economic conditions may also adversely affect landlords and real estate developers of retail space, which may limit the availability of attractive leased store locations. The current conditions may also adversely affect the Company's product liquidation efforts.

The Company's business faces a great deal of competitive pressure.

The athletic footwear business is highly competitive. The Company competes for customers, associates, locations, merchandise, services and other important aspects of its business with many other local, regional, national and branded vendor operated retailers. Those competitors, some of whom have a greater market presence than the Company, include traditional store-based retailers, Internet businesses and other forms of retail commerce. Unanticipated changes in the pricing and other practices of those competitors may adversely affect the Company's performance.

The Company's business is dependent on consumer preferences and fashion trends.

The athletic footwear and softgood industry is subject to changing fashion trends and customer preferences. The Company cannot guarantee that its merchandise selection will accurately reflect customer preferences when it is offered for sale or that the Company will be able to identify and respond quickly to fashion changes, particularly given the long lead times for ordering much of the Company's merchandise from vendors. For example, athletic footwear is ordered four to six months prior to delivery to stores. If the Company fails to anticipate accurately either the market for the merchandise in the stores or customers' purchasing habits, the Company may be forced to rely on markdowns or promotional sales to dispose of excess, slow moving inventory, which may adversely affect performance.

Various risks associated with Internet sales may adversely affect the Company's business.

The Company sells merchandise over the Internet through its website, www.finishline.com. Although the Internet operations encompass less than 10% of its total sales, the Company anticipates that the percentage will continue to grow and thus the risks associated with these operations could have an impact on the Company's overall operations. The Internet operations are subject to numerous risks, including unanticipated operating problems, reliance on third party computer hardware and software providers, system failures and the need to invest in additional computer systems. The Internet operations also involve other risks that could have an impact on the Company's results of operations including hiring, retention and training of personnel to conduct the Internet operations, diversion of sales from the stores, rapid technological change, liability for online content, credit card fraud, risks related to the failure of the computer systems that operate the website and its related support systems, including computer viruses, telecommunication failures and electronic break-ins and similar disruptions. There can be no assurance that the Internet operations will continue to achieve sales and profitability growth or even remain at its current level.

The Company's operations are dependent on a single distribution center, and the loss of, or disruption in, the distribution center and other factors affecting the distribution of merchandise, could have a material adverse effect on the Company's business and operations.

The distribution functions for the Company are handled from a single facility in Indianapolis, Indiana. Any significant interruption in the operation of the distribution facility due to natural disasters, accidents, system failures or other unforeseen causes could delay or impair the ability to distribute merchandise to stores and/or fulfill Internet orders, which could cause sales to decline.

The Company depends upon third-party carriers for shipment of a significant amount of merchandise. An interruption in service by these third-party carriers for any reason could cause temporary disruptions in business, a loss of sales and profits, and other material adverse effects.

Freight cost is impacted by changes in fuel prices through surcharges. Fuel prices and surcharges affect freight costs both on inbound freight from suppliers to the distribution center as well as outbound freight from the distribution center to stores. Increases in fuel prices and surcharges and other factors may increase freight costs.

The Company may experience fluctuations in results of operations due to seasonality of the business.

The Company's business is subject to seasonal influences, with a major portion of sales and income historically realized during the second and fourth quarters of the fiscal year, which includes the back-to-school and holiday seasons, respectively. This seasonality causes operating results to vary considerably from quarter to quarter and could materially and adversely affect the Company's stock price.

The Company's business may be adversely affected by changes in merchandise sourcing.

All of the Company's vendors must comply with applicable laws and required standards of conduct. The ability to find qualified vendors and access products in a timely and efficient manner can be a challenge, especially with respect to goods sourced outside the United States. Political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade, and the ability to access suitable merchandise on acceptable terms are beyond the Company's control and could adversely impact performance.

Changes in labor conditions as well as the Company's inability to attract and retain the talent required for the business, may negatively affect operating results.

Future performance will depend upon the Company's ability to attract, retain and motivate qualified employees, including store personnel and field management. Many of those associates are in entry level or part-time positions with historically high rates of turnover. The ability to meet the Company's labor needs while controlling costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation and changing demographics. If the Company is unable to attract and retain quality associates, the ability to meet growth goals or to sustain expected levels of profitability may be compromised. In addition, a large number of the Company's retail employees are paid the prevailing minimum wage, which if increased would negatively affect profitability and could, if the increase were material enough, require the Company to adjust its business strategy, which may include the closure of less profitable stores. Although none of the Company's employees are currently covered under collective bargaining agreements, the Company cannot guarantee that employees will not elect to be represented by labor unions in the future. If some, or all, of the Company's workforce were to become unionized and collective bargaining agreement terms were significantly different from the Company's current compensation arrangements or work practices, it could have a material adverse effect on the Company's business, financial condition and results of operations.

Changes in relationships with any of the Company's key vendors may have an adverse impact on future results.

The Company's business is dependent to a significant degree upon the ability to purchase premium brand-name merchandise at competitive prices, including the receipt of volume discounts, cooperative advertising and markdown allowances from vendors. The Company purchased approximately 82% of its merchandise in fiscal 2011 from its top five vendors and expects to continue to obtain a significant percentage of its product from these vendors in future periods. Approximately 61% was purchased from one vendor (Nike). The inability to obtain merchandise in a timely manner from major suppliers (particularly Nike) as a result of business decisions by suppliers or any disruption in the supply chain could have a material adverse effect on the business, financial condition and results of operations of the Company. Because of the strong dependence on Nike, any adverse development in Nike's financial condition and results of operations or the inability of Nike to develop and manufacture products that appeal to the Company's target customers could also have an adverse effect on the business, financial condition and results of operations of the Company.

The Company's business may be adversely affected by regulatory and litigation developments.

Various aspects of the Company's operations are subject to federal, state or local laws, rules and regulations, any of which may change from time to time. Sales and results of operations may be adversely affected by new legal requirements, including comprehensive federal health care legislation enacted in 2010 and attendant regulations. For example, new legislation or regulations may result in increased costs directly for compliance or indirectly to the extent that such requirements increase prices of goods and services because of increased compliance costs. Additionally, the Company is regularly involved in various litigation matters that arise in the ordinary course of doing business. Litigation or regulatory developments could adversely affect the business operations and financial performance of the Company.

Health care reform could adversely affect the Company's business.

In 2010, Congress enacted comprehensive health care reform legislation which, among other things, includes guaranteed coverage requirements, eliminates pre-existing condition exclusions and annual and lifetime maximum limits, restricts the extent to which policies can be rescinded, and imposes new and significant taxes on health insurers and health care benefits. Due to the breadth and complexity of the health reform legislation, the current lack of implementing regulations and interpretive guidance, and the phased-in nature of the implementation, it is difficult to predict the overall effect of the statute and related regulations on the business over the coming years. Possible adverse effects of the health reform legislation include increased costs, exposure to expanded liability and requirements for the Company to revise ways in which it conducts business.

The Company's business may be adversely affected by the failure to identify suitable store locations and acceptable lease terms.

To take advantage of customer traffic and the shopping preferences of customers, the Company needs to obtain and retain stores in desirable locations such as in regional and neighborhood malls anchored by major department stores. The Company cannot be certain that desirable mall locations will continue to be available. Several large landlords dominate the ownership of prime malls in the United States and because of the dependence upon these landlords for a substantial number of the Company's locations, any significant erosion of the relationships with these landlords or their financial condition would negatively affect the ability to obtain and retain store locations. Additionally, further landlord consolidation may negatively affect the ability to obtain and retain store locations at acceptable lease terms. The Company's average lease term remaining for all stores is relatively short (average remaining term of 3.5 years). Due to the short-term nature, the Company is subject to potential market changes, which could increase occupancy costs and adversely affect profitability.

The Company's inability to implement its strategic growth initiatives may have an adverse impact on future results.

The Company's ability to succeed in its strategic growth initiatives could require significant capital investment and management attention, which may result in the diversion of these resources from the core business and other business issues and opportunities. Additionally, any new initiative is subject to certain risks including customer acceptance, competition, product differentiation, challenges to economies of scale in merchandise sourcing and the ability to attract and retain qualified personnel, including management. There can be no assurance that the Company will be able to develop and successfully implement its strategic growth initiatives to a point where they will become profitable, or generate positive cash flow. If the Company cannot successfully execute its strategic growth initiatives, the Company's financial condition and results of operations may be adversely impacted.

A major failure of information systems could adversely affect the Company's business.

The efficient operation of the Company's business is dependent on information systems. In particular, the Company relies on information systems to effectively manage sales, distribution, merchandise planning and allocation functions. The Company possesses offsite recovery capabilities for its information systems. The failure of information systems to perform as designed could disrupt the Company's business and adversely affect sales and profitability.

Unauthorized disclosure of sensitive or confidential customer information, whether through a breach of the Company's computer system or otherwise, could harm the Company's business.

As part of the normal course of business, the Company collects, processes and retains sensitive and confidential customer information. Despite the security measures that are in place, the Company's facilities and systems, and those of its third party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential information, whether by the Company or its third party service providers, could damage the Company's reputation, expose the Company to the risks of litigation and liability, disrupt operations and harm the Company's business.

Because the Company's stock price may be volatile, it could experience substantial declines.

The market price of the Company's common stock has historically experienced and may continue to experience volatility. The Company's quarterly operating results, changes in general conditions in the economy or the financial markets, and other developments affecting the Company, its key vendors or competitors, could cause the market price of the Company's common stock to fluctuate substantially. In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has affected the market prices of securities issued by many companies; often for reasons unrelated to their operating performance, and may adversely affect the price of the Company's common stock.

Anti-takeover provisions under the Indiana Business Corporation Law and the Company's Restated Articles of Incorporation and Bylaws may render more difficult the accomplishment of mergers or the assumption of control by a principal shareholder, making more difficult the removal of management.

Certain provisions of the Indiana Business Corporation Law (the "IBCL"), specifically the constituent interests provision in Section 23-1-35-1 of the IBCL, the control share acquisitions provisions in Sections 23-1-42-1 to 23-1-42-11 of the IBCL, the business combination provisions in Sections 23-1-43-1 to 23-1-43-24, and certain provisions of the Company's Restated Articles of Incorporation and Bylaws, specifically the provisions creating high vote common stock (the Class B Common Stock), the provisions regarding preferred stock, the provisions requiring a supermajority vote for certain business combinations and for certain amendments to the Restated Articles of Incorporation, the provisions requiring approval of certain transactions by the continuing directors, the provisions for a staggered board and the provisions limiting removal of directors to removal for cause, may have the effect of discouraging an unsolicited attempt by another person or entity to acquire control of the Company. These provisions may make mergers, tender offers, the removal of management, and certain other transactions more difficult or more costly and could discourage or limit shareholder participation in such types of transactions, whether or not such transactions are favored by the majority of the shareholders. The provisions also could limit the price that investors might be willing to pay in the future for shares of the Company's common stock. Further, the existence of these anti-takeover measures may cause potential bidders to look elsewhere, rather than initiating acquisition discussions with the Company. Any of these factors could reduce the price of the Company's common stock.

Other factors may negatively affect the Company's business.

The foregoing list of risk factors is not exclusive. Other factors and unanticipated events could adversely affect the Company. The Company does not undertake any obligation to revise any forward-looking statement to reflect events or circumstances that occur after the date the statement is made.

Item 1B—Unresolved Staff Comments

Not Applicable.

Item 2—Properties

The Company's corporate headquarters and distribution center are located on 54 acres in Indianapolis, Indiana. The facility consists of 142,000 square feet of office space and 647,000 square feet of warehouse space. The facility, which is owned by the Company, was designed and constructed to the Company's specifications and includes automated conveyor and storage rack systems, a high speed shipping sorter and a tilt-tray sortation system designed to reduce labor costs, increase efficiency in processing merchandise and enhance space productivity.

Store Locations

At April 15, 2011, the Company operated 660 stores in 47 states. The Company's stores are primarily located in enclosed shopping malls. The following table sets forth information concerning the Company's stores.

State		State	
Alabama	12	Nebraska	6
Arizona	12	Nevada	5
Arkansas	6	New Hampshire	4
California	44	New Jersey	14
Colorado	15	New Mexico	4
Connecticut	8	New York	31
Delaware	1	North Carolina	18
Florida	47	North Dakota	2
Georgia	19	Ohio	38
Idaho	2	Oklahoma	7
Illinois	35	Oregon	2
Indiana	24	Pennsylvania	38
Iowa	9	Rhode Island	1
Kansas	9	South Carolina	10
Kentucky	8	South Dakota	1
Louisiana	10	Tennessee	19
Maine	1	Texas	60
Maryland	17	Utah	2
Massachusetts	15	Virginia	26
Michigan	24	Washington	9
Minnesota	7	West Virginia	7
Mississippi	5	Wisconsin	11
Missouri	13	Wyoming	1
Montana	1		
		Total	660

The Company leases all of its stores. Initial lease terms for the Company's stores are generally 10 years in duration without renewal options, although some of the stores are subject to leases for five years with one or more renewal options. The leases generally provide for a fixed minimum rental plus contingent rent, which is determined as a percentage of gross sales in excess of specified levels.

Item 3—Legal Proceedings

The Company is subject from time to time to certain legal proceedings and claims in the ordinary course of conducting its business. The Company will record a liability related to its legal proceedings and claims when it has determined that it is probable that the Company will be obligated to pay and the related amount can be reasonably estimated, and it will disclose the related facts in the footnotes to its financial statements, if material. If the Company determines that an obligation is reasonably possible, the Company will, if material, disclose the nature of the loss contingency and the estimated range of possible loss, or include a statement that no estimate of loss can be made. The Company believes there are no pending legal proceedings in which the Company is currently involved which will have a material adverse effect on the Company's financial position, results of operations or cash flow.

Item 4—(Removed and Reserved)

Item 4.5—Directors and Executive Officers of the Registrant

Name	Age	Position	Officer or Director Since
Glenn S. Lyon	60	Chairman and Chief Executive Officer	2001
Steven J. Schneider	55	President and Chief Operating Officer	1989
Samuel M. Sato(1)	47	President and Chief Merchandising Officer	2007
Edward W. Wilhelm	52	Executive Vice President—Chief Financial Officer	2009
Gary D. Cohen	58	Chief Administrative Officer	1997
Donald E. Courtney(2)	56	President, E-Commerce	1989
George S. Sanders	53	Executive Vice President—Real Estate and Store Development	1994
Michael L. Marchetti	60	Executive Vice President—Store Operations	1995
Stephen Goldsmith(6)(7)	64	Director	1999
Bill Kirkendall(3)(4)(8)	57	Director	2001
William Carmichael(3)(5)(9)	67	Director	2003
Catherine Langham(4)(6)(10)	53	Director	2006
Dolores Kunda(4)(6)(11)	55	Director	2008
Norman Gurwitz(3)(4)(12)	63	Director	2009
Richard Crystal(6)(13)	66	Director	2009
Mark Landau(3)(14)	53	Director	2010

(1) Mr. Sato has served as President and Chief Marketing Officer since August 2010. Previously he had served as Executive Vice President-Chief Merchandising Officer since joining the Company in March 2007.

