As filed with the Securities and Exchange Commission on June 27, 1996

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

HIBBETT SPORTING GOODS, INC.
(Exact name of registrant as specified in its charter)

Alabama	5941	63-1074067
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Code Number)	(I.R.S. Employer Identification No.)

451 Industrial Lane
Birmingham, Alabama 35211
(205) 942-4292
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Susan H. Fitzgibbon
Chief Financial Officer
Hibbett Sporting Goods, Inc.
451 Industrial Lane
Birmingham, Alabama 35211
(205) 942-4292
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Alan Dean	Gregory S. Curran	Steven Della Rocca
Davis Polk & Wardwell	Balch & Bingham	Latham & Watkins
450 Lexington Avenue	1901 Sixth Avenue North,	885 Third Avenue,
New York, New York 10017	Suite 2600	Suite 1000
(212) 450-4000	Birmingham, Alabama 35203	New York, New York 10022
	(205) 226-3459	(212) 906-1200

Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee

Common Stock, par value $.01 per share.....	$34,500,000	$11,897

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(1) Includes $4,500,000 of Common Stock which the Underwriters have the right to purchase to cover over-allotments.
(2) Estimated solely for the purposes of computing the amount of the registration fee pursuant to Rule 457 under the Securities Act of 1933.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED JUNE 27, 1996

PROSPECTUS

Shares

HIBBETT SPORTING GOODS, INC.

Common Stock

All of the shares of Common Stock, par value $.01 per share (the "Common Stock"), being offered hereby (the "Offering") are being sold by Hibbett Sporting Goods, Inc. ("Hibbett" or the "Company"). Prior to this Offering, there has not been a public market for the Common Stock. It is currently estimated that the initial public offering price will be between $ and $ per share. See "Underwriting" for information relating to the factors considered in determining the initial public offering price. Application will be made to trade the Common Stock on The Nasdaq Stock market's National Market under the symbol "HIBB."

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SEE "RISK FACTORS" BEGINNING ON PAGE 7 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions (1)	Proceeds to Company(2)
Per Share	$	$	$
Total(3)	$	$	$

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(1) For information regarding indemnification of the Underwriters, see "Underwriting."

(2) Before deducting expenses of the Offering estimated at $ payable by the Company.

(3) The Company has granted the Underwriters a 30-day option to purchase up to additional shares of Common Stock, solely to cover over-allotments, if any. See "Underwriting." If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be $, $ and $, respectively.

The shares of Common Stock are being offered by the several Underwriters named herein, subject to prior sale, when, as and if accepted by them and subject to certain conditions. It is expected that certificates for the shares of Common Stock offered hereby will be available for delivery on or about , 1996 at the offices of Smith Barney Inc., 333 West 34th Street, New York, New York 10001.

SMITH BARNEY INC.

MONTGOMERY SECURITIES

THE ROBINSON-HUMPHREY COMPANY, INC.

, 1996

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by and should be read in conjunction with the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. All references to fiscal years of the Company in this Prospectus refer to the fiscal years ended on the Saturday nearest to January 31 of such year, except that references to the Company's fiscal years 1992 and 1993 refer to the fiscal years ended on January 31 of such year. Unless otherwise indicated, the information in this Prospectus (i) assumes that the Underwriters' overallotment option is not exercised and (ii) gives effect to a 1 for reverse stock split to be effected on , 1996.

The Company

Hibbett Sporting Goods, Inc. ("Hibbett" or the "Company") is a leading rapidly-growing operator of full-line sporting good stores in small to mid-sized markets in the southeastern United States. The Company's stores offer a broad assortment of quality athletic footwear, apparel and equipment at competitive prices with superior customer service. The Company's stores offer a core selection of brand name merchandise with an emphasis on team and individual sports complemented by a selection of localized apparel and accessories designed to appeal to a wide range of customers within each market. The Company's stores are among the primary retail distribution alternatives for brand name vendors that seek to reach Hibbett's target markets. Hibbett has received the Nike Retailer Excellence Award for the Southeast region for eight consecutive years based on its performance in the full-line sporting goods category.

The Company currently operates 60 Hibbett Sports stores as well as eight smaller-format Sports Additions athletic shoe stores and three larger-format Sports & Co. superstores. The Company's primary retail format and growth vehicle is Hibbett Sports, a 5,000 square foot store located predominantly in enclosed malls. Hibbett Sports is typically the primary,

full-line sporting goods retailer in its markets because of, among other factors, its more extensive selection of traditional team and individual sports merchandise and its superior customer service.

Key Business Strategies

Unique Emphasis on Small Markets. The Company targets markets ranging in population from 30,000 to 250,000. Management believes that it is currently targeting markets of this size in the Southeast more aggressively than any of its competitors. By targeting smaller markets, the Company believes that it is able to achieve significant strategic advantages, including numerous expansion opportunities, comparatively low operating costs, and a more limited competitive environment than generally faced in larger markets. In addition, the Company establishes greater customer and vendor recognition as the leading full-line sporting goods retailer in the local community.

Specialized Regional Focus. With over 30 years of experience as a full-line sporting goods retailer in the Southeast, Hibbett benefits from strong name recognition, a loyal customer base and operating and cost efficiencies. Although the core merchandise assortment tends to be similar for each Hibbett Sports store, important local and regional differences frequently exist. Management believes that its ability to merchandise to local sporting or community interests differentiates Hibbett from its national competitors. The Company's regional focus also enables it to achieve significant cost benefits including lower corporate expenses, reduced distribution costs, and increased economies of scale from its marketing activities.

Low Cost Culture. In addition to the cost benefits of the Company's small market emphasis and regional focus, over its long operating history Hibbett's management has instilled a low cost corporate culture. Management exercises tight control over store level operating expenses, real estate costs and corporate overhead. The Company's management information systems enable senior management to make timely and informed merchandise decisions, maintain tight inventory control and monitor store-level financial performance on a timely basis.

Emphasis on Training and Customer Satisfaction. Management seeks to exceed customer expectations in order to build loyalty and generate repeat business. The Company hires enthusiastic sales personnel with an interest in sports and provides them with extensive training to create a sales staff with strong product knowledge dedicated to outstanding customer service. Such training typically includes a two-part program on selling skills and continuing product/technical training which is conducted through in-store clinics and video presentations, as well as interactive group discussions.

Investment in Management and Infrastructure. The Company's experienced management team and information and distribution systems are expected to facilitate the Company's future growth. The Company's new headquarters and distribution center is currently capable of servicing in excess of 150 Hibbett Sports stores and has significant expansion potential to support the Company's growth for the foreseeable future. Through its comprehensive information systems, the Company monitors all aspects of store operations on a daily basis and is able to control inventory levels and operating costs.

Expansion Strategy

The Company is accelerating its rate of new store openings to take advantage of the growth opportunities in its target markets. As the Company continues to expand, Hibbett Sports will remain its primary growth vehicle. The Company plans to open 17 Hibbett Sports stores in fiscal 1997 (four have been opened to date) and approximately 27 Hibbett Sports stores in fiscal 1998. The Company also intends to open one Sports & Co. superstore and one Sports Additions store in fiscal 1997. The Company will selectively open Sports Additions stores and Sports & Co. superstores as opportunities arise in the future. The Company has identified over 500 potential markets for future

Hibbett Sports stores within the states in which it operates and in contiguous states. Hibbett's clustered expansion program, which calls for opening new stores within a two-hour driving radius of another Company location, allows it to take advantage of efficiencies in distribution and regional management.

The Company believes its business and expansion strategies have contributed to its increasing net sales and operating profits. Over the past five fiscal years, net sales have increased at a 20.3% compound annual growth rate to $67.1 million in fiscal 1996 and operating income has increased at a 29.3% compound annual growth rate to $5.6 million in fiscal 1996.

The Company's principal executive offices are located at 451 Industrial Lane, Birmingham, Alabama 35211, and its telephone number is 205-942-4292.

The Offering

Common Stock offered.....	shares of Common Stock
Common Stock to be outstanding after the Offering.....	shares of Common Stock(1)
Use of Proceeds.....	To redeem $16.0 million in aggregate principal amount of Subordinated Notes and accrued interest thereon and to repay a $1.0 million Term Loan and accrued interest thereon, with the balance to be used to reduce outstanding balances under its Revolving Loan Agreement. See "Use of Proceeds."
Proposed Nasdaq National Market symbol..	"HIBB"

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(1) Excludes options to acquire 681,749 shares of Common Stock that are issuable under outstanding, currently exercisable options.

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

(In thousands, except per share and selected operating data)

	Fiscal Year Ended					Thirteen Week Period Ended	
	January 31, 1992	January 31, 1993	January 29, 1994(1)	January 28, 1995	February 3, 1996	April 29, 1995	May 4, 1996
			(52 Weeks)	(52 Weeks)	(53 Weeks)	(Unaudited)	
Statement of Operations Data:							
Net sales.....	$32,033	$36,366	$40,119	$52,266	$67,077	$15,001	$20,251
Gross profit.....	9,901	11,368	12,388	16,041	20,435	4,570	6,216
Operating income.....	2,020	2,693	2,877	4,522	5,642	1,476	2,429(2)
Interest expense.....	453	325	488	654	1,685(3)	182	910(3)
Income before provision for income taxes.....	1,567	2,368	2,389	3,868	3,957	1,294	1,519
Net income.....	979(4)	1,462(4)	1,469	2,389	2,443	799	935
Net income per share.....	.03(4)	.04(4)	.04	.06	.07(5)	.02	.04(5)
Weighted average shares outstanding.....	38,687	38,722	39,678	39,678	35,613(3)	39,678	23,768(3)
Selected Operating Data:							
Number of stores open at end of period:							
Hibbett Sports.....	34	33	41	52	56	52	58
Sports & Co.....	0	0	0	0	3	1	3
Sports Additions.....	4	6	8	8	8	7	8
Total.....	38	39	49	60	67	60	69
Net sales growth.....	13.7%	13.5%	10.3%	30.3%	28.3%	28.6%	35.0%
Comparable store net sales increase (decrease)(6).....	2.4%	10.6%	(0.3%)	15.6%	6.2%	7.9%	15.7%

	At May 4, 1996

	Actual	As adjusted(7)
	(Unaudited)	
Balance Sheet Data:		
Working capital	$14,598	$
Total assets	37,703	
Total debt	30,325(3)	
Stockholders' investment (deficit)	(7,158)(3)	

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(1) During fiscal year 1994, the Company changed its fiscal year from a twelve-month period ending January 31 to a 52-53 week period ending on the Saturday nearest to January 31.

(2) Includes a $513,000 pre-tax gain on the sale of the Company's former headquarters and distribution facility.

(3) In November 1995, the Company completed a series of equity and debt transactions which resulted in a recapitalization of the Company and a change in controlling ownership of the common stock outstanding (the "Recapitalization"). The Recapitalization included the repurchase and retirement of 34,220,000 shares of common stock for cash and debt and the issuance of 17,609,000 new shares of common stock and debt in exchange for cash. The Recapitalization resulted in a substantial increase in total debt outstanding and a deficit in stockholders' investment.

(4) Prior to July 1, 1992, the Company was a Subchapter S corporation. Under these provisions the taxable income of the Company was included in the individual income tax returns of the stockholders. Effective July 1, 1992, the Company and its stockholders terminated the S corporation election and the Company became a taxable corporation. Thus, the provisions for income taxes for the fiscal years ended January 31, 1992 and 1993 give effect to the application of pro forma income taxes that would have been reported had the Company been a taxable corporation for federal and state income tax purposes for such fiscal years.

(5) The net proceeds from the Offering will be used to retire a substantial portion of the Company's debt. Accordingly, a presentation of supplemental net income per share before extraordinary item is calculated by dividing net income (after adjustment for applicable interest expense) by the number of weighted average shares outstanding after giving effect to the estimated number of shares that would be required to be sold (at the initial public offering price of $ per share) to repay $ and $ of debt at February 3, 1996 and May 4, 1996, respectively. Supplemental net income per share before extraordinary item for the fiscal year ended February 3, 1996 and the thirteen week period ended May 4, 1996 was $ and $, respectively. Supplemental net income per share after extraordinary item (to reflect the write-off of unamortized debt discount and debt issuance costs) for the fiscal year ended February 3, 1996 and the thirteen week period ended May 4, 1996 was $ and $, respectively.

(6) Comparable store net sales data for a period reflect stores open throughout that period and the corresponding period of the prior fiscal year. For the periods indicated, comparable store net sales do not include sales by Sports & Co. superstores or Team Sales (as defined herein).

(7) Adjusted to give effect to the Offering and the application of the estimated net proceeds thereof as described in "Use of Proceeds."

RISK FACTORS

Before purchasing the shares of Common Stock offered hereby, a

prospective investor should consider the specific factors set forth below as well as the other information set forth elsewhere in this Prospectus. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" for a description of other factors affecting the business of the Company generally.

Expansion Plans

During fiscal 1994 through 1996, the Company opened approximately 10 new stores a year, growing from 39 stores at the beginning of fiscal 1994 to 67 stores at the end of fiscal 1996. The Company has opened four Hibbett Sports stores to date in fiscal 1997, and intends to open 13 additional Hibbett Sports stores, one Sports & Co. superstore and one Sports Additions store in fiscal 1997 as well as approximately 27 Hibbett Sports stores in fiscal 1998. The proposed expansion is substantially more rapid than the Company's historical growth, and the continued growth of the Company will depend, in large part, upon the Company's ability to open new stores in a timely manner and to operate them profitably. However, successful expansion is subject to various contingencies, many of which are beyond the Company's control. These contingencies include, among others, (i) the Company's ability to identify and secure suitable store sites on a timely basis and on satisfactory terms and to complete any necessary construction or refurbishment of these sites, (ii) the Company's ability to hire, train and retain qualified managers and other personnel, and (iii) the successful integration of new stores into existing operations. No assurance can be given that the Company will be able to complete its expansion plans successfully; that the Company will be able to achieve results similar to those achieved with prior locations; or that the Company will be able to continue to manage its growth effectively. The Company's failure to achieve its expansion plans could materially adversely affect its business, financial condition and results of operations. In addition, operating margins may be impacted in periods in which incremental expenses have been incurred in advance of new store openings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Overview; -Quarterly Fluctuations."

Merchandise Trends

The Company's success depends in part on its ability to anticipate and respond to changing merchandise trends and consumer demand in a timely manner. Accordingly, any failure by the Company to identify and respond to emerging trends could adversely affect consumer acceptance of the merchandise in the Company's stores, which in turn could materially adversely affect the Company's business, financial condition and results of operations. In addition, if the Company miscalculates either the market for the merchandise in its stores or its customers' purchasing habits, it may be faced with a significant amount of unsold inventory, which could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, a major shift in consumer demand away from athletic footwear and apparel could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Merchandising."

Vendor Relationships

The Company's business is dependent to a significant degree upon close relationships with vendors and the Company's ability to purchase brand-name merchandise at competitive prices. During fiscal 1996, the Company's largest vendor, Nike, represented approximately 35% of its purchases. The loss of key vendor support could have a material adverse effect on the Company's business, financial condition and results of operations. The Company believes that it has long-standing and strong relationships with its vendors and that it has adequate sources of brand-name merchandise on competitive terms; however, there can be no assurance that the Company will be able to acquire such merchandise at competitive prices or on competitive terms in the future. In this regard, certain merchandise that is high profile and in high demand may be allocated by vendors based upon the vendors' internal criteria which are beyond the Company's control.

See "Business--Vendor Relationships."

Competition

The business in which the Company is engaged is highly competitive and many of the items sold by the Company are sold by local sporting goods stores, department and discount stores, national and regional full-line sporting goods stores, footwear and other specialty sports supply stores, and traditional shoe stores. Many of the stores with which the Company competes are units of national chains that have substantially greater financial and other resources than the Company. Although several of those competitors like Foot Locker or Foot Action are already present in most of Hibbett Sports' mall locations, the Company believes that its Hibbett Sports format is able to compete effectively by distinguishing itself as a full-line sporting goods store emphasizing a selection of individual and team sports merchandise complemented by a localized mix of apparel and accessories. The Company's Sports & Co. superstores compete with sporting goods superstores, athletic footwear superstores, small-format sporting goods stores and mass merchandisers. Expansion by the Company into the markets served by its competitors, or entry of new competitors or expansion of existing competitors into the Company's markets could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Competition."

Retail Industry; Seasonality and Quarterly Fluctuations

The Company's sales are subject to general economic conditions and could be adversely affected by a weak retail environment. No assurances can be given that purchases of sporting goods will not decline during recessionary periods. In addition, the Company has historically experienced and expects to continue to experience seasonal fluctuations in its net sales, operating income and net income. The Company's net sales, operating income and net income are typically higher in the fourth quarter due to sales increases during the Christmas season. An economic downturn during this period could adversely affect the Company to a greater extent than if such downturn occurred at other times of the year.

The Company's quarterly results of operations may also fluctuate significantly as a result of a variety of factors, including, among other factors, the timing of new store openings, the amount and timing of net sales contributed by new stores, the level of pre-opening expenses associated with new stores, the relative proportion of new stores to mature stores, merchandise mix, the relative proportion of stores represented by each of the Company's three store concepts and demand for apparel and accessories driven by local interest in sporting events such as the NCAA basketball championship. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Quarterly Fluctuations."

Regional Market Concentration

Most of the Company's stores are located in the southeastern United States. In addition, the Company's current expansion plans anticipate that all new stores will be located in the states where the Company currently has operations or in contiguous new states. Consequently, the Company's results of operations are more subject to regional economic conditions, regional weather conditions, regional demographic and population changes and other regional factors than the operations of more geographically diversified competitors. See "Business--Store Locations."

Dependence on Key Personnel

The Company's future success depends to a significant extent upon the leadership and performance of its President and other executive officers. The loss of the services of certain of these individuals could have a material adverse effect on the Company's business, financial condition and results of operations. As the Company continues to grow, it will continue to hire, appoint or otherwise change senior managers and other key executives. There can be no assurance that the Company will be able to

retain its executive officers and key personnel or attract additional qualified members to management in the future. The Company does not have employment or non-competition agreements with its executive officers other than Mr. Newsome, the President of the Company. None of the Company's senior management has any experience in managing a public company. See "Management."

Control of the Company by Certain Shareholders

Upon the closing of the Offering, The SK Equity Fund, L.P. and SK Investment Fund, L.P. (collectively, the "Funds") will own approximately % of the outstanding Common Stock, and the Anderson Shareholders (as defined herein) will own approximately % of the outstanding Common Stock. Pursuant to the Stockholders Agreement (as defined herein), the Funds and the Anderson Shareholders agreed to vote for a Board of Directors composed of the nominees of the Funds and the Anderson Shareholders. Directors are elected by a plurality of the votes cast by the holders of shares entitled to vote and cumulative voting is not permitted. Subject to the Stockholders Agreement, the Funds will have power to elect the directors of the Company and to determine the outcome of any matter submitted to a vote of the Company's shareholders for approval which requires a majority shareholder vote, and, acting together with the Anderson Shareholders, to determine the outcome of any matter that requires a two-thirds shareholder vote including mergers, consolidations or the sale of all or substantially all of the Company's assets, and to prevent or cause a change in control of the Company. See "Certain Transactions--Stockholders Agreement" and "Principal Shareholders."

Potential Adverse Market Price Effects of Shares Eligible for Future Sale

No prediction can be made as to the effect, if any, that future sales of Common Stock, or the availability of shares for future sales, will have on the market price of the Common Stock prevailing from time to time. Sales of substantial amounts of Common Stock, or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Stock. Upon completion of the Offering, the Company will have (if the Underwriters' overallotment option is exercised in full) shares of Common Stock outstanding. Of these shares, all of the (if the Underwriters' overallotment option is exercised in full) shares sold in the Offering will generally be freely transferable by persons other than affiliates of the Company, without restriction or further registration under the Securities Act of 1933, as amended (the "Securities Act"). The remaining outstanding shares of Common Stock ("Restricted Shares") will be "restricted securities" within the meaning of Rule 144 under the Securities Act and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including exemptions contained in Rule 144. Without considering the contractual restrictions described below, approximately Restricted Shares will become eligible for public sale in accordance with the provisions of Rule 144 during the 12 months following the consummation of the Offering. The Company, its officers and directors, the Funds and the Anderson Shareholders have agreed that, for a period of 180 days following the date of this Prospectus, they will not, without the prior written consent of Smith Barney Inc., offer, sell, grant any option to purchase or otherwise dispose of Common Stock or any securities convertible into or exchangeable for Common Stock. See "Shares Eligible for Future Sale" and "Underwriting."

Lack of Prior Public Market and Volatility of Stock Price

Prior to the Offering, there has been no public market for the Common Stock and there can be no assurance that an active trading market in the Common Stock will develop subsequent to the Offering or, if developed, that it will be sustained. The initial public offering price will be determined by negotiation between the Company and the Representatives of the Underwriters. See "Underwriting" for a discussion of factors considered in determining the initial public offering price. Upon commencement of the Offering, the Common Stock will be quoted on The Nasdaq National Market, which

stock market has experienced and is likely to experience in the future significant price and volume fluctuations which could adversely affect the market price of the Common Stock without regard to the operating performance of the Company. In addition, the Company believes that factors such as quarterly fluctuations in the financial results of the Company, the overall economy and condition of the financial markets could cause the price of the Common Stock to fluctuate substantially.