(2) On April 11, 2011, the Company announced the retirement of Donald E. Courtney as President, E-Commerce, following a transition period. Mr. Courtney will remain in his current position throughout the transition period as the Company conducts a search for his successor.

(3) Member of the Audit Committee.

(4) Member of the Compensation Committee.

(5) Member of the Finance Committee.

(6) Member of the Governance and Nominating Committee.

(7) Mr. Goldsmith is currently the Deputy Mayor of Operations of New York City and Daniel Paul Professor of Government and Director of the Innovations in American Government Program at Harvard's Kennedy School of Government.
(8) Mr. Kirkendall is a Partner in Golf Resources Group.
(9) Mr. Carmichael currently serves as Chairman of the Board of Trustees of the Columbia Funds Series Trust, Banc of America Funds Trust, Columbia Funds Master Investment Trust, and Columbia Funds Variable Insurance Trust I.
(10) Ms. Langham is the co-founder, President and Chief Executive Officer of the global logistics firm Langham Logistics, Inc.
(11) Ms. Kunda is the founder, President and Chief Executive Officer of Lapiz Integrated Hispanic Marketing.
(12) Mr. Gurwitz is an advisor to Emmis Communications Corporation.
(13) Mr. Crystal is the former Chairman and Chief Executive Officer of women's clothing retailer New York & Company.
(14) Mr. Landau is Managing Director and Head of CRE Banking Americas for Deutsche Bank Securities, Inc.

PART II

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

The Class A Common Stock is traded on the Nasdaq Global Select Market under the symbol FINL. There is no established public trading market for the Company's Class B Common Stock.

The following table sets forth, for the periods indicated, the range of high and low sale prices for the Company's Class A Common Stock as reported by the Nasdaq Stock Market.

	Fiscal 2011		Fiscal 2010	
Quarter Ended	**High**	**Low**	**High**	**Low**
May	$18.11	$11.37	$ 8.65	$4.06
August	17.35	11.78	9.15	6.70
November	18.47	12.85	11.72	8.01
February	19.48	14.96	13.07	8.70

As of April 15, 2011, there were approximately 4,369 record holders of Class A Common Stock and 37 record holders of Class B Common Stock. The number of Class A Common Stock record holders excludes the beneficial owners of shares held in "street" names or held through participants in depositories. All shares of Class B Common Stock are held by the founding shareholders, their family members, directors, officers and other key employees.

On January 19, 2011, the Company's Board of Directors increased its quarterly cash dividend by 25% to $0.05 per share of Class A and Class B Common Stock. The Company declared dividends of $9.1 million and $7.1 million during fiscal 2011 and 2010, respectively. As of February 26, 2011 and February 27, 2010, dividends declared but not paid of $2.7 million and $2.2 million, respectively, were accrued in "Other liabilities and accrued expenses" on the Consolidated Balance Sheets. The Company plans to grow its dividend on an annual basis, funded from cash generated by the Company's core business. The Company expects to continue to pay dividends on a quarterly basis, however further declarations of dividends remain at the discretion of the Company's Board of Directors.

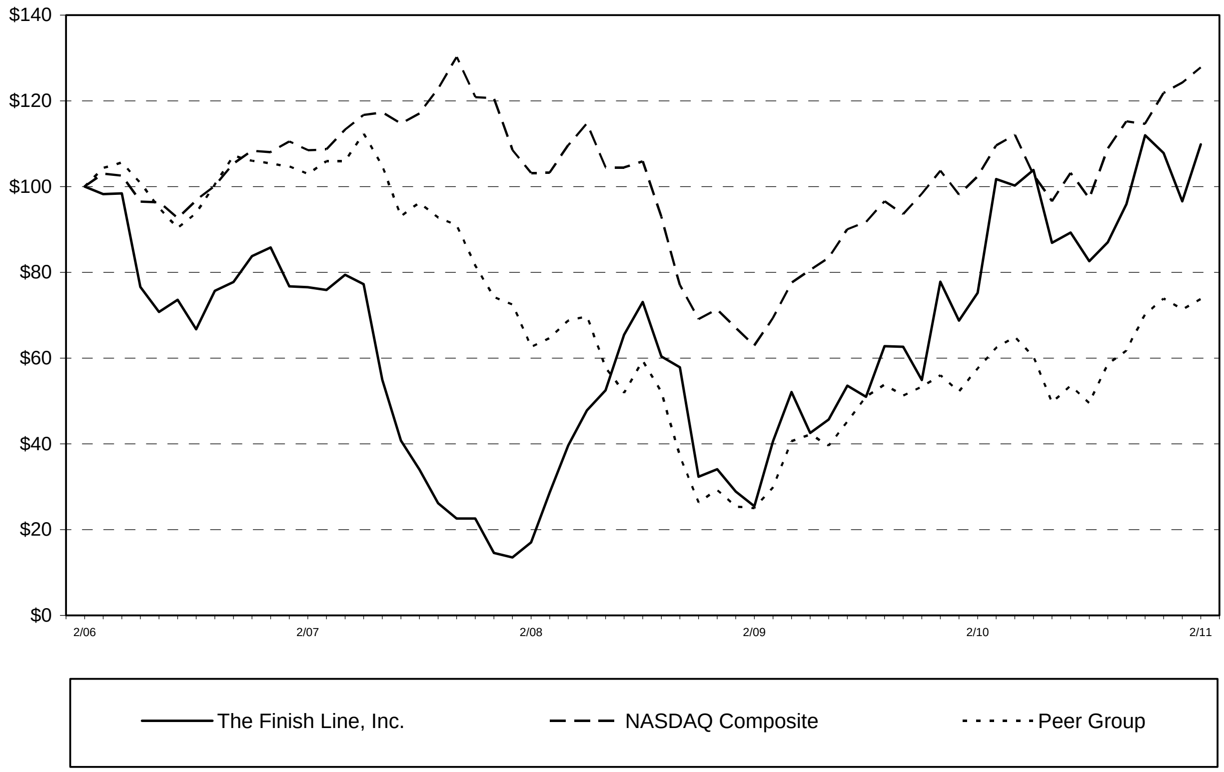
On July 17, 2008, the Company's Board of Directors authorized a stock repurchase program to repurchase up to 5.0 million shares of the Company's Class A Common Stock. Under the stock repurchase program, the Company may purchase shares through December 31, 2011. During the thirteen weeks ended February 26, 2011, the Company repurchased 0.4 million shares of its Class A Common Stock at an average price of $15.62 per share for an aggregate amount of $6.2 million. Information on the shares repurchased under the program during the fourth quarter of fiscal 2011 is as follows:

Month	**Total Number of Shares Purchased**	**Average Price Paid per Share(1)**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Program**
November 28, 2010 – January 1, 2011	—	$ —	—	2,423,713
January 2, 2011 – January 29, 2011	—	$ —	—	2,423,713
January 30, 2011 – February 26, 2011	399,707	$15.62	399,707	2,024,006
	399,707	$15.62	399,707	

(1) – The average price paid per share includes any brokerage commissions.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN(1)

AMONG THE FINISH LINE, INC., THE NASDAQ STOCK MARKET (U.S.) INDEX
AND A PEER GROUP(2)



(1) $100 invested on 2/28/06 in stock or index including reinvestment of dividends.

(2) Peer group is: Standard Industrial Classification Codes 5940 through 5949 (actively trading issues during relevant period). SIC codes beginning with 594 represent miscellaneous Shopping Goods Stores which, in management's opinion, most closely represents the peer group of the Company.

Item 6—Selected Financial Data

	Year Ended				
	February 26, 2011	February 27, 2010	February 28, 2009	March 1, 2008	March 3, 2007
	(in thousands, except per share and store operating data)				
Statement of Operations Data(6):					
Net sales	$1,229,002	$1,172,415	$1,194,657	$1,200,863	$1,262,606
Cost of sales (including occupancy costs)	815,073	793,556	828,139	843,288	878,092
Gross profit	413,929	378,859	366,518	357,575	384,514
Selling, general and administrative expenses	302,718	297,323	312,011	318,227	314,763
Store closing costs	350	2,707	492	307	459
Terminated merger-related (income) cost, net	—	—	(1,969)	91,354	—
Impairment charges	1,228	6,771	6,118	4,551	3,559
Operating income (loss)	109,633	72,058	49,866	(56,864)	65,733
Interest income, net	508	322	814	1,380	1,027
Income (loss) from continuing operations before income taxes	110,141	72,380	50,680	(55,484)	66,760
Income tax expense (benefit)(7)	41,277	21,547	20,278	(13,613)	25,230
Income (loss) from continuing operations	$ 68,864	$ 50,833	$ 30,402	$ (41,871)	$ 41,530
Earnings Per Share Data(6):					
Basic income (loss) from continuing operations per share	$ 1.28	$ 0.92	$ 0.56	$ (0.89)	$ 0.87
Diluted income (loss) from continuing operations per share	$ 1.26	$ 0.92	$ 0.55	$ (0.89)	$ 0.87
Dividends declared per share	$ 0.17	$ 0.13	$ 0.09	$ 0.025	$ 0.10
Share Data:					
Basic weighted-average shares	52,979	54,221	53,846	47,196	47,250
Diluted weighted-average shares(1)	53,775	54,597	54,108	47,196	47,757
Selected Store Operating Data(5):					
Number of stores					
Opened during year	11	5	9	18	40
Closed during year	(13)	(28)	(17)	(11)	(7)
Open at end of year	664	666	689	697	690
Total square feet(2)	3,564,277	3,590,780	3,746,413	3,854,733	3,833,996
Average square feet per store(2)	5,368	5,392	5,437	5,530	5,557
Net sales per square foot for comparable stores(4)	$ 317	$ 298	$ 297	$ 300	$ 326
Increase (decrease) in comparable store net sales(3)	6.3%	(0.5)%	0.3%	(4.5)%	(5.9)%
Balance Sheet Data:					
Working capital	$ 383,264	$ 328,664	$ 279,237	$ 234,747	$ 237,490
Total assets	$ 664,845	$ 610,268	$ 598,733	$ 643,047	$ 656,636
Total debt	$ —	$ —	$ —	$ —	$ —
Shareholders' equity	$ 490,245	$ 442,150	$ 424,394	$ 420,866	$ 449,278

(1) Consists of weighted-average common and common equivalent shares outstanding for the year.
(2) Computed as of the end of each fiscal year.
(3) Calculation includes all stores that are open at the year-end and that have been open more than one year. Accordingly, stores opened and closed during the year are not included. Calculation includes internet sales.
(4) Calculation includes all stores that are open at the year-end and that have been open more than one year. Accordingly, stores opened and closed during the year are not included. Calculation excludes internet sales. Calculated excluding sales for the 53rd week in fiscal 2007.
(5) Man Alive and Paiva stores are excluded from all selected store operating data.
(6) Amounts are from continuing operations only and therefore exclude results of Man Alive and Paiva, which are included in discontinued operations.
(7) Fiscal 2010 amount includes a $6.5 million one-time tax benefit regarding the tax treatment of the terminated merger and litigation expenses.

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

Executive Summary

Fiscal 2011 was an outstanding year for the Company, punctuated by several highlights discussed below. The Company has continued to execute its strategic plan, which was put in place two years ago to help the Company focus on and deliver results that meet or exceed its goals and key financial targets. By consistently and aggressively executing this strategic plan, the Company is delivering on its mission to drive long-term shareholder value.

The Company's results have been exceptionally strong, putting the Company at or near historical highs on several key performance metrics: Operating margins, as a percentage of net sales, ended fiscal 2011 at 9%, which is well on the way to achieving the Company's goal for annual double-digit operating performance. Product margins grew again in fiscal 2011 to a new historical high. The Company achieved its inventory turn goal of three times in fiscal 2011 and expects to maintain this inventory turn. Inventory aging ended the year in the best position it has ever been in the company's history. Shrink fell to the lowest level ever as a percentage of net sales. Internet sales hit the highest level ever as a percentage of total net sales. The rest of fiscal 2011 highlights from continuing operations were as follows:

- Net sales increased 4.8% to $1,229.0 million in fiscal 2011 compared to $1,172.4 million in fiscal 2010.
    - Comparable store net sales for fiscal 2011 increased 6.3%.
    - Internet sales (which are included in comparable store net sales) increased by 29.5% and the Company expects similar growth in fiscal 2012.
    - Conversion within the stores increased 1.0% and is expected to be up low single-digit in fiscal 2012.
    - Average dollar per transaction increased 5.7% and is expected to increase by low single-digit in fiscal 2012.
    - Store traffic decreased 1.6% and is expected to decrease low single-digit again in fiscal 2012.
    - Net sales per square foot for comparable stores of $317.
- Gross profit was $413.9 million (33.7% of net sales) in fiscal 2011 compared to $378.9 million (32.3% of net sales) in fiscal 2010.
    - 0.3% increase in product margin as a percentage of net sales.
    - Fiscal 2011 product margin percentage was a historical high and the Company expects modest growth in fiscal 2012.
    - Occupancy costs lowered by 1.1% as a percentage of net sales.
    - Occupancy costs in dollars decreased by 4.1% in fiscal 2011 and is expected to be flat in dollars in fiscal 2012.
- SG&A expenses were $302.7 million (24.6% of net sales) in fiscal 2011 compared to $297.3 million (25.4% of net sales) in fiscal 2010.
    - 0.8% improvement as a percentage of net sales.
    - $5.4 million increase in dollars, or 1.8% on sales increase of 4.8%.
    - Investments in certain strategic areas to drive increased sales productivity are expected to result in a low to mid-single digit percentage increase in SG&A dollars in fiscal 2012.

- Operating income was $109.6 million (9.0% of net sales) in fiscal 2011 compared to $72.1 million (6.1% of net sales) in fiscal 2010.
  - $37.5 million improvement over fiscal 2010 or 52.0%.
  - 2.9% improvement as a percentage of net sales.
- Income from continuing operations was $68.9 million (5.6% of net sales) in fiscal 2011 compared to $50.8 million (4.3% of net sales) in fiscal 2010.
  - $18.1 million improvement over fiscal 2010 or 35.6%.
  - Fiscal 2010 included a $6.5 million one-time tax benefit related to the tax treatment of the terminated merger and litigation expenses.
  - Diluted income from continuing operations per share of $1.26 in fiscal 2011 compared to $0.92 in fiscal 2010.
- Cash and cash equivalents were $299.3 million at February 26, 2011 with no interest bearing debt.
  - Generated cash from operations of $108.6 million in fiscal 2011.
  - Capital expenditures were $19.1 million in fiscal 2011.
  - Paid $8.6 million of dividends to shareholders in fiscal 2011.
  - Repurchased $22.2 million of common stock during fiscal 2011.
- Opened 11 new stores and closed 13 during fiscal 2011, ending the year with 664 stores.