Dilution

Purchasers of Common Stock in the Offering will incur immediate and substantial dilution in net tangible book value per share. See "Dilution."

USE OF PROCEEDS

The net proceeds to be received by the Company from the sale of Common Stock offered hereby (after deducting underwriting discounts and estimated offering expenses) are expected to be approximately $ million ($ million if the Underwriters' over-allotment option is exercised in full). The Company intends to use the net proceeds to redeem $16.0 million in aggregate principal amount of the Subordinated Notes (as defined herein) and accrued interest thereon, and to repay a $1.0 million Term Loan (as defined herein) and accrued interest thereon, with the balance to be used to reduce the outstanding balance on the Revolving Loan Agreement (as defined herein). Amounts repaid under the Revolving Loan Agreement may be reborrowed subject to satisfaction of borrowing base requirements. As of June 15, 1996 the Anderson Shareholders owned $11,426,000 principal amount of the Subordinated Notes and the Funds owned the remaining $4,574,000. The Subordinated Notes bear interest at the rate of 12% per annum and mature on November 1, 2002. The Term Loan bears interest at a floating rate (7.77% at June 15, 1996) and matures in November 1997. The Revolving Loan Agreement bears interest at a floating rate (7.79% at June 15, 1996) and expires in November 2000.

DIVIDEND POLICY

The Company currently anticipates that it will retain all available funds for use in the operation and expansion of its business and does not anticipate paying any cash dividends in the foreseeable future. In addition, the Revolving Loan Agreement prohibits the Company from declaring, paying or making any dividend or distribution on its Common Stock other than dividends or distributions payable in stock.

DILUTION

The Company's net tangible book value at May 4, 1996 was a deficit of $(7,158,000) or $(.31) per share of Common Stock. Without taking into account any changes in net tangible book value after May 4, 1996, other than to give effect to the sale by the Company of shares of Common Stock offered hereby (at an assumed public offering price of $ per share, before deduction of underwriting discounts and commissions and estimated offering expenses), the Company's pro forma net tangible book value at May 4, 1996 would have been $, or $ per share of Common Stock. This represents an immediate increase in net tangible book value of $ per share to existing shareholders and an immediate dilution in net tangible book value of $ per share to new investors purchasing shares in the Offering. The following table illustrates the per share dilution:

Public offering price	$_____
Net tangible book value (deficit) before the Offering(1)	$ (0.31)
Increase in net tangible book value attributable to new investors	

Dilution to new investors(2)..... $_____

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(1) Net tangible book value (deficit) per share is determined by dividing the net tangible book value (deficit) of the Company (tangible assets less liabilities) by the number of shares of Common Stock outstanding as of May 4, 1996.

(2) Dilution is determined by subtracting pro forma net tangible book value per share after the Offering from the amount of cash paid by a new investor for a share of Common Stock.

The following table sets forth as of May 4, 1996 the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid by the existing shareholders and by new investors:

	Shares Purchased		Total Consideration		
	Number	Percent	Amount	Percent	Average Price PerShare
Existing shareholders.....		%	$	%	$
New Investors.....					
Total.....		100.0%	$	100.0%	$

The foregoing tables assume no exercise of outstanding stock options after May 4, 1996. At May 4, 1996, 681,749 shares of Common Stock were subject to outstanding options, at a weighted average exercise price of $.84. To the extent these options are exercised there will be further dilution to new investors. See "Management--Stock Option Plans" and Note 8 of Notes to Consolidated Financial Statements.

CAPITALIZATION

The following table sets forth the Company's capitalization as of May 4, 1996 and as adjusted to give effect to the sale by the Company of shares of Common Stock offered hereby at an assumed initial public offering price of $ per share (before deduction of underwriting discounts and estimated expenses of the Offering) and application of the proceeds therefrom as described in "Use of Proceeds."

	May 4, 1996 (in thousands)	
	Actual	As Adjusted
Long-term debt:		
Revolving Loan Agreement.....	$14,773	$
Term Loan.....	1,000	
Subordinated Notes.....	16,000	
Unamortized debt discount.....	(1,448)	
Total long-term debt.....	30,325	
Stockholders' investment (deficit):		
Common Stock, $.01 par value per share, 50,000,000 shares authorized, 23,389,000 shares issued and outstanding.....	234	
Paid-in capital.....	14,933	
Retained earnings (deficit).....	(22,325)	
Total stockholders' investment (deficit).....	(7,158)	
Total capitalization.....	$23,167	$

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The statement of operations data and balance sheet data for each of the five fiscal years ended January 31, 1992, January 31, 1993, January 29, 1994, January 28, 1995, and February 3, 1996 set forth below have been derived from audited financial statements of the Company, except for the provision for income taxes, net income and net income per share in fiscal 1992 and 1993, which are pro forma amounts as explained in footnote 4. The data for the thirteen week periods ended April 29, 1995 and May 4, 1996 have been derived from unaudited financial statements of the Company. The unaudited financial statements include all adjustments, consisting of normal recurring adjustments, which the Company considers necessary for a fair presentation of its financial position and results of operations for these periods. Operating results for the thirteen week period ended May 4, 1996 are not necessarily indicative of the results that may be expected for any future period. The following data should be read in conjunction with the consolidated financial statements of the Company and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Prospectus.

	Fiscal Year Ended					Thirteen Week Period Ended	
	January 31, 1992	January 31, 1993	January 29, 1994(1)	January 28, 1995	February 3, 1996	April 29, 1995	May 4, 1996
			(52 Weeks)	(52 Weeks)	(53 Weeks)	(Unaudited)	
			(In thousands, except per share data)				
Statement of Operations Data:							
Net sales	$32,033	$36,366	$40,119	$52,266	$67,077	$15,001	$20,251
Cost of goods sold, including warehouse, distribution, and store occupancy costs	22,132	24,998	27,731	36,225	46,642	10,431	14,035
Gross profit	9,901	11,368	12,388	16,041	20,435	4,570	6,216
Store operating, selling, and administrative expenses	6,859	7,446	8,352	10,197	13,326	2,681	3,344(2)
Depreciation and amortization	657	814	932	1,066	1,322	383	393
Management fees(3)	365	415	227	256	145	30	50
Operating income	2,020	2,693	2,877	4,522	5,642	1,476	2,429
Interest expense	453	325	488	654	1,685(7)	182	910(7)
Income before provision for income taxes	1,567	2,368	2,389	3,868	3,957	1,294	1,519
Provision for income taxes	588(4)	906(4)	920	1,479	1,514	495	584
Net income	$979(4)	$1,462(4)	$1,469	$2,389	$2,443	$799	$935
Net income per share	$ .03(4)	$ .04(4)	$ .04	$ .06	$ .07(5)	$ .02	$ .04(5)
Weighted average shares outstanding	38,687	38,722	39,678	39,678	35,613(7)	9,678	23,768(7)
Selected Operating Data:							
Number of stores open at end of period:							
Hibbett Sports	34	33	41	52	56	52	58
Sports & Co	0	0	0	0	3	1	3
Sports Additions	4	6	8	8	8	7	8
Total	38	39	49	60	67	60	69
Net sales growth	13.7%	13.5%	10.3%	30.3%	28.3%	28.6%	35.0%
Comparable store net sales increase (decrease)(6)	2.4%	10.6%	(0.3%)	15.6%	6.2%	7.9%	15.7%

	As Of					
	January 31, 1992	January 31, 1993	January 29, 1994(1)	January 28, 1995	February 3, 1996	May 4, 1996
			(52 Weeks)	(52 Weeks)	(53 Weeks)	(Unaudited)
			(In thousands)			
Balance Sheet Data:						
Working capital	$2,825	$2,097	$4,030	$7,459	$10,907	$14,598
Total assets	12,638	14,569	17,507	22,787	36,702	37,703
Total debt	4,661	4,810	6,179	5,328	31,912(7)	30,325(7)
Stockholders' investment (deficit)	4,666	4,402	5,871	8,259	(8,093)(7)	(7,158)(7)

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(1) During fiscal year 1994, the Company changed its fiscal year from a twelve-month period ending January 31 to a 52-53 week period ending on the Saturday nearest to January 31.

(2) Includes a $513,000 pre-tax gain on the sale of the Company's former headquarters and distribution facility.

(3) See "Certain Transactions--Management Agreement" and "--Advisory Agreement" and Note 6 of Notes to Consolidated Financial Statements.

(4) Prior to July 1, 1992, the Company was a Subchapter S corporation. Under these provisions, the taxable income of the Company was included in the individual income tax returns of the stockholders. Effective July 1, 1992, the Company and its stockholders terminated the S corporation election and the Company became a taxable corporation. Thus, the provisions for income taxes for the fiscal years ended January 31, 1992 and 1993 give effect to the application of pro forma income taxes that would have been reported had the Company been a taxable corporation for federal and state income tax purposes for such fiscal years.

(5) The net proceeds from the Offering will be used to retire a substantial portion of the Company's debt. Accordingly, a presentation of supplemental net income per share before extraordinary item is calculated by dividing net income (after adjustment for applicable interest expense) by the number of weighted average shares outstanding after giving effect to the estimated number of shares that would be required to be sold (at the initial public offering price of $ per share) to repay $ and $ of debt at February 3, 1996 and May 4, 1996, respectively. Supplemental net income per share before extraordinary item for the fiscal year ended February 3, 1996 and the thirteen week period ended May 4, 1996 was $ and $, respectively. Supplemental net income per share after extraordinary item (to reflect the write off of unamortized debt discount and debt issuance costs) for the fiscal year ended February 3, 1996 and the thirteen week period ended May 4, 1996 was $ and $, respectively.

(6) Comparable store net sales data for a period reflect stores open throughout that period and the corresponding period of the prior fiscal year. For the periods indicated, comparable store net sales do not include sales by Sports & Co. or Team Sales.

(7) In November 1995, the Company completed the Recapitalization. The Recapitalization included the repurchase and retirement of 34,220,000 shares of common stock for cash and debt and the issuance of 17,609,000 new shares of common stock and debt in exchange for cash. The Recapitalization resulted in a substantial increase in total debt outstanding and a deficit in stockholders' investment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Hibbett is a leading operator of full-line sporting goods retail stores in small to mid-sized markets in the southeastern United States. The Company currently operates 71 stores in nine states. Hibbett began operations in 1945 in Florence, Alabama as Dixie Supply Company, a retailer of athletic, marine and aviation equipment. In 1952, the Company changed its operating strategy to focus on team sports oriented merchandise and its name to Hibbett & Sons. In the mid 1960s, the Company refocused its operating strategy on retailing and changed its name to Hibbett Sporting Goods, Inc. In 1980, the Anderson family of Florence, Alabama (the "Anderson Shareholders") purchased Hibbett and continued to expand the Company's store base at a moderate pace, while investing in professional management and systems. Beginning in fiscal 1994, Hibbett accelerated its store opening rate to approximately 10 stores per year.

On November 1, 1995, The SK Equity Fund, L.P. and SK Investment Fund, L.P. (collectively, the "Funds") acquired the majority of the outstanding shares of Common Stock as part of a recapitalization of the Company (the "Recapitalization"). In connection with the Recapitalization, the Company (i) sold to the Funds approximately 75% of the Company's Common Stock, (ii) repurchased a portion of the Common Stock held by the Anderson Shareholders (leaving them with approximately 22% of the Company's outstanding Common Stock), (iii) issued $16,000,000 in aggregate principal amount of its subordinated notes ("Subordinated Notes") and (iv) issued $4,125,000 in aggregate principal amount of its senior subordinated notes ("Senior Subordinated Notes"). See "Certain Transactions--Transactions Related to the Recapitalization." In connection with the Recapitalization, the Company also refinanced its bank facilities with a $26,000,000 credit facility provided by Heller Financial, Inc. ("Heller"), consisting of a $25,000,000 revolving loan agreement (the "Revolving Loan Agreement") and a $1,000,000 term loan (the "Term Loan"). The Senior Subordinated Notes which financed the construction of the Company's new headquarters and distribution center were subsequently redeemed in February 1996 from proceeds of the sale and leaseback of this facility.

Beginning in fiscal 1997, the Company has further accelerated expansion plans to take advantage of the growth opportunities in its target markets. The Company plans to open 17 Hibbett Sports stores in fiscal 1997 and approximately 27 Hibbett Sports stores in fiscal 1998. The Company has opened four Hibbett Sports stores to date in fiscal 1997, and intends to open 13 additional Hibbett Sports stores, one Sports & Co. superstore and one Sports Additions store in fiscal 1997. To support its expansion plans, the Company has increased its staffing levels in finance, merchandising, real estate, distribution and field management. In January 1996, the Company moved into its new headquarters and distribution center which currently has the capacity to service in excess of 150 Hibbett Sports stores and has significant expansion potential to support the Company's growth. While operating margins may be impacted in periods in which incremental expenses have been incurred to support acceleration of the Company's expansion plans, over the long term, the Company expects to benefit from leveraging its expenses over a larger store base as it continues to implement its expansion plans.

The Company operates on a 52 or 53 week fiscal year, with its fiscal year ending on the Saturday nearest to January 31 of each year. The consolidated statements of operations for the fiscal years ended January 28, 1995 and January 29, 1994 include 52 weeks of operations while the fiscal year ended February 3, 1996 includes 53 weeks of operations.

The Company is incorporated under the laws of the state of Alabama.

Results of Operations

The following table sets forth selected statement of operations items expressed as a percentage of net sales for the periods indicated:

	Fiscal Year Ended			Thirteen Week Period Ended	
	January 29, 1994	January 28, 1995	February 3, 1996	April 29, 1995	May 4, 1996
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold, including warehouse, distribution and store occupancy costs	69.1	69.3	69.5	69.5	69.3
Gross profit	30.9	30.7	30.5	30.5	30.7
Store operating, selling, and administrative expenses (1)	21.4	20.0	20.1	18.1	16.8(2)
Depreciation and amortization	2.3	2.0	2.0	2.6	1.9
Operating income	7.2	8.7	8.4	9.8	12.0(2)
Interest expense	1.2	1.3	2.5	1.2	4.5
Income before provision for income taxes	6.0	7.4	5.9	8.6	7.5
Provision for income taxes	2.3	2.8	2.3	3.3	2.9

Net income.....	3.7%	4.6%	3.6%	5.3%	4.6%

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(1) Includes management fees. See "Certain Transactions--Management Agreement" and "--Advisory Agreement" and Note 6 of Notes to Consolidated Financial Statements.

(2) Includes a $513,000 pre-tax gain on sale of the Company's former headquarters and distribution facility. Excluding this gain, store operating, selling and administrative expenses represented 19.3% of net sales and operating income would have been 9.6% of net sales for the thirteen weeks ended May 4, 1996.

Thirteen Weeks Ended May 4, 1996 Compared to Thirteen Weeks Ended April 29, 1995

Net sales. Net sales increased $5.2 million, or 35.0%, to $20.2 million for the thirteen weeks ended May 4, 1996, from $15.0 million for the comparable period in the prior year. This increase is attributable to the opening of six Hibbett Sports stores, two Sports & Co. superstores and one Sports Additions store and a 15.7% increase in comparable store net sales. During the thirteen weeks ended May 4, 1996, the Company opened two Hibbett Sports stores. The increase in comparable store net sales was due primarily to increased footwear sales and demand for licensed apparel and accessories related to the University of Kentucky's NCAA Basketball Championship as well as improved inventory processing at the distribution center. New stores and stores not in the comparable store net sales calculation accounted for $3.0 million of the increase in net sales and increases in comparable store net sales contributed $2.2 million. Comparable store net sales data for a period reflect stores open throughout that period and the corresponding period of the prior fiscal year. For the periods indicated, comparable store net sales do not include sales by Sports & Co. superstores or Team Sales.

Gross profit. Cost of goods sold includes the cost of inventory, occupancy costs for stores and occupancy and operating costs for the distribution center. Gross profit was $6.2 million, or 30.7% of net sales, in the thirteen weeks ended May 4, 1996, as compared to $4.6 million, or 30.5% of net sales, in the same period of the prior fiscal year. The increase in gross profit as a percentage of net sales resulted primarily from improved leveraging of store occupancy costs over higher sales, offset in part by slightly higher markdowns in the current year period and the addition of distribution center personnel.

Store operating, selling and administrative expenses. Store operating, selling and administrative expenses for the thirteen weeks ended May 4, 1996 include a net gain on the disposal of assets which primarily relates to the gain on the sale of the former headquarters and distribution facility which was replaced by the Company's new headquarters and distribution center. Excluding the net gain on the disposal of assets, store operating, selling and administrative expenses were $3.9 million, or 19.3% of net sales, for the thirteen weeks ended May 4, 1996, as compared to $2.7 million, or 18.1% of net sales, for the comparable period a year ago. This increase as a percentage of net sales is primarily attributable to the costs associated with increasing the Company's corporate staff to support future growth, including the addition of a chief financial officer, two real estate professionals, two loss prevention professionals, one merchandise buyer, one visual merchandise manager and one training manager.

Depreciation and amortization. Depreciation and amortization as a percentage of net sales declined to 1.9% in the thirteen weeks ended May 4, 1996 from 2.6% in the prior year period. This decrease as a percentage of net sales is primarily due to a write-off of the unamortized portion of leasehold improvements for one of the Company's stores in the prior year period due to the change in the terms of that lease.

Interest expense. The $728,000 increase in interest expense for the

thirteen weeks ended May 4, 1996 compared to the prior year period is due primarily to the interest expense associated with the Subordinated Notes which were issued in connection with the Recapitalization in November 1995 and also to an increase in borrowings under the Revolving Loan Agreement to fund new store openings.

Net income. Net income increased $136,000, or 17.0%, to $935,000 in the thirteen weeks ended May 4, 1996 from $799,000 in the comparable period in the prior year. This increase as a percentage of net sales was attributable to factors described above.

Fiscal 1996 Compared to Fiscal 1995

Net sales. Net sales increased $14.8 million, or 28.3%, to $67.1 million in fiscal 1996 from $52.3 million in fiscal 1995. This increase is attributable to the opening of five Hibbett Sports stores, three Sports & Co. superstores and one Sports Additions store, an increase in comparable store net sales of 6.2%, and an additional week of sales as fiscal 1996 included 53 weeks of operations, offset in part by the closing of one Sports Additions store. The increase in comparable store net sales was due primarily to increased sales of footwear and apparel. New stores and stores not in the comparable store net sales calculation accounted for $11.8 million of the increase in net sales and increases in comparable store net sales contributed $3.0 million.

Gross profit. Gross profit was $20.4 million, or 30.5% of net sales, in fiscal 1996 as compared to $16.0 million, or 30.7% of net sales, in fiscal 1995. The decline in gross profit as a percentage of net sales primarily resulted from higher distribution costs. In anticipation of its accelerated expansion plan, the Company increased staff positions at its distribution center, adding two senior distribution center managers. Additionally, distribution costs were higher as a result of the higher occupancy costs associated with the Company's new headquarters and distribution center.

Store operating, selling and administrative expenses. Store operating, selling and administrative expenses were $13.5 million, or 20.1% of net sales, in fiscal 1996 as compared to $10.5 million, or 20.0% of net sales, in fiscal 1995. This increase as a percentage of net sales is primarily attributable to the costs associated with increasing the Company's corporate staff to support future growth, including the addition of one real estate professional, one loss prevention professional, one merchandise buyer, and one visual merchandise manager.

Depreciation and amortization. Depreciation and amortization as a percentage of net sales remained constant at 2.0% in fiscal 1996 and fiscal 1995.

Interest expense. The $1.0 million increase in interest expense for fiscal 1996 is primarily due to the interest expense associated with the Subordinated Notes which were issued in connection with the Recapitalization and the increase in borrowings under the Revolving Loan Agreement and the previous loan agreement to fund new store openings.

Net income. Net income increased $54,000, or 2.3%, to $2.4 million in fiscal 1996 compared to fiscal 1995 due to the factors discussed above.

Fiscal 1995 Compared to Fiscal 1994

Net sales. Net sales increased $12.1 million, or 30.3%, to $52.3 million in fiscal 1995 from $40.1 million in fiscal 1994. This increase is attributable to the opening of 11 Hibbett Sports stores and an increase in comparable store net sales of 15.6%. The increase in comparable store net sales was due primarily to a significant increase in branded apparel sales as well as a moderate increase in footwear sales. New stores and stores not in the comparable store net sales calculation accounted for $7.3 million of the increase in net sales and increases in comparable store net sales contributed $4.8 million.

Gross profit. Gross profit was $16.0 million, or 30.7% of net sales, in fiscal 1995 as compared to $12.4 million, or 30.9% of net sales, in fiscal 1994. The decline in gross profit as a percentage of net sales primarily resulted from higher store occupancy costs.

Store operating, selling and administrative expenses. Store operating, selling and administrative expenses were $10.5 million, or 20.0% of net sales, in fiscal 1995 as compared to $8.6 million, or 21.4% of net sales, in fiscal 1994. This decrease as a percentage of net sales was the result of spreading fixed costs over the Company's larger sales base.

Depreciation and amortization. Depreciation and amortization as a percentage of net sales decreased to 2.0% in fiscal 1995 from 2.3% in fiscal 1994 as a result of the Company's operating leverage as these costs were allocated over a larger sales base.

Interest expense. The $166,000 increase in interest expense for fiscal 1995 was due primarily to an increase in borrowings under the previous loan agreement to fund new store openings.