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates these estimates, including those related to the valuation of inventories, the potential impairment of long-lived assets and income taxes. The Company bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Management believes the following critical accounting policies affect the more significant judgments and estimates used in preparation of its consolidated financial statements.

Costs of Sales. Costs of sales include the cost associated with acquiring merchandise from vendors, occupancy costs, provision for inventory shortages, and credits and allowances from our merchandise vendors. Cash consideration received from merchandise vendors after the related merchandise has been sold is recorded as an offset to cost of sales in the period negotiations are finalized. For cash consideration received on merchandise still in inventory, the allowance is recorded as a reduction to the cost of on-hand inventory and recorded as a reduction of our cost of sales at the time of sale.

Because the Company does not include the costs associated with operating its distribution facility and freight within cost of sales, the Company's gross profit may not be comparable to those of other retailers that may include all costs related to their distribution facilities in costs of sales and in the calculation of gross profit.

Valuation of Inventories. Merchandise inventories are valued at the lower of cost or market using a weighted-average cost method, which approximates the first-in, first-out method. The Company's valuation of inventory includes markdown adjustments for merchandise that will be sold below cost and the impact of shrinkage. Markdowns are based upon historical information and assumptions about future demand and market conditions. Shrinkage is based on historical information and assumptions as to current shrink trends. It is possible that changes to the markdowns and shrinkage estimates could be required in future periods due to changes in market conditions.

Impairment of Long-Lived Assets. The Company reviews its long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company considers historical performance and future estimated results in its evaluation of potential impairment and then compares the carrying amount of the asset to the estimated non-discounted future cash flows expected to result from the use of the asset. If such assets are considered to be impaired, the impairment recognized is measured by comparing projected individual store discounted cash flows to the asset carrying values. The estimation of fair value is measured by discounting expected future cash flows at the discount rate the Company utilizes to evaluate potential investments. Actual results may differ from these estimates and as a result the estimation of fair values may be adjusted in the future.

Operating Leases. The Company leases retail stores under operating leases. Many lease agreements contain rent holidays, rent escalation clauses and/or contingent rent provisions. The Company recognizes rent expense for minimum lease payments 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. The Company uses a time period for its straight-line rent expense calculation that equals or exceeds the time period used for depreciation. In addition, the commencement date of the lease term is the earlier of the date when the Company becomes legally obligated for the rent payments or the date when the Company takes possession of the leased space for buildout. Contingent rents are determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability in "Other liabilities and accrued expenses" on the Consolidated Balance Sheets and the corresponding rent expense when specified levels have been achieved or when management determines that achieving the specified levels during the fiscal year is probable.

Income Taxes. The Company accounts for income taxes under the asset and liability method. Under this method, the amount of taxes currently payable or refundable are accrued and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable loss and tax credit carryforwards. These deferred tax assets are reduced by a valuation allowance, which is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In addition, management is required to estimate taxable income for future years by taxing jurisdictions and to consider this when making its judgment to determine whether or not to record a valuation allowance for part or all of a deferred tax asset. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in our Consolidated Statements of Income in the period that includes the enactment date.

The Company's income tax returns, like those of most companies, are periodically audited by tax authorities. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. The Company records an accrual for exposures after evaluating the positions associated with its various income tax filings. A number of years may elapse before a particular matter for which the Company has established an accrual is audited and fully resolved or clarified. The Company adjusts its accrual for uncertain tax positions and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from its established accrual, the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available. Accruals of uncertain tax positions require management to make estimates and judgments with respect to the ultimate outcome of tax audits. Actual results could vary from these estimates.

Recent Accounting Pronouncements. Recently issued accounting pronouncements did not, or are not believed by management to, have a material effect on the Company's present or future consolidated financial statements.

Results of Operations

General. The following discussion and analysis should be read in conjunction with the information set forth under "Selected Financial Data" and the Consolidated Financial Statements and Notes thereto included elsewhere herein. Unless otherwise noted, all amounts reflect the results of the Company's continuing operations and therefore Man Alive and Paiva results have been excluded from the following information because they are reported as discontinued operations for all periods presented.

The following table sets forth net sales of the Company by major category for each of the following years (in thousands):

	Year Ended					
Category	**February 26, 2011**		**February 27, 2010**		**February 28, 2009**	
Footwear	$1,056,586	86%	$1,005,166	86%	$1,023,009	86%
Softgoods	172,416	14%	167,249	14%	171,648	14%
Total	$1,229,002	100%	$1,172,415	100%	$1,194,657	100%

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Fiscal 2011 Compared to Fiscal 2010.

Net Sales

	Year Ended	
	February 26, 2011	February 27, 2010
	(dollars in thousands)	
Net sales	$1,229,002	$1,172,415
Comparable store net sales increase (decrease)	6.3%	(0.5)%

Net sales increased 4.8% for fiscal 2011 compared to fiscal 2010. The increase was primarily a result of a comparable store net sales increase of 6.3% during fiscal 2011 offset partially by a decrease in net sales resulting from a net decrease in store count the past 2 years as the Company has closed more stores than it has opened. Comparable footwear net sales increased 6.5% for fiscal 2011 primarily driven by a 4.9% increase in average selling price and a 1.0% increase in store conversion, offset partially by a decline in store traffic. Comparable softgoods net sales increased by 4.7% for fiscal 2011. The increase was a result of the Company's efforts over the past couple of years to improve the apparel business by improving inventory turns and moving into more premium brands.

Cost of Sales (Including Occupancy Costs) and Gross Profit

	Year Ended	
	February 26, 2011	February 27, 2010
	(dollars in thousands)	
Cost of sales (including occupancy costs)	$815,073	$793,556
Gross profit	$413,929	$378,859
Gross profit as a percentage of net sales	33.7%	32.3%

The 1.4% increase in gross profit, as a percentage of net sales, was a result of a 1.1% decrease in occupancy costs as a percentage of net sales and a 0.3% increase in product margin as a percentage of net sales. The 1.1% decrease in occupancy costs as a percentage of net sales is primarily the result of leveraging the 6.3% comparable store net sales increase and continuing to work with our landlords to negotiate mutually acceptable terms. The 0.3% increase in product margin as a percentage of net sales is primarily the result of disciplined inventory management which led to being less promotional and improved inventory turns which resulted in improved sell through at full retail on premium product.

Selling, General and Administrative Expenses

	Year Ended	
	February 26, 2011	February 27, 2010
	(dollars in thousands)	
Selling, general and administrative expenses	$302,718	$297,323
Selling, general and administrative expenses as a percentage of net sales	24.6%	25.4%

The $5.4 million, or 1.8%, increase in selling, general and administrative expenses was primarily due to an increase in variable selling costs due to the 4.8% increase in net sales and higher incentive compensation costs, partially offset by a decrease in depreciation, repairs and maintenance, supplies and other areas due to targeted cost reductions and reduced store levels. The decrease in selling, general and administrative expenses as a percentage of net sales was primarily due to expense leveraging with the 6.3% increase in comparable store net sales as well as a continued focus on controlling expenses.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Store Closing Costs

	Year Ended	
	February 26, 2011	February 27, 2010
	(dollars in thousands)	
Store closing costs	$350	$2,707
Store closing costs as a percentage of net sales	— %	0.2%
Number of stores closed	13	28

Store closing costs represent the non-cash write-off of any fixtures and equipment upon a store closing. The $2.3 million decrease in store closing costs is a function of less stores closed during fiscal 2011 compared to fiscal 2010 as well as that the stores closed during fiscal 2011 had little remaining book value.

Impairment Charges

	Year Ended	
	February 26, 2011	February 27, 2010
	(dollars in thousands)	
Impairment charges	$1,228	$6,771
Impairment charges as a percentage of net sales	0.1%	0.6%
Number of stores impaired	5	21

These impairment charges represent the non-cash write-off of long-lived assets on underperforming stores. The decrease in impairment charges during fiscal 2011 compared to fiscal 2010 is due to less stores impaired year over year. The Company has closed several underperforming stores in the last 2 years.

Interest Income, Net

	Year Ended	
	February 26, 2011	February 27, 2010
	(dollars in thousands)	
Interest income, net	$508	$322
Interest income, net as a percentage of net sales	— %	— %

The increase of $0.2 million was due to higher invested balances and higher earned interest rates for fiscal 2011 compared to fiscal 2010.

Income Taxes

	Year Ended	
	February 26, 2011	February 27, 2010
	(dollars in thousands)	
Income tax expense	$41,277	$21,547
Income tax expense as a percentage of net sales	3.4%	1.8%
Effective income tax rate	37.5%	29.8%

The change in effective tax rate reflects a one-time tax benefit of $6.5 million in fiscal 2010 related to the Company finalizing a favorable agreement with the Internal Revenue Service regarding the income tax treatment of the terminated merger and litigation expenses (see Note 6 to the Company's Consolidated Financial Statements).

Income from Continuing Operations

	Year Ended February 26, 2011	Year Ended February 27, 2010
	(dollars in thousands)	
Income from continuing operations	$68,864	$50,833
Income from continuing operations as a percentage of net sales	5.6%	4.3%
Income from continuing operations per diluted share	$ 1.26	$ 0.92

The $18.0 million increase in income from continuing operations for fiscal 2011 compared to fiscal 2010 is attributable to the 4.8% net sales improvement, maximizing product margins and managing expenses as discussed earlier, offset partially by the one-time tax benefit of $6.5 million recorded in fiscal 2010 as discussed earlier.

Loss from Discontinued Operations

	Year Ended February 26, 2011	Year Ended February 27, 2010
	(dollars in thousands)	
Loss from discontinued operations, net of income taxes	$(30)	$(15,161)

For fiscal 2010, the loss from discontinued operations includes operating losses of $5.6 million as well as $18.3 million related to the loss on the sale of Man Alive. This $18.3 million loss was made up of a $7.7 million purchase price rebate ("Purchase Price Rebate"), $7.4 million inventory write-off, $6.7 million property and equipment write-off, and $2.4 million in other charges, partially offset by the reversal of "Deferred credits from landlords" of $5.9 million. The $23.9 million of loss from discontinued operations was offset partially by an income tax benefit of $8.7 million (see Note 3 to the Company's Consolidated Financial Statements).

Fiscal 2010 Compared to Fiscal 2009.

Net Sales

	Year Ended February 27, 2010	Year Ended February 28, 2009
	(dollars in thousands)	
Net sales	$1,172,415	$1,194,657
Comparable store net sales (decrease) increase	(0.5)%	0.3%

Net sales decreased 1.9% in fiscal 2010 compared to fiscal 2009. The decrease was primarily a result of a comparable store net sales decrease of 0.5% during fiscal 2010 and an additional $8.3 million decrease attributable to a decrease in the total number of stores open during the year from 689 stores at the end of fiscal 2009 to 666 stores at the end of fiscal 2010. This decrease was partially offset by an increase of $3.4 million from the 9 existing stores open for only part of fiscal 2009 and a $2.6 million change in estimate for gift card forfeitures. Comparable footwear net sales decreased 0.4% for fiscal 2010 primarily driven by a decline in store traffic, partially offset by a 4.5% increase in average selling price. Comparable softgoods net sales decreased by 0.8% for fiscal 2010. During the first half of fiscal 2010 comparable softgoods net sales decreased primarily due to the Company's efforts to improve inventory turns and offerings within softgoods. The Company rebounded in the second half of fiscal 2010 with two straight quarters of positive comparable softgoods net sales. The increase was a result of the Company's efforts over the past couple of years to improve the apparel business by increasing inventory turns and moving into more premium brands.

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Cost of Sales (Including Occupancy Costs) and Gross Profit

	Year Ended	
	February 27, 2010	February 28, 2009
	(dollars in thousands)	
Cost of sales (including occupancy costs)	$793,556	$828,139
Gross profit	$378,859	$366,518
Gross profit as a percentage of net sales	32.3%	30.7%

The 1.6% increase in gross profit, as a percentage of net sales, was a result of a 1.1% increase in product margin as a percentage of net sales, a 0.4% decrease in occupancy costs as a percentage of net sales and a 0.1% decrease in inventory shrink as a percentage of net sales. The 1.1% increase in product margin as a percentage of net sales was primarily the result of disciplined inventory management which led to being less promotional and improved inventory turns, improved sell through at full retail by focusing on premium product and also obtaining vendor support. The 0.4% decrease in occupancy costs as a percentage of net sales was primarily the result of reduced occupancy dollars of 4.8% by improving the productivity of the real estate.

Selling, General and Administrative Expenses

	Year Ended	
	February 27, 2010	February 28, 2009
	(dollars in thousands)	
Selling, general and administrative expenses	$297,323	$312,011
Selling, general and administrative expenses as a percentage of net sales	25.4%	26.1%

The $14.7 million decrease in selling, general and administrative expenses was primarily attributable to a decrease in payroll, depreciation, freight and supplies due to targeted cost reductions and reduced store levels.

Store Closing Costs

	Year Ended	
	February 27, 2010	February 28, 2009
	(dollars in thousands)	
Store closing costs	$2,707	$492
Store closing costs as a percentage of net sales	0.2%	0.1%
Number of stores closed	28	17

Store closing costs represent the non-cash write-off of any fixtures and equipment upon a store closing. The $2.2 million increase in store closing costs was due to the Company getting more aggressive in closing underperforming stores earlier in the leases through co-tenancy violations and sales kick-out provisions.

Terminated Merger-Related Income, Net

	Year Ended	
	February 27, 2010	February 28, 2009
	(dollars in thousands)	
Terminated merger-related income, net	$—	$(1,969)
Terminated merger-related income, net as a percentage of net sales	— %	0.2%

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Terminated merger-related income in fiscal 2009 related to the final resolution of transaction expenses associated with the terminated merger (see Note 2 to the Company's Consolidated Financial Statements). The Company does not expect to incur any significant ongoing costs relating to this matter.

Impairment Charges

	Year Ended	
	February 27, 2010	February 28, 2009
	(dollars in thousands)	
Impairment charges	$6,771	$6,118
Impairment charges as a percentage of net sales	0.6%	0.5%
Number of stores impaired	21	17

These impairment charges represent the non-cash write-off of long-lived assets on underperforming stores.

Interest Income, Net

	Year Ended	
	February 27, 2010	February 28, 2009
	(dollars in thousands)	
Interest income, net	$322	$814
Interest income, net as a percentage of net sales	— %	— %

The $0.5 million decrease was due to lower interest rates earned, partially offset by higher invested balances for fiscal 2010 compared to fiscal 2009.

Income Taxes

	Year Ended	
	February 27, 2010	February 28, 2009
	(dollars in thousands)	
Income tax expense	$21,547	$20,278
Income tax expense as a percentage of net sales	1.8%	1.7%
Effective income tax rate	29.8%	40.0%

The change in effective tax rate reflects a one-time tax benefit of $6.5 million in fiscal 2010 related to the Company finalizing a favorable agreement with the Internal Revenue Service regarding the income tax treatment of the terminated merger and litigation expenses (see Note 6 to the Company's Consolidated Financial Statements).

Income from Continuing Operations

	Year Ended	
	February 27, 2010	February 28, 2009
	(dollars in thousands)	
Income from continuing operations	$50,833	$30,402
Income from continuing operations as a percentage of net sales	4.3%	2.5%
Income from continuing operations per diluted share	$ 0.92	$ 0.55

The $20.4 million increase in income from continuing operations for fiscal 2010 compared to fiscal 2009 is attributable to maximizing product margins and managing expenses as discussed above, along with the one-time tax benefit of $6.5 million recorded in fiscal 2010 as discussed above offset partially by the decline in net sales.

Loss from Discontinued Operations

	Year Ended	
	February 27, 2010	February 28, 2009
	(dollars in thousands)	
Loss from discontinued operations, net of income taxes	$(15,161)	$(26,644)

For fiscal 2010, the loss from discontinued operations includes operating losses of $5.6 million as well as $18.3 million related to the loss on the sale of Man Alive. This $18.3 million loss was made up of a $7.7 million purchase price rebate ("Purchase Price Rebate"), $7.4 million inventory write-off, $6.7 million property and equipment write-off, and $2.4 million in other charges, partially offset by the reversal of "Deferred credits from landlords" of $5.9 million. The $23.9 million of loss from discontinued operations was offset partially by an income tax benefit of $8.7 million. For fiscal 2009, the loss from discontinued operations includes operating losses of $13.6 million along with $26.5 million of impairment charges related to Man Alive's long-lived and intangible assets. The $40.1 million of loss from discontinued operations was partially offset by an income tax benefit of $13.5 million (see Note 3 to the Company's Consolidated Financial Statements).

Liquidity and Capital Resources. The Company's primary source of working capital is cash flow from operations. The following table sets forth material balance sheet and liquidity measures of the Company (dollars in thousands):

	February 26, 2011	February 27, 2010
Cash and cash equivalents	$299,323	$234,508
Merchandise inventories, net	$193,505	$190,894
Interest-bearing debt	$ —	$ —
Working capital	$383,264	$328,664

Operating Activities

Net cash provided by operations was $108.6 million, $157.5 million and $59.4 million for fiscal 2011, 2010 and 2009, respectively. At February 26, 2011, the Company had cash and cash equivalents of $299.3 million. This represents a $64.8 million increase in cash and cash equivalents from the $234.5 million at February 27, 2010. Cash equivalents are invested in short-term money market funds invested primarily in high-quality tax-exempt municipal instruments with daily liquidity. Net cash provided by operating activities decreased by $48.9 million in fiscal 2011 compared to fiscal 2010. This decrease is primarily attributable to a $27.1 million change in income tax payments due primarily to reduced payments in fiscal 2010 due to the utilization of net operating loss carryforwards, working capital improvement of $9.9 million of inventory, net of accounts payable compared to a working capital improvement of $38.0 million of inventory, net of accounts payable in fiscal 2010, offset partially by improved operating results in fiscal 2011 compared to fiscal 2010.

Merchandise inventories were $193.5 million at February 26, 2011 compared to $190.9 million at February 27, 2010. On a comparable per square foot basis, merchandise inventories increased 2.1% at February 26, 2011 compared to February 27, 2010.

Investing Activities

Capital expenditures were $19.1 million, $8.5 million and $14.7 million for fiscal 2011, 2010 and 2009, respectively. Expenditures in fiscal 2011 were primarily for the construction of 11 new Finish Line stores, the remodeling of 7 existing Finish Line stores, e-commerce website enhancements and various corporate technology upgrades.

The Company anticipates that total capital expenditures for the upcoming fiscal year will be approximately $35.0-$40.0 million. Of this amount, $25.0-$30.0 million is primarily for the construction of approximately 5-10 new Finish Line stores, the remodeling or expanding of 25-30 existing Finish Line stores, technology upgrades within our stores and additional Nike Track Club rollout. The remaining $10.0-$15.0 million is related to capital expenditures primarily at the corporate office, including IT system investments and e-commerce upgrades.

The Company estimates its cash requirement to open a new Finish Line store (averaging 4,000 – 5,000 square feet) to be approximately $0.7 million. This requirement includes approximately $0.5 million for fixtures, equipment, leasehold improvements and pre-opening expenses and approximately $0.3 million ($0.2 million net of payables) in new store inventory.

Financing Activities

The Company has an unsecured $50.0 million Revolving Credit Facility Agreement (the "Credit Agreement") with certain lenders, which expires on March 1, 2013. The Credit Agreement also provides that, under certain circumstances, the Company may increase the aggregate maximum amount of the credit facility by up to an additional $50.0 million. The Credit Agreement will be used by the Company to issue letters of credit. It is the Company's intention to support working capital needs and fund capital expenditures from operating cash flows and cash on hand in the foreseeable future.

Approximately $4.0 million in stand-by letters of credit was outstanding as of February 26, 2011 under the Credit Agreement. No advances were outstanding under the Credit Agreement as of February 26, 2011. Accordingly, the total revolving credit availability under the Credit Agreement was $46.0 million as of February 26, 2011.

The Company's ability to borrow monies in the future under the Credit Agreement is subject to certain conditions, including compliance with certain covenants and making certain representations and warranties. The Credit Agreement contains restrictive covenants that limit, among other things, mergers and acquisitions. In addition, the Company must maintain a minimum leverage ratio (as defined in the Credit Agreement) and minimum consolidated tangible net worth (as defined in the Credit Agreement). The Company was in compliance with all such covenants as of February 26, 2011.

To maintain availability of funds under the Credit Agreement, the Company will pay a 0.25% per annum commitment fee on the revolving credit commitments under the Credit Agreement.

The interest rates per annum applicable to amounts outstanding under the Credit Agreement at February 26, 2011 are, at the Company's option, either (a) the Base Rate as defined in the Credit Agreement (the "Base Rate") plus a margin of 0.50% per annum, or (b) the LIBOR Rate as defined in the Credit Agreement (the "LIBOR Rate") plus a margin of 1.50% per annum. The margin over the Base Rate and the LIBOR Rate under the Credit Agreement may be adjusted quarterly based on the consolidated leverage ratio of the Company, as calculated pursuant to the Credit Agreement. The maximum margin over the Base Rate under the Credit Agreement will be 1.0% per annum; the maximum margin over the LIBOR Rate under the Credit Agreement will be 2.0% per annum. Interest payments under the Credit Agreement are due on the interest payment dates specified in the Credit Agreement.

The obligations under the Credit Agreement generally are unsecured, except that, upon a Collateralization Event (as defined in the Credit Agreement), the Company will be deemed to have granted a security interest in the Collateral (as defined in the Credit Agreement), subject to certain specified liens. In certain circumstances, such security interest may be released (and may subsequently spring back into effect) depending on whether the Collateralization Event is continuing (or a new Collateralization Event has occurred). No Collateralization Events occurred during fiscal 2011.

Management believes that cash on hand of approximately $299.3 million as of February 26, 2011 and anticipated future operating cash flow will be sufficient to deliver on the Company's three strategic priorities to drive sales and earnings growth:

- Continue to grow the core Finish Line business;
- Expand beyond the core business to create long-term growth; and
- Drive shareholder returns through dividends and share repurchases.

To support these priorities, the Company has defined a four-part capital allocation strategy. The first part is to fund the growth of the core business from cash generated by operations. Second, the Company anticipates investing over time up to $150 million (or approximately half of the cash balance as of February 26, 2011) toward growth outside of the core business which could be merger and acquisition activity or organic growth and will leverage the Company's core competencies. Third, the Company plans to return excess cash to shareholders through dividends and share repurchases. The Company plans to grow its dividend on an annual basis, funded from cash generated by the core business. The Company also plans to be more aggressive with opportunistic share repurchases, using up to $75 million of the current cash balance for share repurchases over time. The final part of the capital allocation strategy is to maintain the Company's strong balance sheet to preserve financial strength, flexibility and security as well as a competitive edge. Although this is the current strategy and intention of management, there can be no assurances that the Company will not vary from this strategy or alter one or more components of this strategy in the event circumstances change or events occur throughout the year which are not currently contemplated. In such an event, the Company may invest or expend more or less monies than currently contemplated.

On July 17, 2008, the Company's Board of Directors authorized a new stock repurchase program to repurchase up to 5,000,000 shares of the Company's Class A common stock. Under the stock repurchase program, the Company may purchase shares through December 31, 2011. During fiscal 2011, the Company repurchased 1,586,281 shares of its Class A Common Stock at an average price of $13.97 per share for an aggregate amount of $22.2 million. Since the inception of the stock repurchase program, the Company has purchased 2,975,994 shares of its Class A Common Stock at an average price of $12.80 per share for an aggregate amount of $38.1 million, which leaves 2,024,006 shares remaining available to repurchase under the stock repurchase program. As of February 26, 2011, the Company holds as treasury shares 6,963,924 shares of its Class A Common Stock at an average price of $11.41 per share for an aggregate purchase amount of $79.4 million. The treasury shares may be issued upon the exercise of employee stock options, issuance of shares for the Employee Stock Purchase Plan, issuance of restricted stock, or for other corporate purposes. Further purchases will occur from time to time as market conditions warrant and as the Company deems appropriate when judged against other alternative uses of cash.

On January 19, 2011, the Company's Board of Directors increased its quarterly cash dividend to $0.05 per share of Class A and Class B common stock. The Company declared dividends of $9.1 million and $7.1 million during fiscal 2011 and 2010, respectively. As of February 26, 2011 and February 27, 2010, dividends declared but not paid were $2.7 million and $2.2 million, respectively. Further declarations of dividends remain at the discretion of the Company's Board of Directors.

Contractual Obligations

The following table summarizes the Company's long-term contractual obligations as of February 26, 2011 (in thousands):

		Payments Due by Fiscal Year				
	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years	Other
Contractual Obligations						
Operating Lease Obligations	$327,681	$74,941	$122,923	$76,964	$52,853	$ —
Other Liabilities(1)	13,056	—	—	—	—	13,056
Total Contractual Obligations	$340,737	$74,941	$122,923	$76,964	$52,853	$13,056

(1) Other Liabilities includes future estimated payments associated with unrecognized tax benefits of $10.4 million. The Company expects to make cash outlays in the future related to our unrecognized tax benefits. However, due to the uncertainty of the timing of future cash flows associated with our unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. For further information related to unrecognized tax benefits, see Note 6, "Income Taxes," to the Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data. Additionally, Other Liabilities includes future payments related to our non-qualified deferred compensation plan of $2.7 million as the timing of these future payments is not known until an associate leaves the Company or otherwise requests an in-service distribution.

In the ordinary course of business, the Company enters into arrangements with vendors to purchase merchandise up to 12 months in advance of expected delivery. These purchase orders do not contain any significant termination payments or other penalties if cancelled. Total purchase orders outstanding at February 26, 2011 are $356.8 million.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements as that term is defined in Item 303(a)(4) of Regulation S-K.

Item 7A—Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to changes in interest rates primarily from its investments in Marketable Securities from time to time. The Company did not have any Marketable Securities as of February 26, 2011. The Company does not use interest rate derivative instruments to manage exposure to interest rate changes.

Item 8—Financial Statements and Supplementary Data

Management's Report on Internal Control Over Financial Reporting

The management of The Finish Line, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended). The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles and 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 U.S. 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.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of February 26, 2011. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework.* Based on management's assessment it believes that, as of February 26, 2011, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the Company's internal control over financial reporting. Ernst & Young LLP's report appears on the following page and expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of February 26, 2011.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders of The Finish Line, Inc.

We have audited The Finish Line, Inc.'s internal control over financial reporting as of February 26, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Finish Line, Inc.'s management is responsible 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 the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 Finish Line, Inc. maintained, in all material respects, effective internal control over financial reporting as of February 26, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Finish Line, Inc. as of February 26, 2011 and February 27, 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended February 26, 2011 of The Finish Line, Inc., and our report dated May 6, 2011 expressed an unqualified opinion thereon.

Indianapolis, Indiana
May 6, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of The Finish Line, Inc.

We have audited the accompanying consolidated balance sheets of The Finish Line, Inc. as of February 26, 2011 and February 27, 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended February 26, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Finish Line, Inc. at February 26, 2011 and February 27, 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended February 26, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Finish Line, Inc.'s. internal control over financial reporting as of February 26, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 6, 2011, expressed an unqualified opinion thereon.

Indianapolis, Indiana
May 6, 2011

THE FINISH LINE, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands)

	February 26, 2011	February 27, 2010
Assets		
Current Assets		
Cash and cash equivalents	$299,323	$234,508
Accounts receivable, net	10,552	3,767
Merchandise inventories, net	193,505	190,894
Other	6,304	14,438
Total current assets	509,684	443,607
Property and Equipment		
Land	1,557	1,557
Building	41,653	41,620
Leasehold improvements	223,485	225,718
Furniture, fixtures and equipment	115,054	104,295
Construction in progress	2,820	2,635
	384,569	375,825
Less accumulated depreciation	258,059	239,882
	126,510	135,943
Deferred income taxes	23,795	27,357
Other assets, net	4,856	3,361
Total assets	$664,845	$610,268
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 72,780	$ 60,301
Employee compensation	18,516	16,258
Accrued property and sales tax	8,188	7,637
Income taxes payable	6,776	10,119
Deferred income taxes	3,170	4,370
Other liabilities and accrued expenses	16,990	16,258
Total current liabilities	126,420	114,943
Commitments and contingencies		
Deferred credits from landlords	34,653	40,006
Other long-term liabilities	13,527	13,169
Shareholders' Equity		
Preferred stock, $.01 par value; 1,000 shares authorized; none issued	—	—
Common stock, $.01 par value		
Class A:		
Shares authorized—100,000		
Shares issued—(2011—58,001; 2010—57,256)		
Shares outstanding—(2011—51,037; 2010—51,085)	580	572
Class B:		
Shares authorized—10,000		
Shares issued and outstanding—(2011—1,351; 2010—2,053)	13	21
Additional paid-in capital	197,036	189,664
Retained earnings	372,047	312,305
Treasury stock (2011—6,964; 2010—6,171)	(79,431)	(60,412)
Total shareholders' equity	490,245	442,150
Total liabilities and shareholders' equity	$664,845	$610,268

See accompanying notes

THE FINISH LINE, INC.

CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Year Ended		
	February 26, 2011	February 27, 2010	February 28, 2009
Net sales	$1,229,002	$1,172,415	$1,194,657
Cost of sales (including occupancy costs)	815,073	793,556	828,139
Gross profit	413,929	378,859	366,518
Selling, general and administrative expenses	302,718	297,323	312,011
Store closing costs	350	2,707	492
Terminated merger-related income, net	—	—	(1,969)
Impairment charges	1,228	6,771	6,118
Operating income	109,633	72,058	49,866
Interest income, net	508	322	814
Income from continuing operations before income taxes	110,141	72,380	50,680
Income tax expense	41,277	21,547	20,278
Income from continuing operations	68,864	50,833	30,402
Loss from discontinued operations, net of income tax benefit	(30)	(15,161)	(26,644)
Net income	$ 68,834	$ 35,672	$ 3,758
Income (loss) per basic share:			
Income from continuing operations	$ 1.28	$ 0.92	$ 0.56
Loss from discontinued operations	—	(0.27)	(0.49)
Net income	$ 1.28	$ 0.65	$ 0.07
Income (loss) per diluted share:			
Income from continuing operations	$ 1.26	$ 0.92	$ 0.55
Loss from discontinued operations	—	(0.28)	(0.48)
Net income	$ 1.26	$ 0.64	$ 0.07
Dividends declared per share	$ 0.17	$ 0.13	$ 0.09

See accompanying notes

THE FINISH LINE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended		
	February 26, 2011	February 27, 2010	February 28, 2009
Operating activities			
Net income	$ 68,834	$ 35,672	$ 3,758
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on sale of discontinued operations	—	18,284	—
Impairment charges	1,228	6,771	32,588
Depreciation and amortization	26,959	29,977	37,496
Deferred income taxes	2,362	7,090	16,607
Loss on disposal of property and equipment	303	3,075	1,063
Share-based compensation	4,209	3,508	4,412
Excess tax benefits from share-based compensation	(1,297)	(433)	(52)
Changes in operating assets and liabilities			
Accounts receivable	(6,785)	1,187	2,816
Merchandise inventories	(2,611)	42,074	28,924
Other assets	8,416	1,371	(2,589)
Accounts payable	12,479	(4,055)	647
Employee compensation	2,258	3,535	2,440
Terminated merger-related liabilities	—	—	(47,129)
Income taxes payable/receivable	(10,651)	16,452	(12,143)
Other liabilities and accrued expenses	8,223	(993)	(1,733)
Deferred credits from landlords	(5,353)	(6,057)	(7,703)
Net cash provided by operating activities	108,574	157,458	59,402
Investing activities			
Payments for sale of discontinued operations	(667)	(10,195)	—
Additions to property and equipment	(19,088)	(8,454)	(14,734)
Proceeds from disposals of property and equipment	127	103	933
Purchases of marketable securities	—	—	(24,899)
Proceeds from sale of marketable securities	—	14,913	9,986
Net cash used in investing activities	(19,628)	(3,633)	(28,714)
Financing activities			
Proceeds from short-term borrowings	—	—	10,000
Repayments on short-term borrowings	—	—	(10,000)
Dividends paid to shareholders	(8,598)	(6,610)	(3,292)
Proceeds from issuance of common stock	5,338	1,834	613
Excess tax benefits from share-based compensation	1,297	433	52
Purchase of treasury stock	(22,168)	(15,936)	—
Net cash used in financing activities	(24,131)	(20,279)	(2,627)
Net increase in cash and cash equivalents	64,815	133,546	28,061
Cash and cash equivalents at beginning of year	234,508	100,962	72,901
Cash and cash equivalents at end of year	$299,323	$234,508	$100,962

See accompanying notes

THE FINISH LINE, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands)

	Number of Shares			Amount		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Totals
	Class A	Class B	Treasury	Class A	Class B				
Balance at March 1, 2008	42,206	5,141	5,443	$476	$ 52	$182,756	$284,936	$(47,354)	$420,866
Net income							3,758		3,758
Cash dividends declared ($0.09 per share)							(4,937)		(4,937)
Non-qualified Class A Common Stock options exercised and related tax benefits	39		(39)			(192)		173	(19)
Share-based compensation						4,412			4,412
Restricted shares vested, net of repurchase for taxes	60		(60)			(353)		247	(106)
Shares issued under employee stock purchase plan	73		(73)			97		323	420
Class B Common Stock conversion to Class A Common Stock	1,128	(1,128)		12	(12)				—
Class A Common Stock issued related to terminated merger	6,519			65		(65)			—
Balance at February 28, 2009	50,025	4,013	5,271	553	40	186,655	283,757	(46,611)	424,394
Net income							35,672		35,672
Cash dividends declared ($0.13 per share)							(7,124)		(7,124)
Non-qualified Class A Common Stock options exercised and related tax benefits	327		(327)			246		1,449	1,695
Share-based compensation						3,508			3,508
Restricted shares vested, net of repurchase for taxes	110		(110)			(887)		455	(432)
Shares issued under employee stock purchase plan	53		(53)			142		231	373
Class B Common Stock conversion to Class A Common Stock	1,960	(1,960)		19	(19)				—
Treasury Stock purchased	(1,390)		1,390					(15,936)	(15,936)
Balance at February 27, 2010	51,085	2,053	6,171	572	21	189,664	312,305	(60,412)	442,150
Net income							68,834		68,834
Cash dividends declared ($0.17 per share)							(9,092)		(9,092)
Non-qualified Class A Common Stock options exercised and related tax benefits	542		(542)			4,011		2,250	6,261
Share-based compensation						4,209			4,209
Restricted shares vested, net of repurchase for taxes	223	43	(223)			(1,091)		783	(308)
Shares issued under employee stock purchase plan	28		(28)			243		116	359
Class B Common Stock conversion to Class A Common Stock	745	(745)		8	(8)				—
Treasury Stock purchased	(1,586)		1,586					(22,168)	(22,168)
Balance at February 26, 2011	51,037	1,351	6,964	$580	$ 13	$197,036	$372,047	$(79,431)	$490,245

See accompanying notes

THE FINISH LINE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Basis of Presentation. The consolidated financial statements include the accounts of The Finish Line, Inc. (•Finish LineŽ) and its wholly-owned subsidiaries (collectively, the •CompanyŽ). All intercompany transactions and balances have been eliminated. Throughout these notes to the consolidated financial statements, the fiscal years ended February 26, 2011, February 27, 2010 and February 28, 2009 are referred to as 2011, 2010 and 2009, respectively.

The Company uses a •RetailŽ calendar. The Company•s fiscal year ends on the Saturday closest to the last day of February and included 52 weeks in 2011, 2010 and 2009.

Nature of Operations. Finish Line is a premium athletic footwear retailer offering a large selection of performance and athletic casual footwear, apparel and accessories for men, women and kids.

The Company manages its business on the basis of one reportable segment. Finish Line stores are primarily located in enclosed malls throughout most of the United States.

In 2011, Finish Line purchased approximately 82% of its merchandise from its five largest suppliers. The largest supplier, Nike, accounted for approximately 61%, 65% and 64% of merchandise purchases in 2011, 2010 and 2009, respectively.

Use of Estimates. Preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents. Cash and cash equivalents consist primarily of cash on hand and all highly liquid instruments purchased with a maturity of three months or less at the date of purchase.

Merchandise Inventories. Merchandise inventories are valued at the lower of cost or market using a weighted-average cost method, which approximates the first-in, first-out method. Merchandise inventories are recorded net of markdowns and shrinkage. Vendor rebates are applied as a reduction to the cost of merchandise inventories.

Property and Equipment. Property and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful lives of the assets: 30 years for buildings and 3 to 10 years for furniture, fixtures and equipment. Improvements to leased premises are amortized on a straight-line basis over the shorter of the estimated useful life of the asset, generally 10 years, or the remaining lease term. Significant additions and improvements that extend the useful life of an asset are capitalized. Maintenance and repairs are charged to current operations as incurred. Depreciation expense charged to continuing operations for 2011, 2010 and 2009 was $26,940,000, $29,398,000 and $33,358,000, respectively.

Impairment of Long-Lived Assets. In accordance with Accounting Standards Codification •ASCŽ 360, the Company reviews long-lived assets for impairment related to all stores open for at least two years with negative contribution and cash flows as well as stores opened less then two years whenever other events or changes in circumstances indicate the store•s assets may not be recoverable. Recoverability of assets to be held and used is determined by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to

becomes available. The Company includes its accrual for uncertain tax positions, including accrued penalties and interest, in “Other long-term liabilities” on the Consolidated Balance Sheets unless the liability is expected to be paid within one year. Changes to the accrual for uncertain tax positions, including accrued penalties and interest, are included in “Income tax expense” on the Consolidated Statements of Income.

Earnings Per Share. Basic earnings per share is calculated by dividing net income associated with common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share assumes the issuance of additional shares of common stock by the Company upon exercise of all outstanding stock options and contingently issuable securities if the effect is dilutive, in accordance with the treasury stock method discussed in ASC 260-10, “Earnings Per Share”.

ASC 260-10 requires the inclusion of restricted stock and performance restricted stock as participating securities, since they have the right to share in dividends, if declared, equally with common shareholders. During periods of net income, participating securities are allocated a proportional share of net income determined by dividing total weighted average participating securities by the sum of total weighted average common shares and participating securities (“the two-class method”). During periods of net loss, no effect is given to participating securities since they do not share in the losses of the Company. Participating securities have the effect of diluting both basic and diluted earnings per share during periods of net income. All per share amounts, unless otherwise noted, are presented on a diluted basis.

Financial Instruments. Financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of these instruments.

As of February 26, 2011 and February 27, 2010, the Company had not invested in, nor did it have, any derivative financial instruments.

Share-Based Compensation. The Company accounts for share-based compensation by the measuring and recognizing of compensation expense for all share-based awards made to employees and directors based on estimated fair values on the grant date. The Company is required to estimate the fair value of share-based awards on the date of grant and recognize as expense the value of the portion of the award that is ultimately expected to vest over the requisite service period.

Share-based compensation expense recognized in the Consolidated Statements of Income is based on awards ultimately expected to vest, and accordingly has been reduced for estimated forfeitures. Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company applies an estimated forfeiture rate based on historical data to determine the amount of compensation expense.

Compensation expense for stock options is recognized, net of forfeitures, over the requisite service period on a straight-line basis, using a single option approach (each option is valued as one grant, irrespective of the number of vesting tranches). Restricted stock expense is recognized, net of forfeitures, on a straight-line basis over the requisite service period.

Fair Value Measurements. Fair value measurements are determined based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of any transaction costs. The Company utilizes a fair value hierarchy based upon the observability of inputs used in valuation techniques as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company has cash equivalents in short-term money market funds invested primarily in high-quality tax-exempt municipal instruments. The primary objective of our short-term investment activity is to preserve our capital for the purpose of funding operations and we do not enter into short-term investments for trading or speculative purposes. The fair values are based on unadjusted quoted market prices for the funds in active markets with sufficient volume and frequency (Level 1). Also included in Level 1 assets are mutual fund investments under the non-qualified deferred compensation plan. The Company estimates the fair value of these investments on a recurring basis using market prices that are readily available.

Recent Accounting Pronouncements. Recently issued accounting pronouncements did not, or are not believed by management to, have a material effect on the Company's present or future consolidated financial statements.

2. Terminated Merger

On June 17, 2007, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Genesco Inc. ("Genesco") under which the Company agreed to acquire all of the outstanding common shares of Genesco for $54.50 per share in cash (the "Merger"), subject to certain conditions.

UBS Loan Finance LLC and UBS Securities LLC (collectively, "UBS") committed to provide financing for the Merger and ongoing working capital requirements of the combined company of up to $1.8 billion through a combination of a Senior Secured Revolving Credit Facility, a Senior Secured Term Loan and a Senior Unsecured Bridge Facility (the "UBS Financing").

On September 19, 2007, the Company received a communication from UBS indicating its intention to defer further work on the closing documents for the Merger pending its analysis of Genesco's financial condition and performance. The same day, Genesco delivered a letter to the Company demanding that the Company immediately consummate the Merger. On September 21, 2007, Genesco filed a lawsuit in the Chancery Court in Nashville, Tennessee seeking an order of specific performance requiring the Company to take all steps necessary to consummate the Merger contemplated by the Merger Agreement. The Company filed an answer, counterclaim and third-party claim for declaratory judgment in connection with this action seeking, among other things, a declaratory judgment that a Company Material Adverse Effect had occurred under the Merger Agreement. UBS intervened as a defendant in the Nashville, Tennessee case and filed an answer to Genesco's complaint. On November 13, 2007, Genesco amended its complaint to add an alternative claim for damages. On November 15, 2007, the Company filed an answer to Genesco's amended complaint asserting that a Company Material Adverse Effect had occurred under the Merger Agreement and asserting a counterclaim against Genesco for intentional or negligent misrepresentation. On that day, UBS filed an answer to Genesco's amended complaint and a counterclaim asserting fraud against Genesco.

On November 14, 2007, the Company was named as a defendant, along with Genesco, in a complaint for declaratory relief filed by UBS in the United States District Court for the Southern District of New York. UBS was seeking a declaration in the New York federal district court action that its commitment letter for the UBS Financing (the "Commitment"), which expired on April 30, 2008 (after an extension agreed to by UBS), was void and/or may properly be terminated by UBS because the Company would not be able to provide, prior to the expiration of the Commitment, a valid solvency certificate attesting to the solvency of the combined Finish Line-Genesco entity resulting from the Merger.

The trial of the issues in the Chancery Court in Nashville concluded on December 18, 2007, and the Chancery Court issued its opinion on December 27, 2007. The Chancery Court held that the Company was required to close the Merger with Genesco and use its reasonable best efforts to obtain the financing required to do so (i.e., either the UBS Financing which was the subject of the New York action, or alternative financing on terms not materially less favorable in the aggregate than the UBS Financing). Although the Chancery Court held that the deterioration in Genesco's financial condition and operating results constituted a material adverse effect ("MAE"), it also found that Genesco's decline in performance was due to general economic conditions and was not disproportionate to its peers. As a result, the MAE fell within one of the MAE carve-outs in the Merger Agreement and the Company was, therefore, not excused from completing the Merger based on Genesco's decline in financial condition and operating results. The Chancery Court reserved for determination by the United States District Court for the Southern District of New York whether the merged entity would be insolvent.

On March 3, 2008, the Company entered into a Settlement Agreement with UBS and Genesco relating to the actions filed by UBS in the United States District Court for the Southern District of New York and filed by Genesco in the Chancery Court for the State of Tennessee (the "Litigation"). The parties agreed to settle the Litigation and to terminate the Merger Agreement and Commitment. As consideration for these agreements, the Company and UBS agreed to make a cash payment in the amount of $175,000,000 (of which the Company agreed to pay $39,000,000 and UBS agreed to pay $136,000,000). The Company also agreed to issue 6,518,971 shares of the Company's Class A Common Stock (the "Shares") to Genesco. Pursuant to the Settlement Agreement, the Company paid the $39,000,000 cash payment and delivered the Shares to Genesco on March 7, 2008. The Company filed a registration statement relating to the Shares with the Securities and Exchange Commission on April 4, 2008, which was declared effective on April 28, 2008. Genesco distributed the Shares to Genesco shareholders on June 13, 2008.