Net income. Net income increased $920,000, or 62.6%, to $2.4 million in fiscal 1995 from $1.5 million in fiscal 1994. This increase as a percentage of net sales was attributable to factors described above.

Quarterly Fluctuations

The Company has historically experienced and expects to continue to experience seasonal fluctuations in its net sales and operating income. The Company's net sales and operating income are typically higher in the fourth quarter due to sales increases during the Christmas season. However, the seasonal fluctuations are mitigated by the strong product demand in the spring, summer and back-to-school sales periods. The Company's quarterly results of operations may also fluctuate significantly as a result of a variety of factors, including the timing of new store openings, the amount and timing of net sales contributed by new stores, the level of pre-opening expenses associated with new stores, the relative proportion of new stores to mature stores, merchandise mix, the relative proportion of stores represented by each of the Company's three store concepts and demand for apparel and accessories driven by local interest in sporting events such as the NCAA Basketball Championship.

The following tables set forth certain unaudited financial data for the quarters indicated:

	Quarter Ended			
	April 30, 1994	July 30, 1994	October 29, 1994	January 28, 1995
	(Dollars in thousands)			
Net sales	$11,667	$11,260	$12,967	$16,372
Operating income	1,284	758	1,105	1,375
Operating income as percentage of net sales	11.0%	6.7%	8.5%	8.4%

	Quarter Ended				
	April 29, 1995	July 29, 1995	October 28, 1995	February 3, 1996	May 4, 1996
	(Dollars in thousands)			(14 weeks)	
Net sales	$15,001	$14,355	$15,737	$21,984	$20,251
Operating income	1,476	1,055	1,323	1,788(1)	2,429(2)
Operating income as percentage of net sales	9.8%	7.3%	8.4%	8.1%(1)	12.0%(2)

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(1) Includes pre-opening expenses for two Sports & Co. superstores opened in

the fourth quarter of fiscal 1996.

(2) Includes a $513,000 pre-tax gain on sale of the Company's former headquarters and distribution facility. Excluding this gain, operating income would have been 9.6% of net sales.

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

Liquidity and Capital Resources

The Company's capital requirements relate primarily to new store openings and working capital requirements. The Company's working capital needs are somewhat seasonal in nature and typically reach their peak near the end of the third and the beginning of the fourth quarter of its fiscal year. Historically, the Company has funded its cash requirements primarily through cash flow from operations and borrowings under its revolving credit facilities.

Net cash provided by (used in) operating activities has historically been driven by net income levels combined with fluctuations in inventory and accounts payable balances. Net income levels have increased in each of the last three fiscal years and in the thirteen weeks ended May 4, 1996. In addition, the Company has continued to increase inventory levels throughout these periods as the number of stores has increased and the larger Sports & Co. superstores have opened. These inventory increases were primarily financed through increased accounts payable balances in fiscal 1995 but were primarily financed with cash from operations in both fiscal 1996 and the thirteen weeks ended May 4, 1996. These activities resulted in cash flows provided by (used in) operating activities in each of the last three fiscal years and in the thirteen week period ending May 4, 1996 of $269,000, $3.2 million, ($158,000), and ($2.8 million), respectively.

With respect to cash flows from investing activities, during the first quarter of fiscal 1997, the Company completed the sale-leaseback of its new headquarters and distribution center and the sale of the former headquarters and warehouse facilities for combined proceeds of $5.6 million and used the proceeds to repay $4.3 million then outstanding under the Senior Subordinated Notes issued to finance the new headquarters and distribution center on a temporary basis and to fund its working capital requirements. Capital expenditures for fiscal 1996 were $8.2 million compared with $2.2 million in fiscal 1995 and $1.6 million in fiscal 1994. The increase in these expenditures for fiscal 1996 was primarily the result of the construction of the new headquarters and distribution center for $4.7 million.

Cash flows from financing activities have historically represented the Company's financing of its long-term growth. As previously discussed, in fiscal 1996 the Company completed the Recapitalization. This resulted in the refinancing of all existing debt, the repurchase and retirement of previously existing shares of Common Stock for cash and debt, and the issuance of debt and new shares of Common Stock in exchange for cash. The net impact of these financing activities provided $7.6 million in cash in fiscal 1996 and resulted in a substantial increase in total debt outstanding and a deficit in stockholders' investment. See "Certain Transactions--Transactions Related to the Recapitalization."

The Company estimates capital expenditures in fiscal 1997 to be approximately $3.2 million, (i) approximately 70% of which will be used to fund the opening of 17 Hibbett Sports stores, one Sports & Co. superstore and one Sports Additions store and to remodel selected existing stores and (ii) approximately 30% of which will be used to fund capital expenditures related to the headquarters and distribution center. The Company estimates

capital expenditures in fiscal 1998 to be approximately $3.6 million which includes resources budgeted (i) to fund the opening of approximately 27 Hibbett Sports stores, (ii) to remodel selected existing stores and (iii) to fund headquarters and distribution center-related capital expenditures.

The Company's principal source of liquidity is its $25 million Revolving Loan Agreement provided by Heller. Borrowings under the Revolving Loan Agreement bear interest at the Company's option either at 2 1/4% plus LIBOR or 1/4% plus the higher of the prime rate and the federal funds rate. The Revolving Loan Agreement is secured by a lien on inventory, accounts receivable, equipment and certain other assets. Availability of funds under the Revolving Loan Agreement is restricted to a borrowing base consisting of designated percentages of eligible inventory and accounts receivable. In addition, the Revolving Loan Agreement requires the maintenance of certain specified financial ratios, restricts levels of capital expenditures and restricts the incurrence of debt and payments in respect of capital stock and junior indebtedness. As of May 4, 1996, the Company had $14.8 million of borrowings outstanding under the Revolving Loan Agreement and availability to borrow up to an additional $1.1 million. The Revolving Loan Agreement expires on November 1, 2000. The Company also has an outstanding $1 million Term Loan from Heller that matures on November 1, 1997.

The Company plans to use the proceeds of the Offering (i) to repay $16 million aggregate principal amount of the Subordinated Notes issued in connection with the Recapitalization and the accrued interest thereon, (ii) to repay $1.0 million principal amount of the Term Loan borrowed in connection with the Recapitalization and accrued interest thereon and (iii) to reduce the outstanding level of its borrowings under the Revolving Loan Agreement. Based on its current operating and store opening plans, the Company believes that it can fund its cash needs through borrowings under the Revolving Loan Agreement and cash generated from operations.

BUSINESS

General

Hibbett is a leading rapidly-growing operator of full-line sporting good stores in small to mid-sized markets in the southeastern United States. The Company's stores offer a broad assortment of quality athletic footwear, apparel and equipment at competitive prices with superior customer service. The Company's stores offer a core selection of brand name merchandise with an emphasis on team and individual sports complemented by a selection of localized apparel and accessories designed to appeal to a wide range of customers within each market. The Company's stores are among the primary retail distribution alternatives for brand name vendors that seek to reach Hibbett's target markets. Hibbett has received the Nike Retailer Excellence Award for the Southeast region for eight consecutive years based on its performance in the full-line sporting goods category.

The Company currently operates 60 Hibbett Sports stores as well as eight smaller-format Sports Additions athletic shoe stores and three larger-format Sports & Co. superstores. The Company's primary retail format and growth vehicle is Hibbett Sports, a 5,000 square foot store located predominantly in enclosed malls. Hibbett Sports is typically the primary, full-line sporting goods retailer in its markets because of, among other factors, its more extensive selection of traditional team and individual sports merchandise and its superior customer service.

Industry Overview

According to the National Sporting Goods Association ("NSGA"), United States retail sales of sporting goods (including athletic footwear, apparel, and equipment) totaled approximately $36 billion in 1995. The marketplace for sporting goods remains highly fragmented, as many different retailers compete for market share by utilizing a variety of store formats

and merchandising strategies. In recent years, the growth of large format retailers such as Sports Authority has resulted in significant consolidation in large metropolitan markets. However, the competitive environment for sporting goods remains different in small to mid-sized markets where retail demand does not currently support larger-format stores. In these markets, customers generally shop for sporting goods at either (i) a discount store or department store, (ii) a sporting goods retailer that focuses on a specialty category, such as athletic footwear, or an activity such as golf or tennis, and that is either an independent local operator or part of a national chain or (iii) a full-line sporting goods retailer that is typically a single-store operation or part of a small chain.

With over 30 years of operating experience in small to mid-sized markets (population range from 30,000 to 250,000), the Company believes that it is well-positioned to continue to compete effectively against such other sporting goods retailers. The Company's stores offer a core selection of quality, brand name merchandise with an emphasis on team and individual sports. The merchandise mix is complemented by a selection of localized apparel and accessories designed to appeal to a wide range of customers within each market. Compared to Hibbett, (i) discounters and department stores typically offer more limited sporting goods assortments, fewer high-quality name brands and more limited customer service; (ii) specialty sporting goods retailers typically focus on a specific category, such as athletic footwear, or an activity such as golf or tennis, and therefore lack the wide range of products offered by Hibbett; and (iii) full-line sporting goods retailers, although offering a broad assortment of merchandise, are typically single store operations that lack the systems, vendor relationships and economies of scale of Hibbett.

Business Strategy

Unique Emphasis on Small Markets. The Company targets markets ranging in population from 30,000 to 250,000. Management believes that it is currently targeting markets of this size in the Southeast more aggressively than any of its competitors. By targeting smaller markets, the Company believes that it is able to achieve significant strategic advantages, including numerous expansion opportunities, comparatively low operating costs, and a more limited competitive environment than generally faced in larger markets. In addition, the Company establishes greater customer and vendor recognition as the leading full-line sporting goods retailer in the local community.

Specialized Regional Focus. With over 30 years of experience as a full-line sporting goods retailer in the Southeast, Hibbett benefits from strong name recognition, a loyal customer base and operating and cost efficiencies. Although the core merchandise assortment tends to be similar for each Hibbett Sports store, important local and regional differences frequently exist. Management believes that its ability to merchandise to local sporting or community interests differentiates Hibbett from its national competitors. The Company's regional focus also enables it to achieve significant cost benefits including lower corporate expenses, reduced distribution costs, and increased economies of scale from its marketing activities.

Low Cost Culture. In addition to the cost benefits of the Company's small market emphasis and regional focus, over its long operating history Hibbett's management has instilled a low cost corporate culture. Management exercises tight control over store level operating expenses, real estate costs and corporate overhead. The Company's management information systems enable senior management to make timely and informed merchandise decisions, maintain tight inventory control and monitor store-level financial performance on a timely basis.

Emphasis on Training and Customer Satisfaction. Management seeks to exceed customer expectations in order to build loyalty and generate repeat business. The Company hires enthusiastic sales personnel with an interest in sports and provides them with extensive training to

create a sales staff with strong product knowledge dedicated to outstanding customer service. Such training typically includes a two-part program on selling skills and continuing product/technical training which is conducted through in-store clinics and video presentations, as well as interactive group discussions.

Investment in Management and Infrastructure. The Company's experienced management team and information and distribution systems are expected to facilitate the Company's future growth. The Company's new headquarters and distribution center is currently capable of servicing in excess of 150 Hibbett Sports stores and has significant expansion potential to support the Company's growth for the foreseeable future. Through its comprehensive information systems, the Company monitors all aspects of store operations on a daily basis and is able to control inventory levels and operating costs.

Store Locations

As of June 15, 1996, the Company operated 71 stores in nine states, including 60 Hibbett Sports stores, eight Sports Additions stores, and three Sports & Co. superstores. Sixty-one of the stores are located in malls, and ten, including the three Sports & Co. superstores, are in strip center locations. Over 80% of the Company's stores are in markets with a population of less than 250,000.

A map showing the states in which the Company operated stores as of June 15, 1996 is set forth below:

[MAP to come]

Expansion Strategy

The Company believes its business and expansion strategies have contributed to its increasing net sales and operating profits. Over the past five fiscal years, net sales have increased at a 20.3% compound annual growth rate to $67.1 million in fiscal 1996 and operating income has increased at a 29.3% compound annual growth rate to $5.6 million in fiscal 1996. Over this period, the Company's net sales growth has been driven by new store openings and increases in comparable store net sales. The Company increased its store base from 38 stores at the end of fiscal 1992 to 67 stores at the end of fiscal 1996.

The Company is accelerating its store openings to take advantage of the growth opportunities in its target markets. The Company has identified over 500 potential markets for future Hibbett Sports stores within the states in which it operates and in contiguous states. Hibbett's clustered expansion program, which calls for opening new stores within a two-hour driving radius of another Company location, allows it to take advantage of efficiences in distribution and regional management. In evaluating potential markets, the Company considers population, economic conditions, local competitive dynamics and availability of suitable real estate. Although approximately 90% of Hibbett Sports stores are located in enclosed malls, the stores also operate profitably in strip center locations. As the Company continues to expand, it will open new stores in mall and strip center locations.

Hibbett Sports will remain the Company's primary growth vehicle as it continues to expand. The Company plans to open 17 Hibbett Sports stores in fiscal 1997 and approximately 27 Hibbett Sports stores in fiscal 1998. Of the 17 Hibbett Sports stores scheduled to open this fiscal year, the Company has opened four to date, has signed leases for eight additional ones and is currently negotiating leases for the remaining five. In fiscal 1997, the Company plans to open one Sports & Co. superstore in Monroe, Louisiana (a lease with respect to which has been signed) and one Sports Additions store (the lease for which is currently being negotiated). In the future, the Company will selectively open Sports Additions and Sports & Co. superstores as opportunities arise. See "Risk Factors--Expansion Plans."

Store Concepts

Hibbett Sports

The Company's primary retail format is Hibbett Sports, a 5,000 square foot store located predominantly in enclosed malls. The Company tailors its Hibbett Sports concept to the size, demographics and competitive conditions of the small to mid-sized markets. Fifty-three Hibbett Sports stores are located in enclosed malls, the majority of which are the only enclosed malls in the county, and the remaining seven are located in strip centers. The Company uses exciting design and atmosphere, eye-catching in-store signage and gift-with-purchase promotional programs to channel mall traffic into the stores.

Hibbett Sports stores offer a core selection of quality, brand name merchandise with an emphasis on team and individual sports. This merchandise mix is complemented by a selection of localized apparel and accessories designed to appeal to a wide range of customers within each market. For example, the Company believes that apparel with logos of sports teams of local interest represents a larger percentage of the merchandise mix at Hibbett Sports stores than it does at the stores of national chains. In addition, the Company strives to quickly respond to major sports events of local interest such as the recent University of Kentucky national championship in men's basketball. For example, Hibbett Sports stores in the state of Kentucky had a selection of national championship apparel and accessories prominently displayed in the front of each store the morning following the game and promoted this merchandise with local radio advertising.

Sports & Co.

The Company opened the first Sports & Co. store in the spring of 1995 in Huntsville, Alabama. Sports & Co. superstores average 25,000 square feet and offer a larger assortment of athletic footwear, apparel and equipment than Hibbett Sports stores. Athletic equipment and apparel represent a higher percentage of the overall merchandise mix at Sports & Co. superstores than they do at Hibbett Sports stores. Sports & Co. superstores are designed to project the same exciting and entertaining atmosphere as Hibbett Sports stores but on a larger scale. For example, Sports & Co. superstores offer customer participation areas, such as putting greens and basketball hoop shoots, and feature periodic special events including appearances by well-known athletes.

Sports Additions

Sports Additions stores are small, mall-based stores, averaging 1,500 square feet with approximately 90% of merchandise consisting of footwear and the remainder consisting of caps and limited apparel. Sports Additions stores offer a broader assortment of athletic footwear, with a greater emphasis on fashion than the footwear assortment offered by Hibbett Sports stores. All Sports Additions stores are currently located in the malls in which Hibbett Sports stores are also present.

Merchandising

Merchandising Strategy. The Company's merchandising strategy is to provide a broad assortment of quality athletic footwear, apparel and equipment at competitive prices. The Company's stores offer a core selection of brand name merchandise with an emphasis on team and individual sports. This merchandise mix is complemented by a selection of localized apparel and accessories designed to appeal to a wide range of customers within each market. The Company's leading category is athletic footwear, followed by apparel and sporting equipment, ranked according to sales. No single product category accounts for more than 50% of sales. The Company's pricing strategy is to offer competitive prices to its customers. The Company's management information systems track

different retail prices for the same item at different stores, enabling more competitive pricing by location. In addition, information from the Company's point-of-sale computer system is regularly reviewed and analyzed by the purchasing staff to assist in making merchandise allocation and markdown decisions.

Brand Name Merchandise. The Company emphasizes quality brand name merchandise. Many of the national brands offered at the Company's stores are not carried by local competitors. Many of these branded products are highly technical and require considerable sales assistance. The Company works with its vendors to educate the sales staff at the store level on new products and trends.

The following list represents the top 25 brand names (based on sales) offered by the Company:

Adidas	Louisville Slugger	Rollerblade
Asics	K-Swiss	Russell
Champion	Mizuno	Spalding
Converse	New Era	Starter
Columbia	New Balance	The Game
Dodger	Nike	Umbro
Easton	Pro Line	Wilson
Everlast	Rawlings	
Fila	Reebok	

Regional Merchandise. Although the core merchandise assortment tends to be similar for each Hibbett Sports store, important local or regional differences frequently exist. Accordingly, the Company's stores regularly offer products that reflect preferences for particular sporting activities in each community and local interest in college and professional sports teams. The Company's knowledge of these interests, combined with its access to leading vendors, enables Hibbett Sports stores to react quickly to emerging trends or special events, such as college or professional championships.

Purchasing. The Company's merchandise staff consisting of a Vice President of Merchandising and nine buyers, analyze current sporting goods trends by maintaining close relationships with the Company's vendors, monitoring sales at competing stores, communicating with customers, store managers and personnel and subscribing to industry trade publications. The merchandise staff works closely with store personnel to meet the requirements of individual stores for appropriate merchandise in sufficient quantities.

Vendor Relationships

The sporting goods retail business is very brand name driven. Accordingly, the Company maintains relationships with a number of well-known sporting goods vendors to satisfy customer demand. The Company's stores are among the primary retail distribution alternatives for brand name vendors that seek to reach Hibbett's target markets. As a result, the Company is able to attract considerable vendor interest and establish long-term partnerships with vendors. As its vendors expand their product lines and grow in popularity, the Company expands its sales and promotions of these products within its stores. In addition, as the Company continues to increase its store base and enter new markets, the vendors have increased their brand presence within these regions. The Company also places significant emphasis on and works with its vendors to establish the most favorable pricing and to receive cooperative marketing funds.

Management believes the Company maintains excellent working relationships with vendors. During fiscal 1996, the Company's largest vendor, Nike represented approximately 35% of its total purchases. Hibbett has received the Nike Retailer Excellence Award for the Southeast region

for eight consecutive years based on its performance in the full-line sporting goods category.

Advertising and Promotion

The Company targets special advertising opportunities in its markets to increase the effectiveness of its advertising spending. In particular, the Company prefers advertising in local media as a way to further differentiate itself from national chain competitors. Substantially all of the Company's advertising and promotional spending is centrally directed, with some funds allocated to district managers on an as-requested basis. Advertising in the sports pages of local newspapers serves as the foundation of the Company's promotional program, and in fiscal 1996 it accounted for the majority of total advertising spending. Other media such as local radio, television and outdoor billboards are used by the Company to reinforce Hibbett name recognition and brand awareness in the community. The Company has recently begun placing advertising signage on its trailers. In addition, direct mail to customers on an in-house mailing list has been used by the Company to reinforce already-established buying patterns and to increase loyalty.

The cooperative promotional program with its vendors plays an integral part in the Company's advertising strategy by funding a significant portion of its advertising budget and increasing Hibbett's name recognition. The Company holds an annual marketing meeting at which it presents to its major vendors a number of advertising alternatives. At that meeting, vendors select their preferred advertising and promotional programs which often cover a number of different media and are based on multiple themes, and during the ensuing twelve-month period, the Company develops and implements the selected programs in close cooperation with those vendors. For example, recently the Company developed a joint television commercial with Nike which will run in local television markets.

Customer Satisfaction

Customer Service. Commitment to customer satisfaction and service is an integral part of Hibbett's operating strategy. Management seeks to exceed customer expectations in order to build loyalty and generate repeat business. The Company hires enthusiastic sales personnel with an interest in sports and provides them with extensive training to create a sales staff with strong product knowledge, dedicated to customer service. The Company also offers services such as special order programs, monogramming, sewing and screening services and large order processing for local groups in an effort to further maximize customer satisfaction.

Training. The Company provides continuing sales and technical/ product training for its sales personnel. A key part of the training process is its testing program. All store personnel are required to take a written test and perform role playing exercises before moving on to a higher sales position and ultimately advancing within the organization. The Company utilizes a number of training tools to develop competent salespeople and future managers, including: (i) a two-part salesperson training program designed to teach new hires and seasoned employees how to be effective salespeople; (ii) a continuing product/ technical training program taught through in-store clinics, instructional manuals or video presentations designed to educate the sales personnel on technical facets and the use of a particular product; and (iii) store training meetings designed to educate all salespeople at the store level as a group on a particular topic.