In 2009, the Company recorded terminated merger-related income of $1,969,000 related to the final resolution of transaction expenses associated with the terminated merger. There was no activity in 2011 and 2010. The Company does not expect to incur any further costs relating to this matter.

3. Discontinued Operations

On June 21, 2009, The Finish Line, Inc. and its wholly owned subsidiary The Finish Line Man Alive, Inc. ("Man Alive") entered into a definitive asset purchase agreement (the "Purchase Agreement") with an unaffiliated buyer, Man Alive Acquisitions, LLC ("the Buyer"), under which the Buyer assumed certain assets and liabilities of Man Alive. The transaction closed on July 3, 2009 with an effective date of July 4, 2009.

The assets acquired by the Buyer (the "Assets") included all of Man Alive's leasehold interests (excluding the leasehold interest in Man Alive's corporate headquarters) (the "Leases"), all furniture, fixtures and equipment at Man Alive's retail stores, the inventory in the stores and in the Company's distribution center ("Received Inventory"), the inventory under open purchase order commitments (the "Ordered Inventory"), and all intellectual property of Man Alive, including the "Man Alive" and "Decibel" trademarks and trade names. No other significant assets were purchased by the Buyer.

The principal liability assumed by the Buyer was Man Alive's liability for the Leases. Consents to the assignment of the Leases were received from all the landlords.

In consideration for the Buyer assuming the liabilities described above and in the Purchase Agreement, the Buyer received the Assets as well as a purchase price rebate (the "Purchase Price Rebate") from Man Alive. The Purchase Price Rebate was equal to the sum of $8,250,000 plus an amount equal to Man Alive's gift card liability, minus an amount equal to forty percent (40%) of the sum of the value of (A) the value of the Received Inventory in excess of $7,500,000, plus (B) the value of the Ordered Inventory.

The Purchase Price Rebate was paid in three components. The Company paid the Buyer $1,562,000 at closing which was the Purchase Price Rebate less (A) the $4,143,000 Escrow Amount (as hereafter defined) and (B) a $2,000,000 installment payment. The $4,143,000 Escrow Amount was paid by the Company to a third party escrow agent at closing. The $2,000,000 installment payment was payable by the Company in 12 equal monthly installments beginning August 2009.

The Escrow Amount was composed of the following components. First, $2,250,000 was held in escrow until January 4, 2010 to reimburse the Buyer for payments to landlords for August, September and October, 2009 rents. The parties reconciled the actual amounts paid to the landlords for this period, with the Company reimbursing the Buyer the shortfall, $523,000 (which was accrued upon the closing of the transaction), on January 4, 2010. In addition, $1,893,000 will be held in escrow, representing the aggregate estimated amount of rent and additional rent payable for a limited period following the three-month payment period described above for leases guaranteed by the Company beyond the closing.

The results of operations of Man Alive have been classified in discontinued operations for all periods presented. The financial results of the Man Alive operations, which are included in discontinued operations in the accompanying Consolidated Statements of Income, were as follows (in thousands):

	Year Ended		
	February 26, 2011	February 27, 2010	February 28, 2009
Net sales	$—	$ 10,925	$ 67,606
Loss from discontinued operations	$ (55)	$(23,911)	$(39,684)
Income tax benefit	22	8,672	13,319
Loss from discontinued operations, net of income tax benefit	$ (33)	$(15,239)	$(26,365)

For 2010, the loss from discontinued operations of Man Alive included operating losses of $5,627,000 as well as $18,284,000 related to the loss on sale of Man Alive. The $18,284,000 was made up of the $7,705,000 Purchase Price Rebate, $7,359,000 inventory write-off, $6,726,000 property and equipment write-off and $2,370,000 in other charges, partially offset by the reversal of "Deferred credits from landlords" of $5,876,000. The $18,284,000 loss was comprised of $10,195,000 of cash payments and $8,089,000 of non-cash net charges.

For 2009, the loss from discontinued operations of Man Alive included operating losses and $26,470,000 of pre-tax, non-cash impairment charges related to long-lived and intangible assets.

The balance and net activity for the $2,000,000 installment payment to the Buyer was as follows (in thousands):

	Installment Payment
Balance at February 28, 2009	$ —
Provision	2,000
Cash payments	(1,333)
Balance at February 27, 2010	667
Cash payments	(667)
Balance at February 26, 2011	$ —

4. Debt Agreement

On February 18, 2010, the Company entered into an unsecured $50,000,000 Revolving Credit Facility Agreement (the "Credit Agreement") with certain lenders, which expires on March 1, 2013. The Credit Agreement also provides that, under certain circumstances, the Company may increase the aggregate maximum amount of the credit facility by up to an additional $50,000,000. The Credit Agreement will be used by the Company to issue letters of credit and could be used, among other things, to support working capital needs, fund capital expenditures and other general corporate purposes.

Approximately $4,045,000 in stand-by letters of credit was outstanding as of February 26, 2011 under the Credit Agreement. No advances were outstanding under the Credit Agreement as of February 26, 2011. Accordingly, the total revolving credit availability under the Credit Agreement was $45,955,000 as of February 26, 2011.

The Company's ability to borrow monies in the future under the Credit Agreement is subject to certain conditions, including compliance with certain covenants and making certain representations and warranties. The Credit Agreement contains restrictive covenants that limit, among other things, mergers and acquisitions. In addition, the Company must maintain a minimum leverage ratio (as defined in the Credit Agreement) and minimum consolidated tangible net worth (as defined in the Credit Agreement). The Company was in compliance with all such covenants as of February 26, 2011.

To maintain availability of funds under the Credit Agreement, the Company will pay a 0.25% per annum commitment fee on the revolving credit commitments under the Credit Agreement.

The interest rates per annum applicable to amounts outstanding under the Credit Agreement at February 26, 2011 are, at the Company's option, either (a) the Base Rate as defined in the Credit Agreement (the "Base Rate") plus a margin of 0.50% per annum, or (b) the LIBOR Rate as defined in the Credit Agreement (the "LIBOR Rate") plus a margin of 1.50% per annum. The margin over the Base Rate and the LIBOR Rate under the Credit Agreement may be adjusted quarterly based on the consolidated leverage ratio of the Company, as calculated pursuant to the Credit Agreement. The maximum margin over the Base Rate under the Credit Agreement will be 1.00% per annum; the maximum margin over the LIBOR Rate under the Credit Agreement will be 2.00% per annum. Interest payments under the Credit Agreement are due on the interest payment dates specified in the Credit Agreement.

The obligations under the Credit Agreement generally are unsecured, except that, upon a Collateralization Event (as defined in the Credit Agreement), the Company will be deemed to have granted a security interest in the Collateral (as defined in the Credit Agreement), subject to certain specified liens. In certain circumstances, such security interest may be released (and may subsequently spring back into effect) depending on whether the Collateralization Event is continuing (or a new Collateralization Event has occurred). No Collateralization Events occurred during 2011.

5. Leases

The Company leases retail stores under non-cancelable operating leases, which generally have lease terms ranging from five to 10 years. Most of these lease arrangements do not provide for renewal periods. Many leases provide for contingent rents, which are determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability in “Other liabilities and accrued expenses” on the Consolidated Balance Sheets and the corresponding rent expense when specified levels have been achieved or when management determines that achieving the specified levels during the fiscal year is probable. In addition to rent payments, these leases generally require the Company to pay real estate taxes, insurance, maintenance and other costs. The components of rent expense from continuing operations incurred under these leases are as follows (in thousands):

	2011	2010	2009
Base rent, net of landlord deferred credits	$80,951	$82,136	$83,880
Step rent	(1,192)	(1,105)	(653)
Contingent rent	2,849	1,555	1,774
Rent expense	$82,608	$82,586	$85,001

A schedule of future base rent payments by fiscal year for signed operating leases at February 26, 2011 with initial or remaining non-cancelable terms of one year or more is as follows (in thousands):

2012	$ 74,941
2013	65,671
2014	57,252
2015	45,449
2016	31,515
Thereafter	52,853
	$327,681

This schedule of future base rent payments includes lease commitments for one new store and three remodeled stores that were not open as of February 26, 2011.

6. Income Taxes

The components of income taxes from continuing operations are as follows (in thousands):

	2011	2010	2009
Currently payable:			
Federal	$35,047	$19,440	$ (4,682)
State	3,746	2,680	(192)
	38,793	22,120	(4,874)
Deferred:			
Federal	2,294	(1,281)	21,485
State	190	708	3,667
	2,484	(573)	25,152
Total income tax expense from continuing operations	$41,277	$21,547	$20,278

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

	2011	2010
Deferred tax assets:		
Deferred credits from landlords	$13,488	$16,249
Share-based compensation	4,979	5,298
Compensation accrual	3,820	3,282
Deferred Compensation	1,035	308
Other	5,494	6,944
Total gross deferred tax assets	28,816	32,081
Deferred tax liabilities:		
Inventories	(6,540)	(6,334)
Property and equipment	(954)	(1,489)
Other	(697)	(1,271)
Total deferred tax liabilities	(8,191)	(9,094)
Net deferred tax asset	$20,625	$22,987

The effective income tax rate related to continuing operations varies from the statutory federal income tax rate for 2011, 2010 and 2009 due to the following:

	2011	2010	2009
Tax at statutory federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	2.7	1.9	4.1
Tax-exempt interest	—	(0.1)	(0.1)
Valuation allowance	—	(8.1)	—
Tax contingencies	(0.3)	0.7	0.3
Other	0.1	0.4	0.7
	37.5%	29.8%	40.0%

In 2010, the Company finalized a favorable agreement with the Internal Revenue Service regarding the income tax treatment of the terminated merger and litigation expenses which allowed the Company to treat all of the terminated merger and litigation expenses as an ordinary deduction instead of a portion as an ordinary deduction and another portion as a capital loss. The Company determined that its previously classified capital loss carryforward would be recovered through operating income and the valuation allowance of $6,546,000 attributable to the capital loss was no longer necessary and was reversed in 2010.

As of February 26, 2011, the Company had approximately $15,719,000 of net operating loss carryforwards for state tax purposes. If not used, these carryforwards will expire between 2012 and 2032.

Payments (refunds) of income taxes for 2011, 2010 and 2009, equaled $42,428,000, ($10,993,000) and $2,374,000, respectively.

The Company is subject to U.S. federal income tax as well as income tax by multiple state jurisdictions. The Company has substantially concluded all U.S. federal income tax matters through fiscal 2006 and all state and local income tax matters through fiscal 2001. The Company may resolve some or all of the issues related to tax matters and make payments to settle agreed upon liabilities.

Uncertain Tax Positions

As of February 26, 2011 and February 27, 2010, the Company had $10,395,000 and $12,087,000 of unrecognized tax benefits respectively, $4,398,000 and $4,781,000 respectively, of which, if recognized, would affect the effective income tax rate. Of the total unrecognized tax benefits as of February 26, 2011, it is reasonably possible that the total unrecognized tax benefits could decrease by up to $2,400,000 during the next twelve months due to audit settlements, expiration of statute of limitations or other resolution of uncertainties. Due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in liabilities that could be different from this estimate. In such case, the Company will record additional tax expense or tax benefit in the tax provision or reclassify amounts on the Consolidated Balance Sheets in the period in which such the matter is effectively settled with the tax authority.

The Company recognizes interest and penalties related to unrecognized tax benefits as components of income tax expense. In 2011, 2010 and 2009, $76,000, $398,000 and $245,000, respectively, of interest and penalties were included in “Income tax expense” on the Consolidated Statements of Income. The Company has accrued $2,865,000 and $2,832,000 for the payment of interest and penalties as of February 26, 2011 and February 27, 2010, respectively.

The following table summarizes the activity related to its unrecognized tax benefits for U.S. federal and state tax jurisdictions and excludes accrued interest and penalties (in thousands):

	2011	2010	2009
Unrecognized Tax Benefits at Beginning of Year	$ 9,255	$11,843	$13,466
Increases in Tax Positions for Prior Years	26	3,163	181
Decreases in Tax Positions for Prior Years	(1,166)	(4,106)	(749)
Increases in Unrecognized Tax Benefits as a Result of Current Year Activity	106	489	136
Decreases to Unrecognized Tax Benefits Relating to Settlements with Taxing Authorities	(113)	(1,452)	(794)
Decreases to Unrecognized Tax Benefits as a Result of a Lapse of the Applicable Statute of Limitations	(578)	(682)	(397)
Unrecognized Tax Benefits at End of Year	$ 7,530	$ 9,255	$11,843

7. Retirement Plan

The Company sponsors a defined contribution profit sharing plan, which covers substantially all employees who have completed one year of service and met other eligibility criteria. Contributions to this plan are discretionary and are allocated to employees as a percentage of each covered employee's wages. The plan also has a 401(k) feature whereby the Company matches employee contributions to the plan. Effective October 1, 2009, the Company changed its matching contribution from 100 percent of employee contributions to the plan up to three percent of an employee's wages to 50 percent of employee contributions to the plan up to six percent of an employee's wages. The Company's total expense charged to continuing operations for the plan in 2011, 2010 and 2009 amounted to $844,000, $2,250,000 and $2,029,000, respectively.

The Company has a non-qualified deferred compensation plan for highly compensated employees whose contributions are limited under the qualified defined contribution plan. Amounts contributed and deferred under the deferred compensation plans are credited or charged with the performance of investment options offered under the plans and elected by the participants. In the event of bankruptcy, the assets of these plans are available to satisfy the claims of general creditors. The liability for compensation deferred under the Company's plans was $2,661,000 and $788,000 at February 26, 2011 and February 27, 2010, respectively, and is included in "Other long-term liabilities". Total expense from continuing operations recorded under these plans was $164,000, $84,000 and $39,000 for 2011, 2010 and 2009, respectively.

8. Stock Plans

General

In July 2009, the Company's shareholders approved and adopted The Finish Line, Inc. 2009 Incentive Plan (the "2009 Incentive Plan"), previously approved by the Company's Board of Directors. The Company's Board of Directors have reserved 6,500,000 shares of Class A and Class B Common Stock for issuance upon exercise of options or other awards under the option plan. The number of shares reserved for issuance of all awards other than options and stock appreciation rights, is limited to 2,500,000. Upon approval of the 2009 Incentive Plan, the 2002 Stock Incentive Plan of The Finish Line, Inc. (the "2002 Incentive Plan") is limited in future grants to awards from shares returned to the 2002 Incentive Plan by forfeiture after July 23, 2009.

Total share-based compensation expense charged to continuing operations in 2011, 2010 and 2009 was $4,209,000, $3,508,000 and $4,412,000, respectively.

Stock Option Activity

Stock options have been granted to non-employee Directors, officers and other key employees. Generally, options outstanding under the plans are exercisable at a price equal to the fair market value on the date of grant, vest over four years and expire ten years after the date of grant.