Store Operations

Effective interaction between the corporate office and the stores is a key element of Hibbett's operating strategy. Close communications are maintained among senior management, district managers, store managers and sales personnel. Senior management is easily accessible to store managers and staff. In addition, the close proximity of the stores encourages regular visits by the district managers to address

issues/concerns, to provide encouragement and to discuss national, regional and local trends in the sporting goods sector. Hibbett conducts monthly meetings at corporate headquarters with all of the district managers. The outcome of these meetings is communicated to the store base by the district managers on a regular basis as well as in similar all-day sessions with the store managers. These meetings facilitate constant two-way communication between headquarters and the store base.

The Company's management structure consists of one district manager for approximately every ten stores and at the store level, on average, one store manager, two assistant store managers and five or six sales personnel including trainees. Additional trainees and part-time personnel are typically hired to assist the store personnel with increased traffic and sales volume in the fourth quarter. Store managers are responsible for the operations of individual stores including recruiting and hiring store personnel. The Company strongly favors internal development of its store managers and constantly looks for motivated and talented people to promote from within.

Distribution

The Company maintains a single 130,000 square foot distribution center in Birmingham, Alabama for all 71 of its existing stores and it manages the distribution process centrally from its corporate headquarters which are located in the same building as the distribution center. In January 1996 the Company moved its operations to this newly constructed distribution center which is capable of servicing in excess of 150 Hibbett Sports stores and has significant expansion potential to support the Company's growth for the foreseeable future. The Company believes strong distribution support for its stores is a critical element of its expansion strategy and is central to its ability to maintain a low cost operating structure. As the Company continues its expansion, it intends to open new stores in locations that can be supplied from the Company's distribution center.

The Company receives substantially all of its merchandise at its distribution center. Upon receipt, the merchandise is inspected, entered into the Company's computer system, allocated to stores, ticketed (to the extent that it was not pre-ticketed by the vendor) and boxed for distribution to the Company's stores. For more efficient processing, the Company also operates a "cross-dock" system for merchandise that has been pre-split by store and pre-ticketed by the vendor before arriving at the distribution center. The Company continually strives to improve its allocation methods to manage its inventory more efficiently. For key products, the Company maintains backstock at the distribution center that is allocated and distributed to stores through an automatic replenishment program based on items sold during the prior week. Merchandise is typically delivered to stores weekly via Company-operated vehicles.

Management Information Systems

The Company utilizes integrated information systems centralized at the corporate level. The Company's systems are designed to track product movement throughout the store base. Detailed sales transaction records are accumulated on each store's POS system and polled nightly by the Company's main system which runs on an IBM AS/400 system. This information is communicated to the buyers, who use the Company's inventory control system to order merchandise as needed. The Company recently upgraded its systems to manage a store base in excess of 150 stores.

Inventory. The Company's inventory control systems, written by Island Pacific Software, report purchasing, receiving, shipping, sales and individual SKU level inventory stocking information. Information from the Company's point-of-sale computer system is regularly reviewed and analyzed by the purchasing staff to assist in making merchandise allocation and markdown decisions. The Company uses an automatic reorder system to maintain in-stock positions on key items. This system provides management

with the information needed to determine the proper timing and quantity of reorders. Through the Island Pacific Software package, the Company is able to accommodate different retail prices for the same item at different stores, enabling the Company to price merchandise competitively by market.

EDI and Quick-Ship. Current electronic data interchange capabilities include the transmission of purchase orders directly to some of the Company's vendors. The Company has recently implemented EDI on its IBM AS/400 system. This allows for the scheduling of EDI transmissions and receiving as well as the required processes before and after communications. Management believes the Company's EDI effort with vendors will continue to grow in the future as retailers and suppliers focus on further increasing operating efficiencies.

Financial Reporting. The financial reporting systems provide the Company with detailed financial reporting to support management's operational decisions and cost control efforts. All accounting, accounts payable, accounts receivable, payroll and human resources software is written and maintained by Lawson Software, Inc. and resides on the Company's IBM AS/400 system. This system provides functions such as scheduling of payments, receiving of payments, general ledger interface, vendor tracking, and flexible reporting options.

Team Sales

Hibbett Team Sales, Inc. ("Team Sales"), a wholly-owned subsidiary of the Company, is a leading supplier of customized athletic apparel, athletic equipment, and footwear to school, athletic, and youth programs in Alabama. Team Sales sells its merchandise directly to educational institutions and youth associations. The operations of Team Sales are independent of the operations of the Company's stores, and its warehousing and distribution are managed separately out of its own warehouse. The Company believes that Team Sales' operations generate goodwill in the community and introduce young sports enthusiasts to Hibbett as a supplier of sporting goods. Although Team Sales represents a small percentage of the Company's sales and profits, management believes that through the operation of Team Sales the Company is able to enhance many of its vendor relationships.

Properties

The Company currently leases all of its existing 71 store locations and expects that its policy of leasing rather than owning will continue as it expands. The Company's leases typically provide for a short initial lease term with options on the part of the Company to extend. Management believes that this lease strategy enhances the Company's flexibility to pursue various expansion opportunities resulting from changing market conditions and to re-evaluate store locations periodically. The Company's ability to open new stores is contingent upon locating satisfactory sites, negotiating favorable leases and recruiting and training additional qualified management personnel.

As current leases expire, the Company believes that it will be able either to obtain lease renewals if desired for present store locations or to obtain leases for equivalent or better locations in the same general area. To date, the Company has not experienced difficulty in either renewing leases for existing locations or securing leases for suitable locations for new stores. A majority of the Company's store leases contain provisions that would permit the landlord to terminate the lease or to increase rent upon a change in control of the Company. The Recapitalization constituted a change in control that triggered these rights for a majority of the Company's landlords as of the date of the Recapitalization. Many such leases also require the Company to give notice of any change in control. No notice was given to landlords prior to the Recapitalization. As of June 15, 1996, the Company has not received any notice regarding any landlord's intention to either terminate a lease or to increase rent as a result of the Recapitalization. In addition, many of the Company's leases contain certain provisions with which the Company may

not be in compliance. Based primarily on the Company's belief that it maintains good relations with its landlords, that most of its leases are at market rents and that it has historically been able to secure leases for suitable locations, management believes that these provisions will not have a material adverse effect on the business or financial condition of the Company.

The Company moved its operations to the newly-built corporate offices and distribution center in Birmingham, Alabama in January 1996. The offices and the distribution center are leased by the Company under a long term operating lease. Team Sales owns its warehousing and distribution center located in Birmingham, Alabama.

Competition

The business in which the Company is engaged is highly competitive and many of the items sold by the Company are sold by local sporting goods stores, department and discount stores, athletic footwear and other specialty athletic stores, traditional shoe stores and national and regional full-line sporting goods stores. Many of the stores with which the Company competes are units of national chains that have substantially greater financial and other resources than the Company. Although several of those competitors like Foot Locker or Foot Action are already present in most of Hibbett Sports' mall locations, the Company believes that its Hibbett Sports format is able to compete effectively by distinguishing itself as a full-line sporting goods store with an emphasis on team and individual sports merchandise complemented by a selection of localized apparel and accessories. The Company's Sports & Co. superstores compete with sporting goods superstores, athletic footwear superstores and mass merchandisers. Expansion by the Company into markets served by its competitors, entry of new competitors or expansion of existing competitors into the Company's markets could have an adverse effect on the Company's financial results.

Employees

The Company employed approximately 460 full-time and approximately 500 part-time employees at May 4, 1996, none of whom are represented by a labor union. The number of part-time employees fluctuates depending on seasonal needs. There can be no assurance that the Company's employees will not, in the future, elect to be represented by a union. The Company considers its relationship with its employees to be good and has not experienced significant interruptions of operations due to labor disagreements.

Legal Proceedings

The Company is a party to various legal proceedings incidental to its business. In the opinion of management, after consultation with legal counsel, the ultimate liability, if any, with respect to those proceedings is not presently expected to materially affect the business, financial position or results of operations of the Company.

MANAGEMENT

Executive Officers and Directors

The executive officers and directors of the Company and their ages as of May 4, 1996 are as follows:

Name	Age	Position
Michael J. Newsome	57	President; Chief Operating Officer; Director
Susan H. Fitzgibbon	32	Chief Financial Officer
Joy A. McCord	41	Vice President of Merchandising
Cathy E. Pryor	33	Vice President of Store Operations

John F. Megrue	37	Chairman of the Board; Director
Clyde B. Anderson	35	Director
Barry H. Feinberg	51	Director
F. Barron Fletcher, III	29	Director
Thomas A. Saunders, III	59	Director

Michael J. Newsome has been the President and the Chief Operating Officer of the Company since 1981. Since joining the Company as an outside salesman over 30 years ago, Mr. Newsome has held numerous positions at Hibbett including as retail clerk, outside salesman to schools, store manager, district manager, division manager and president. Prior to joining the Company, Mr. Newsome worked in the sporting goods retail business for six years.

Susan H. Fitzgibbon has been the Chief Financial Officer of the Company since April 1996. Prior to joining the Company, she held various financial positions at Bruno's Inc., a supermarket store operator, from December 1992 through April 1996, most recently as Controller. Prior to Bruno's, Ms. Fitzgibbon spent six years at Arthur Andersen during which she worked extensively with retailing clients.

Joy A. McCord has been the Vice President of Merchandising at the Company since 1995. Ms. McCord is responsible for buying, advertising and inventory control. Ms. McCord has been with the Company for nine years. During that time, she has held positions as sporting goods buyer for four years and general merchandise manager for five years. Prior to joining the Company, she worked as department manager at Loveman's department stores for two years and buyer at Parisian department stores for eight years. Ms. McCord has over 19 years of experience in the retailing industry.

Cathy E. Pryor has been the Vice President of Store Operations at the Company since 1995. Her responsibilities include overseeing all of the stores, directing district managers, organizing training and overseeing management information systems. Ms. Pryor has been with the Company for eight years. During that time, she has functioned as a district manager and Director of Store Operations. Prior to joining the Company, she worked at Champs as a district manager. Ms. Pryor has over eleven years of experience in the sporting goods retail sector.

John F. Megrue has been a Director and Chairman of the Board of the Company since 1995. Mr. Megrue has been a partner of SK Partners, L.P., which serves as the general partner of Saunders Karp & Co., a private equity investment firm, and each of the Funds, since 1992. From 1989 to 1992, Mr. Megrue served as a Vice President and Principal at Patricof & Co., a private equity investment firm, and prior thereto he served as a Vice President at C.M. Diker Associates, a private equity investment firm. Mr. Megrue is also a Vice Chairman and director of Dollar Tree Stores, Inc.

Clyde B. Anderson has been a Director of the Company since 1987. Mr. Anderson has served as the Chief Executive Officer of Books-A-Million, Inc., a book retailer, since July 1992 and as director and President of Books-A-Million, Inc. since November 1987. From November 1987 to March 1994, Mr. Anderson also served as the Chief Operating Officer of Books-A-Million, Inc.