The estimated weighted-average fair value of the individual options granted during 2011, 2010 and 2009 was $6.00, $2.49 and $1.91, respectively on the date of the grant. The fair values for all years were determined using a Black-Scholes option-pricing model with the following weighted average assumptions:

	2011	2010	2009
Dividend yield	1.02%	2.18%	—
Volatility	57.6%	54.5%	47.9%
Risk-free interest rate	2.18%	1.69%	2.31%
Expected life	4.6 years	4.5 years	4.6 years

The expected volatility assumption is based on the Company's analysis of historical volatility. The risk-free interest rate assumption is based upon the average daily closing rates during the period for U.S. treasury notes that have a life, which approximates the expected life of the option. The dividend yield assumption is based on the Company's history and expectation of dividend payouts. The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding based on historical exercise experience.

A reconciliation of the Company's stock option activity and related information is as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at February 27, 2010	3,667,627	$ 9.98		
Granted	433,234	13.18		
Exercised	(541,802)	9.19		$ 4,154,945
Forfeited	(85,658)	8.20		
Expired	(76,728)	16.42		
Outstanding at February 26, 2011	3,396,673	$10.41	5.8	$23,700,527
Exercisable at February 26, 2011	1,906,503	$12.14	4.1	$ 9,937,327

As of February 26, 2011, there was $2,783,000 of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested options. That cost is expected to be recognized over a weighted average period of 1.8 years.

Intrinsic value for stock options is the difference between the current market value of the Company's stock and the option strike price. The total intrinsic value of options exercised during 2011, 2010 and 2009 was $4,155,000, $1,585,000 and $144,000, respectively.

The following table summarizes information concerning outstanding and exercisable options at February 26, 2011:

Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 1-$ 5	483,250	6.7	$ 4.48	234,750	$ 4.45
$ 5-$10	1,220,926	6.1	6.47	464,313	6.72
$10-$15	921,943	6.9	13.06	445,600	13.14
$15-$25	770,554	3.6	17.20	761,840	17.22
	3,396,673	5.8	$10.41	1,906,503	$12.14

The Company recorded compensation expense related to stock options within continuing operations of $1,772,000, $1,268,000 and $1,865,000 in 2011, 2010 and 2009, respectively.

Restricted Stock Activity

The Company has granted shares of the Company's stock to non-employee Directors, officers and other key employees that are subject to restrictions. The restricted stock granted to employees under the 2002 and 2009 Incentive Plans either vest upon the achievement of specified levels of net income growth over a three-year period or were granted such that they cliff-vest after a three-year period. For the performance-based awards, should the net income criteria not be met over the three-year period, the shares will be forfeited. All restricted stock awards issued to non-employee Directors cliff-vest after a one-year period from grant date. The Company recorded compensation expense related to restricted stock within continuing operations of $2,372,000, $2,174,000 and $2,474,000 in 2011, 2010 and 2009, respectively.

A reconciliation of the Company's restricted stock activity and related information is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at February 27, 2010	848,543	$ 7.66
Granted	220,808	13.50
Vested	(288,295)	11.44
Forfeited	(33,815)	7.26
Unvested at February 26, 2011	747,241	$ 7.95

As of February 26, 2011, there was $2,224,000 of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested restricted stock. That cost is expected to be recognized over a weighted average period of 1.7 years. The total value of awards for which restrictions lapsed (vested) during 2011 was $4,064,000.

Employee Stock Purchase Plan

In 2005, the Company adopted The Finish Line, Inc. Employee Stock Purchase Plan ("ESPP"). Under the ESPP, participating employees are able to contribute up to 10 percent of their annual compensation to acquire shares of common stock at 85 percent of the market price on a specified date each offering period. As of February 26, 2011, 2,400,000 shares of common stock were authorized for purchase under the ESPP, of which, 28,000, 53,000 and 73,000 shares were purchased during 2011, 2010 and 2009, respectively. The Company recognizes compensation expense based on the 15% discount at purchase. The Company recorded compensation expense related to the ESPP within continuing operations of $65,000, $66,000 and $73,000 in 2011, 2010 and 2009, respectively.

9. Earnings Per Share

Basic earnings from continuing operations per share is calculated by dividing income from continuing operations associated with common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share assumes the issuance of additional shares of common stock by the Company upon exercise of all outstanding stock options and contingently issuable securities if the effect is dilutive, in accordance with the treasury stock method discussed in ASC 260-10, "Earnings Per Share".

On March 1, 2009, the Company adopted amendments to ASC 260-10, which impacted the determination and reporting of earnings per share by requiring the inclusion of restricted stock and performance restricted stock as participating securities, since they have the right to share in dividends, if declared, equally with common shareholders. During periods of net income, participating securities are allocated a proportional share of net income determined by dividing total weighted average participating securities by the sum of total weighted average common shares and participating securities ("the two-class method"). During periods of net loss, no effect is given to participating securities since they do not share in the losses of the Company. Participating securities have the effect of diluting both basic and diluted earnings per share during periods of net income.

The following is a reconciliation of the numerators and denominators used in computing earnings per share (in thousands, except per share amounts):

	2011	2010	2009
Income from continuing operations	$68,864	$50,833	$30,402
Income from continuing operations attributable to participating securities	981	739	507
Income from continuing operations available to common shareholders	$67,883	$50,094	$29,895
Basic earnings from continuing operations per share:			
Weighted-average number of common shares outstanding	52,979	54,221	53,846
Basic earnings from continuing operations per share	$ 1.28	$ 0.92	$ 0.56
Diluted earnings from continuing operations per share:			
Weighted-average number of common shares outstanding	52,979	54,221	53,846
Stock options(a)	796	376	262
Diluted weighted-average number of common shares outstanding	53,775	54,597	54,108
Diluted earnings from continuing operations per share	$ 1.26	$ 0.92	$ 0.55

(a) The computation of diluted earnings from continuing operations per share excludes options to purchase approximately 1.2 million, 1.8 million and 2.1 million shares of common stock in 2011, 2010 and 2009, respectively, because the impact of such options would have been antidilutive.

10. Common Stock

At February 26, 2011, shares of the Company's stock outstanding consisted of Class A and Class B Common Stock. Class A and Class B Common Stock have identical rights with respect to dividends and liquidation preference. However, Class A and Class B Common Stock differ with respect to voting rights, convertibility and transferability.

Holders of Class A Common Stock are entitled to one vote for each share held of record, and holders of Class B Common Stock are entitled to ten votes for each share held of record. The Class A Common Stock and the Class B Common Stock vote together as a single class on all matters submitted to a vote of shareholders (including the election of directors), except that, in the case of a proposed amendment to the Company's Articles of Incorporation that would alter the powers, preferences or special rights of either Class A Common Stock or the Class B Common Stock, the class of Common Stock to be altered shall vote on the amendment as a separate class. Shares of Class A and Class B Common Stock do not have cumulative voting rights.

While shares of Class A Common Stock are not convertible into any other series or class of the Company's securities, each share of Class B Common Stock is freely convertible into one share of Class A Common Stock at the option of the Class B Shareholders.

Shares of Class B Common Stock may not be transferred to third parties (except for transfer to certain family members of the holders and in other limited circumstances). All of the shares of Class B Common Stock are held by the founding shareholders, their family members, directors, officers and other key employees.

At the 2009 Annual Meeting of Shareholders of the Company held July 23, 2009 (the •Annual MeetingŽ), the Company•s shareholders voted to amend and restate the Company•s Restated Articles of Incorporation (as amended, the •Restated ArticlesŽ) to effect a number of amendments relating to the Company•s dual class stock structure. The main objective of the amendments effected by the Restated Articles is the transition to a more customary corporate governance structure for the Company.

The Restated Articles provide for the conversion of all outstanding high voting Class B Common Shares into Class A Common Shares as of the day after the Company•s annual shareholders• meeting to be held in 2012, and eliminate the prior provision in the Company•s restated articles of incorporation which automatically converted all Class B Common Shares into Class A Common Shares on a one-to-one basis only once they constituted less than 5% of the total common shares outstanding as of a record date for an annual meeting.

The Restated Articles also contain an amendment limiting the aggregate voting power of the Company•s Class B Common Shares. Under this provision, if at any time the holders of all Class B Common Shares hold greater than 41% of the total voting power of the Company•s shares as of the record date for any shareholders• meeting, then the number of votes per share of each holder of Class B Common Shares will automatically be reduced (on a proportionate basis) so that the holders of Class B Common Shares hold in the aggregate no more than 41% of the Company•s total voting power. The Restated Articles further provide for the automatic conversion of Class B Common Shares issued to Company employees or directors into Class A Common Shares upon each such person•s death or termination of employment or service.

On July 17, 2008, the Company•s Board of Directors authorized a stock repurchase program to repurchase up to 5,000,000 shares of the Company•s Class A common stock. Under the stock repurchase program, the Company may purchase shares through December 31, 2011. During 2011, the Company repurchased 1,586,281 shares of its Class A Common Stock at an average price of $13.97 per share for an aggregate amount of $22,168,000. Since the inception of the stock repurchase program, the Company has purchased 2,975,994 shares

The Company's merchandise is marketed during all seasons, with the highest volume of merchandise sold during the second and fourth fiscal quarters as a result of back-to-school and holiday shopping. The third fiscal quarter has traditionally had the lowest volume of merchandise sold and the lowest results of operations.

The table above sets forth quarterly operating data of the Company, including such data as a percentage of net sales, for 2011 and 2010. This quarterly information is unaudited but, in management's opinion, reflects all adjustments, consisting only of normal recurring adjustments, other than those noted, necessary for a fair presentation of the information for the periods presented.

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

None.

Item 9A—Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. With the participation of our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective in ensuring that (i) information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Report on Internal Control Over Financial Reporting. The report of management of the Company regarding internal control over financial reporting appears under the caption "Management's Report On Internal Control Over Financial Reporting" in Item 8 preceding the Company's financial statements of this Annual Report on Form 10-K and is incorporated by reference herein.

(c) Changes in Internal Control over Financial Reporting. There were no changes in the Company's internal control over financial reporting during the fourth quarter of fiscal 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

(d) Attestation Report of Independent Registered Public Accounting Firm. The attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting appears under the caption "Report of Independent Registered Public Accounting Firm" in Item 8 preceding the Company's financial statements of this Annual Report on Form 10-K.

Item 9B—Other Information

None.

PART III

Item 10—Directors, Executive Officers and Corporate Governance

Except for information disclosed in Part I, Item 4.5, under the heading "Directors and Executive Officers of the Registrant," the information required by this Item is incorporated by reference to the information contained under the captions "Management—Executive Officers and Directors," "Management—Section 16(a) Beneficial Ownership Reporting Compliance" and "Board of Directors, Committees and Meetings—Meetings and Committees of the Board of Directors—The Audit Committee" in the Company's Proxy Statement for its Annual Shareholders Meeting (the "2011 Proxy Statement") to be filed with the Securities and Exchange Commission within 120 days of February 26, 2011, the Company's most recent fiscal year-end. The Company has a Code of Ethics policy that applies to all officers, employees and directors of the Company. It is available at the Company's website at www.finishline.com.

Item 11—Executive Compensation

The information required by this Item is incorporated herein by reference to the information contained under the caption "Executive Compensation" in the 2011 Proxy Statement to be filed within 120 days of February 26, 2011, the Company's most recent fiscal year-end.

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

The information required by this Item is incorporated herein by reference to the information contained under the caption "Security Ownership of Certain Beneficial Owners and Management" in the 2011 Proxy Statement to be filed within 120 days of February 26, 2011, the Company's most recent fiscal year-end.

Equity Compensation Plan Information

The following table provides information with respect to compensation plans under which equity securities of the Company are currently authorized for issuance to employees or non-employees (such as directors, consultants, advisors, vendors, customers, suppliers or lenders), as of February 26, 2011:

Plan Category	(a) Number of shares to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a))
Equity compensation plans approved by shareholders(1)	3,396,673	$10.41	8,350,067(2)
Equity compensation plans not approved by shareholders	—	—	—

(1) These shares are subject to awards made or to be made under the Company's 1992 Employee Stock Incentive Plan, 2002 Stock Incentive Plan, 2009 Stock Incentive Plan, Non-Employee Director Stock Option Plan and Employee Stock Purchase Plan.

(2) Includes the following shares which remain available for future issuance under the referenced plan as of February 26, 2011: (i) 627,942 shares under the 2002 Stock Incentive Plan; (ii) 5,653,953 shares under the 2009 Stock Incentive Plan; and (iii) 2,068,172 shares under the Employee Stock Purchase Plan. No shares remain available for future issuance under the Non-Employee Director Stock Option Plan or the 1992 Employee Stock Incentive Plan. From and after July 23, 2009, the only shares issuable under the 2002 Stock Incentive Plan (other than shares issuable upon the exercise of outstanding options, as disclosed in column (a)) include 258,942 shares eligible for issuance in respect of shares returned to the plan by forfeiture after July 23, 2009, and 369,000 Class B common shares of the Company eligible for issuance in exchange for outstanding Class A common shares subject to unvested incentive stock awards.

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

The information required by this Item is incorporated herein by reference to the information contained under the captions "Executive Compensation—Related Party Transactions" and "Board of Directors, Committees and Meetings—Independence of Directors" in the 2011 Proxy Statement to be filed within 120 days of February 26, 2011, the Company's most recent fiscal year-end.

Item 14—Principal Accounting Fees and Services

The information required by this Item is incorporated herein by reference to the information contained under the captions "Audit Committee Report—Independent Auditor Fee Information" and "Audit Committee Report—Pre-Approval Policies and Proceedings" in the 2011 Proxy Statement to be filed within 120 days of February 26, 2011, the Company's most recent fiscal year-end.

PART IV

Item 15—Exhibits, Financial Statement Schedules

(a) The following financial statements of The Finish Line, Inc. and the report of independent registered public accounting firm are filed in Item 8 as part of this Annual Report on Form 10-K:

(b) Financial Statement Schedules

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

(c) Exhibits

Exhibit Number	Description
2.1	Definitive Merger Agreement with Genesco dated June 17, 2007.(5)
2.2	Amended Commitment Letter.(6)
2.3	Asset Purchase Agreement, dated June 21, 2009 by and among The Finish Line Man Alive, Inc., The Finish Line, Inc., Man Alive Acquisitions, LLC, and the other entities listed therein.(16)
3.1	Restated Articles of Incorporation of The Finish Line, Inc., amended and restated as of July 23, 2009.(17)
3.2	Bylaws of The Finish Line, Inc., amended as of July 23, 2009.(18)
4.1	1992 Employee Stock Incentive Plan of The Finish Line, Inc., as amended and restated.(1)*
4.2	2002 Stock Incentive Plan of The Finish Line, Inc. (as amended and restated July 21, 2005).*
4.3	Amendment No. 1 to the 2002 Stock Incentive Plan of The Finish Line, Inc. (as amended and restated July 21, 2005).(4)*
4.4	Amendment No. 2 to the 2002 Stock Incentive Plan of The Finish Line, Inc. (as amended and restated July 21, 2005).(9)*
4.5	Amendment No. 3 to the 2002 Stock Incentive Plan of The Finish Line, Inc. (as amended and restated July 21, 2005).(19)*
4.6	The Finish Line, Inc. 2009 Incentive Plan.(22)*
10.1	Form of Incentive Stock Option Agreement pursuant to the 1992 Employee Stock Incentive Plan.(2)*
10.2	Form of Non-Qualified Stock Option Agreement pursuant to the 1992 Employee Stock Incentive Plan.(3)*

Exhibit Number	Description
10.3	Form of Award Agreement for Employees and Employee Directors pursuant to the 2002 Employee Stock Incentive Plan.*
10.4	Form of Award Agreement for Nonemployee Directors pursuant to the 2002 Employee Stock Incentive Plan.*
10.5	Form of Non-Qualified Option Award Letter for Employees and Employee Directors pursuant to the 2002 Employee Stock Incentive Plan.*
10.6	Form of Non-Qualified Option Award Letter for Nonemployee Directors pursuant to the 2002 Employee Stock Incentive Plan.*
10.7	Form of Incentive Stock Award Letter pursuant to the 2002 Employee Stock Incentive Plan.*
10.8	Form of Indemnity Agreement between The Finish Line Inc. and each of its Directors or Executive Officers.(29)
10.9	The Finish Line, Inc. Non-Employee Director Stock Option Plan, as amended and restated.(30)*
10.10	The Finish Line, Inc. Employee Stock Purchase Plan.(31)*
10.11	Settlement Agreement among The Finish Line, Inc., Genesco Inc., UBS Securities LLC and UBS Loan Finance LLD dated March 3, 2008.(8)
10.12	The Finish Line, Inc. Non-Qualified Deferred Compensation Plan.(7)*
10.13	Retirement Agreement between The Finish Line, Inc. and Alan H. Cohen.(10)*
10.14	Amended and Restated Employment Agreement of Glenn S. Lyon, dated as of December 31, 2008.(11)*
10.15	Amended and Restated Employment Agreement of Steven J. Schneider, dated as of December 31, 2008.(12)*
10.16	Amended and Restated Employment Agreement of Gary D. Cohen, dated as of December 31, 2008.(13)*
10.17	Employment Agreement of Edward W. Wilhelm, dated as of March 30, 2009.(14)*
10.18	Amendment No. 1 to the Amended and Restated Employment Agreement of Edward W. Wilhelm.(39)*
10.19	Amendment No. 1 to The Finish Line, Inc. Non-Qualified Deferred Compensation Plan.(15)*
10.20	Form of The Finish Line, Inc. 2009 Incentive Plan Non-Qualified Stock Option Award Agreement.(20)*
10.21	Form of The Finish Line, Inc. 2009 Incentive Plan Restricted Stock Award Agreement.(21)*
10.22	Revolving Credit Facility Credit Agreement, dated as of February 18, 2010, among The Finish Line, Inc., The Finish Line USA, Inc., The Finish Line Distribution, Inc., Finish Line Transportation Co., Inc., and Spike's Holding, LLC as borrowers, The Finish Line MA, Inc. and Paiva, LLC as guarantors, certain lenders and PNC Bank, National Association, as Administrative Agent.
10.23	Continuing Agreement of Guaranty And Suretyship—Subsidiaries, dated as of February 18, 2010, by The Finish Line MA, Inc. and Paiva, LLC in favor of the lenders named therein.(23)
10.24	Amendment No. 1 to the Amended and Restated Employment Agreement for Mr. Steven Schneider.(24)*
10.25	Amendment No. 2 to the Amended and Restated Employment Agreement for Mr. Steven Schneider.(36)*

Exhibit Number	Description
10.26	Amendment No. 1 to the Amended and Restated Employment Agreement for Mr. Glenn Lyon.(25)*
10.27	Amendment No. 2 to the Amended and Restated Employment Agreement for Mr. Glenn Lyon.(37)*
10.28	Amendment No. 1 to the Amended and Restated Employment Agreement for Mr. Gary Cohen.(26)*
10.29	Amendment No. 2 to the Amended and Restated Employment Agreement for Mr. Gary Cohen.(38)*
10.30	Form of Restricted Stock Award Agreement for Time Based Vesting.(27)*
10.31	Form of Restricted Stock Award Agreement for Performance Based Vesting.(28)*
10.32	Amendment No. 1 to The Finish Line, Inc. 2009 Incentive Plan.(32)*
10.33	Amended and Restated Employment Agreement of George S. Sanders, dated as of December 31, 2008.(34)*
10.34	Amendment No. 1 to the Amended and Restated Employment Agreement of George S. Sanders.(35)*
10.35	Retirement Agreement, effective April 8, 2011, between Donald E. Courtney and The Finish Line, Inc.(40)*
21	Subsidiaries of The Finish Line, Inc.(33)
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Previously filed as Exhibit 10.28 to the Registrant's Annual Report on Form S-8 (File No. 333-62063) and incorporated herein by reference.
(2) Previously filed as Exhibit 10.6.2 to the Registrant's Registration Statement on Form S-1 and amendments thereto (File No. 33-47247) and incorporated herein by reference.
(3) Previously filed as Exhibit 10.6.3 to the Registrant's Registration Statement on Form S-1 and amendments thereto (File No. 33-47247) and incorporated herein by reference.
(4) Previously filed as Exhibit 4.3 to the Registrant's Annual Report on Form 10-K for the year ended March 3, 2007 and incorporated herein by reference.
(5) Previously filed as Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 18, 2007 and incorporated herein by reference.
(6) Previously filed as Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 15, 2007 and incorporated herein by reference.
(7) Previously filed as Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 4, 2007 and incorporated herein by reference.
(8) Previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 4, 2008 and incorporated herein by reference.
(9) Previously filed as Appendix A of the Registrant's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on June 17, 2008 and incorporated herein by reference.
(10) Previously filed as Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 2, 2008 and incorporated herein by reference.
(11) Previously filed as Exhibit 10.1 of the Registrant's Current Report on Form 8-K/A filed with the Securities and Exchange Commission on December 31, 2008 and incorporated herein by reference.

(12) Previously filed as Exhibit 10.2 of the Registrant's Current Report on Form 8-K/A filed with the Securities and Exchange Commission on December 31, 2008 and incorporated herein by reference.
(13) Previously filed as Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 31, 2008 and incorporated herein by reference.
(14) Previously filed as Exhibit 10.1 of the Registrant's Current Report on Form 8-K/A filed with the Securities and Exchange Commission on April 14, 2009 and incorporated herein by reference.
(15) Previously filed as Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the year ended February 28, 2009 and incorporated herein by reference.
(16) Previously filed as Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 22, 2009 and incorporated herein by reference.
(17) Previously filed as Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 23, 2009 and incorporated herein by reference.
(18) Previously filed as Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 24, 2009 and incorporated herein by reference.
(19) Previously filed as Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 23, 2009 and incorporated herein by reference.
(20) Previously filed as Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 23, 2009 and incorporated herein by reference.
(21) Previously filed as Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 23, 2009 and incorporated herein by reference.
(22) Previously filed as Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 23, 2009 and incorporated herein by reference.
(23) Previously filed as Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 22, 2010 and incorporated herein by reference.
(24) Previously filed as Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2010 and incorporated herein by reference.
(25) Previously filed as Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2010 and incorporated herein by reference.
(26) Previously filed as Exhibit 99.3 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 2, 2010 and incorporated herein by reference.
(27) Previously filed as Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 11, 2011 and incorporated herein by reference.
(28) Previously filed as Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 11, 2011 and incorporated herein by reference.
(29) Previously filed as Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the year ended February 27, 2010 and incorporated herein by reference.
(30) Previously filed as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the year ended February 27, 2010 and incorporated herein by reference.
(31) Previously filed as Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the year ended February 27, 2010 and incorporated herein by reference.
(32) Previously filed as Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the year ended February 27, 2010 and incorporated herein by reference.
(33) Previously filed as Exhibit 21 to the Registrant's Annual Report on Form 10-K for the year ended February 27, 2010 and incorporated herein by reference.
(34) Previously filed as Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 3, 2011 and incorporated herein by reference.
(35) Previously filed as Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 3, 2011 and incorporated herein by reference.
(36) Previously filed as Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2011 and incorporated herein by reference.
(37) Previously filed as Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2011 and incorporated herein by reference.

(38) Previously filed as Exhibit 99.3 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2011 and incorporated herein by reference.
(39) Previously filed as Exhibit 99.4 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2011 and incorporated herein by reference.
(40) Previously filed as Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 12, 2011 and incorporated herein by reference.

---

* Management contract or compensatory plan, contract or arrangement.

SIGNATURES

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

THE FINISH LINE, INC.

Date: May 6, 2011

By: /s/ EDWARD W. WILHELM

Edward W. Wilhelm,
Executive Vice President,
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature to the Annual Report on Form 10-K appears below here by constitutes and appoints Glenn S. Lyon and Edward W. Wilhelm as such person's true and lawful attorney-in-fact and agent with full power of substitution for such person and in such person's name, place and stead, in any and all capacities, to sign and to file with the Securities and Exchange Commission, any and all amendments to the Annual Report on Form 10-K, with exhibits thereto and other documents in connection therewith, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said in attorney-in-fact and agent, or any substitute therefore, may lawfully do or cause to be done by virtue thereof.

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

Date: May 6, 2011	/s/ GLENN S. LYON **Glenn S. Lyon,** **Chairman and Chief Executive Officer** **(Principal Executive Officer)**
Date: May 6, 2011	/s/ EDWARD W. WILHELM **Edward W. Wilhelm,** **Executive Vice President, Chief Financial Officer** **(Principal Financial Officer)**
Date: May 6, 2011	/s/ BEAU J. SWENSON **Beau J. Swenson,** **Vice President and Chief Accounting Officer** **(Principal Accounting Officer)**
Date: May 6, 2011	/s/ STEPHEN GOLDSMITH **Stephen Goldsmith, Director**
Date: May 6, 2011	/s/ BILL KIRKENDALL **Bill Kirkendall, Director**
Date: May 6, 2011	/s/ WILLIAM CARMICHAEL **William Carmichael, Director**
Date: May 6, 2011	/s/ CATHERINE LANGHAM **Catherine Langham, Director**

Date: May 6, 2011	/s/ DOLORES KUNDA **Dolores Kunda, Director**
Date: May 6, 2011	/s/ NORMAN GURWITZ **Norman Gurwitz, Director**
Date: May 6, 2011	/s/ RICHARD CRYSTAL **Richard Crystal, Director**
Date: May 6, 2011	/s/ MARK LANDAU **Mark Landau, Director**

Exhibit Index

Exhibit Number	Description
4.2	2002 Stock Incentive Plan of The Finish Line, Inc. (as amended and restated July 21, 2005).*
10.3	Form of Award Agreement for Employees and Employee Directors pursuant to the 2002 Employee Stock Incentive Plan.*
10.4	Form of Award Agreement for Nonemployee Directors pursuant to the 2002 Employee Stock Incentive Plan.*
10.5	Form of Non-Qualified Option Award Letter for Employees and Employee Directors pursuant to the 2002 Employee Stock Incentive Plan.*
10.6	Form of Non-Qualified Option Award Letter for Nonemployee Directors pursuant to the 2002 Employee Stock Incentive Plan.*
10.7	Form of Incentive Stock Award Letter pursuant to the 2002 Employee Stock Incentive Plan.*
10.22	Revolving Credit Facility Credit Agreement, dated as of February 18, 2010, among The Finish Line, Inc., The Finish Line USA, Inc., The Finish Line Distribution, Inc., Finish Line Transportation Co., Inc., and Spike's Holding, LLC as borrowers, The Finish Line MA, Inc. and Paiva, LLC as guarantors, certain lenders and PNC Bank, National Association, as Administrative Agent.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan, contract or arrangement.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements:

(1) Registration Statements (Form S-8 Nos. 33-95720, 33-51392 and 333-62063) pertaining to The Finish Line, Inc. 1992 Employee Stock Incentive Plan,

(2) Registration Statement (Form S-8 No. 33-84590) pertaining to The Finish Line, Inc. Non-Employee Director Stock Option Plan,

(3) Registration Statements (Form S-8 Nos. 333-100427 and 333-126881) pertaining to The Finish Line, Inc. 2002 Stock Incentive Plan,

(4) Registration Statement (Form S-8 No. 333-118069) pertaining to The Finish Line, Inc. Employee Stock Purchase Plan,

(5) Registration Statement (Form S-8 No. 333-160751) pertaining to The Finish Line, Inc. 2009 Incentive Plan, and

(6) Registration Statement (Form S-3 No. 333-150091) of the Finish Line, Inc.

of our reports dated May 6, 2011, with respect to the consolidated financial statements of The Finish Line, Inc., and the effectiveness of internal control over financial reporting of The Finish Line, Inc. included in this Annual Report (Form 10-K) of The Finish Line, Inc. for the year ended February 26, 2011.

/s/ ERNST & YOUNG LLP

Indianapolis, Indiana
May 6, 2011

Exhibit 31.1

CERTIFICATIONS

I, Glenn S. Lyon, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Finish Line, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2011

By: /s/ GLENN S. LYON

Glenn S. Lyon
Chairman and Chief Executive Officer

Exhibit 31.2

I, Edward W. Wilhelm, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Finish Line, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2011

By: /s/ EDWARD W. WILHELM

Edward W. Wilhelm
Executive Vice President,
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies, in his capacity as an officer of The Finish Line, Inc. (the "Company"), for purposes of 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to the best of his knowledge:,

- The Annual Report on Form 10-K of the Company for the year ended February 26, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78); and
- The information contained in such Annual Report on Form 10-K fairly presents, in all material aspects, the financial condition and results of operation of the Company.

Date: May 6, 2011

By: /s/ GLENN S. LYON

Glenn S. Lyon
Chairman and Chief Executive Officer
(Principal Executive Officer)

By: /s/ EDWARD W. WILHELM

Edward W. Wilhelm
Executive Vice President,
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to The Finish Line, Inc. and will be retained by The Finish Line, Inc. and forwarded to the Securities and Exchange Commission or its staff upon request.

THIS PAGE INTENTIONALLY LEFT BLANK

CORPORATE INFORMATION

Corporate Office
The Finish Line, Inc.
3308 North Mitthoeffer Road
Indianapolis, Indiana 46235
Telephone 317.899.1022
Facsimile 317.899.0237

Company Website
www.finishline.com

Common Stock Listing
NASDAQ Global Select Market
Symbol: FINL

Transfer Agent & Registrar
American Stock Transfer & Trust Co.
Corporate Headquarters
59 Maiden Lane
New York, NY 10038
www.amstock.com

Annual Meeting of Shareholders
Thursday, July 21, 2011, at 9:00 a.m. EST
The Finish Line, Inc. Corporate Office

A copy of Form 10-K, the Company's annual report to the Securities and Exchange Commission, for the current period can be obtained without charge by writing to:

The Finish Line, Inc.
Attn: Chief Financial Officer
3308 North Mitthoeffer Road
Indianapolis, Indiana 46235