Barry H. Feinberg has been a Director of the Company since 1996. Mr. Feinberg has been an advisor to Saunders Karp & Co. since 1994. Prior to his affiliation with Saunders Karp & Co., Mr. Feinberg was a founding partner of Kaiser, Feinberg & Associates, a marketing consulting firm, specializing in multi-market retail organizations. From 1974 until 1991, he was with Silo, Inc., a national consumer electronics retailer, where he served as President and CEO from 1978 to 1991. Mr. Feinberg currently teaches courses in retailing and retail marketing at the Wharton School at the University of Pennsylvania. He also serves as a director of

F. Barron Fletcher, III has been a Director of the Company since 1995. Mr. Fletcher joined Saunders Karp & Co. as an associate in 1992 and is currently a principal with Saunders Karp & Co. Prior to joining Saunders Karp & Co., from 1991 through 1992, Mr. Fletcher was a financial analyst with Wasserstein Perella & Co. where he served in the merchant banking department and also in mergers and acquisitions. Prior to that, Mr. Fletcher was a financial analyst with Trammell Crow Ventures which specialized in leveraged acquisitions and divestitures in the real estate industry.

Thomas A. Saunders, III, has been a Director of the Company since 1995. Mr. Saunders has been a partner of SK Partners, L.P., which serves as the general partner of Saunders Karp & Co. and each of the Funds, since 1990. Before founding Saunders Karp & Co., Mr. Saunders served as a Managing Director of Morgan Stanley & Co. from 1974 to 1989 and as Chairman of The Morgan Stanley Leveraged Equity Fund II, L.P., from 1987 to 1989. Mr. Saunders is a member of the Board of Visitors of the Virginia Military Institute and is the Chairman of the Board of Trustees of the University of Virginia's Darden Graduate School of Business Administration. Mr. Saunders is also a Trustee of the Cold Spring Harbor Laboratory and a director of Dollar Tree Stores, Inc.

All of the current members of the Board of Directors were elected pursuant to the Stockholders Agreement. See "Certain Transactions--Stockholders Agreement."

The Funds and the Anderson Shareholders have agreed to amend the Stockholders Agreement to allow the Company to, and the Company intends to, add two independent members to its Board of Directors within 90 days after the date of this Prospectus. It will be necessary for the Company to appoint these directors within the 90 day time period in order to maintain its Nasdaq National Market listing. Failure to appoint such directors could result in a delisting of the Common Stock from The Nasdaq National Market.

The Company's Board of Directors intends to establish an audit committee (the "Audit Committee") and a compensation committee (the "Compensation Committee"). The Audit Committee will recommend the annual engagement of the Company's auditors, with whom the Audit Committee will review the scope of audit and non-audit assignments, related fees, the accounting principles used by the Company in financial reporting and the adequacy of the Company's internal control procedures. The Compensation Committee will determine officers' salaries and bonuses, and will administer the Company's stock plans. The two new independent directors will be appointed to the Audit and Compensation Committees at the time they are elected to the Board of Directors of the Company. Further, the approval of disinterested directors will be required for any material agreements or arrangements between the Company and directors, officers, existing principal shareholders and their affiliates.

Director Compensation

Pursuant to the Stockholders Agreement, each member of the Company's Board of Directors who is not an employee of the Company is entitled to an annual fee of $20,000, which fee may be waived by that director. Each of John F. Megrue, Barry H. Feinberg, F. Barron Fletcher, III and Thomas A. Saunders, III has waived his director fees.

Executive Compensation

The following table sets forth the compensation earned by the President and each other executive officer whose compensation for services rendered in fiscal 1996 exceeded $100,000.

Summary Compensation Table

Name and Principal Position	Year(1)	Annual Compensation: Salary	Annual Compensation: Bonus	Annual Compensation: Other Compensation	Long-Term Compensation: Awards: Restricted Stock Awards	Long-Term Compensation: Awards: Securities Underlying Options /SARs (2)	Long-Term Compensation: Payouts: LTIP Payouts	All Other Compensation (3)
Michael J. Newsome President, Chief Operating Officer and Director	1996	$112,692	$96,705	--	--	250,000	--	$6,750
Cathy E. Pryor Vice President of Store Operations	1996	$ 75,654	$31,894	--	--	77,374	--	$4,291

(1) Hibbett's fiscal year ends on the Saturday nearest to January 31 of each year.

(2) Consists of stock options granted pursuant to the Hibbett Sporting Goods, Inc. Stock Option Plan.

(3) Consists of contributions by the Company under the Hibbett Sporting Goods, Inc. 401(k) Profit Sharing Plan.

Stock Option Plans

The Company's shareholders approved and adopted the Hibbett Sporting Goods, Inc. Stock Option Plan (the "Original Plan") as of August 25, 1995, in order to provide selected officers and employees of the Company who are responsible for the conduct and management of its business with equity-based incentives in connection with the performance of their duties and responsibilities with the Company. Under the Original Plan, 404,749 shares of Common Stock have been reserved for issuance. Options on all of these shares have been granted and the Company's Board of Directors has discontinued future grants of stock options under the Original Plan. As of April 1, 1996, the Company's shareholders approved and adopted the Hibbett Sporting Goods, Inc. 1996 Stock Option Plan (the "1996 Plan") under which future grants of stock options under the Company's stock option program will be made. Under the 1996 Plan, 595, 251 shares of Common Stock have been reserved for issuance.

The Original Plan and the 1996 Plan (collectively, the "Plans") provide for the grant of stock options, which may be non-qualified stock options or incentive stock options for tax purposes. The Plans are administered by the Company's Board of Directors or a committee appointed by the Board. It is anticipated that following the completion of the Company's initial public offering, the Plans will be administered by a Compensation Committee consisting of members of the Company's Board of Directors who are "disinterested persons" within the meaning set forth in Rule 16b-3(d)(3) promulgated under the Securities Exchange Act of 1934, as amended. Under the Plans all full-time employees selected by the Compensation Committee will be eligible to receive options.

The Board of Directors or a committee thereof, as the case may be, is authorized to determine the terms and conditions of all option grants, subject to the limitations that the option price per share under the Original Plan may not be less than the fair market value of a share of Common Stock on the date of grant and the term of an option may not be longer than ten years. Under the 1996 Plan, the option exercise price is determined in the discretion of the Board of Directors or the Compensation Committee, as applicable. Payment of the option price may be made in the discretion of the Board of Directors or a committee thereof, as the case may be, in cash or common stock or a combination thereof. Options granted under the Plans are not transferable except by will or the laws of descent and distribution, and are exercisable during the optionee's life only by the optionee. In addition, under the 1996 Plan, an optionee's outstanding options and shares acquired pursuant to the exercise of such optionee's options may be repurchased by the Company in the event of the termination of such optionee's employment with the Company. Following completion of the Company's initial public offering such purchase price shall be the closing price of the Common Stock as reported in the Wall Street Journal. In the case of the 1996 Plan, the Board of Directors or the Compensation Committee, as applicable, may impose other restrictions on shares acquired pursuant to the exercise of an option, including a right of first refusal in favor of the Company. Under the Original Plan, following completion of the Company's initial public offering, in the event of the termination of an optionee's employment with the Company, the Company shall repurchase all outstanding options held by such optionee.

In the event of a merger of the Company (or similar corporate transaction) or the sale of all or substantially all of the assets of the Company, if the options granted under the Plans are not assumed or substituted by the acquiror, such options may, in the discretion of the Compensation Committee, be canceled in exchange for delivery by the Company of shares of Common Stock having a value with respect to each option equal to the product of (1) the excess of the fair market value of a share of Common Stock over the exercise price of the option and (2) the number of shares with respect to which the option is then exercisable. Any options the exercise price of which exceeds the fair market value of a share of Common Stock shall be canceled without payment of any consideration. In the event of a change in control (defined as the acquisition of (i) the power to direct the management of the Company or (ii) 50% of the voting shares of Common Stock) or a tender offer for shares of Common Stock (other than a self-tender), the Compensation Committee may take any action it deems appropriate with respect to outstanding options.

The Plans may be amended or terminated by the Compensation Committee from time to time to the extent deemed appropriate; provided however that no amendment shall be made (i) which would impair the rights of an optionee without such optionee's consent or (ii) which would increase the number of shares reserved for issuance under the Plans or change the class of employee eligible to participate in the Plans.

Options to purchase a total of 404,749 shares of Common Stock have been granted under the Original Plan to six employees of the Company, including a grant to Mr. Newsome of an option to purchase 250,000 shares of Common Stock and a grant to Ms. Pryor of an option to purchase 77,374 shares of Common Stock. Ms. Pryor's options granted under the Original Plan vest over a three year period in equal installments beginning on the

first anniversary of the grant date. Mr. Newsome's options vest over five years in equal installments beginning on the first anniversary of the grant date. On April 1, 1996 options to purchase a total of 277,000 shares of Common Stock were granted under the 1996 Plan to 36 employees, including a grant to Ms. Pryor of an option to purchase 65,000 shares of Common Stock. Options granted under the 1996 Plan vest over a five year period, in equal installments, beginning on the first anniversary of the grant date.

Option/SAR Grants in Last Fiscal Year

The following table sets forth certain information concerning grants of stock options made to the executive officers named in the Summary Compensation Table during the fiscal year ended February 3, 1996.

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options/ SARs Granted	% of Total Options/ SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/Sh)	Expiration Date	5% (3)	10% (3)
Michael J. Newsome...	250,000(1)(4)	61.77%	1.00	11/01/05		
Cathy E. Pryor.....	77,374(2)	19.12%	0.31	8/25/01		

<FN>

(1) These options have a term of ten years and vest over a five year period, in equal installments beginning on the first anniversary of the grant date.

(2) These options have a term of six years and vest over a three year period, in equal installments beginning on the first anniversary of the grant date.

(3) The dollar amounts shown are based on certain assumed rates of appreciation and the assumption that the options will not be exercised until the end of the expiration periods applicable to the options. Actual realizable values, if any, on stock option exercises and common stock holdings are dependent on the future performance of the Common Stock and overall stock market conditions. There can be no assurance that the amounts reflected will be achieved.

(4) Consists of options granted as of November 1, 1995 under the Original Plan pursuant to the terms of the Employment Agreement. See "--Employment Agreement."

Aggregate Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

No options were exercised by the executive officers named in the Summary Compensation Table during fiscal 1996. No stock appreciation rights were exercised by such executive officers or were outstanding at the end of the year. The following table sets forth certain information concerning unexercised options and fiscal year-end option values for the named executive officers.

Name	Number of Securities Underlying Unexercised Options/SARs at Fiscal Year-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options/SARs at Fiscal Year-End ($) Exercisable/ Unexercisable (1)
Michael J. Newsome.....		
Cathy E. Pryor.....		

(1) Based on the fair market value of the Company's Common Stock at the end of fiscal 1996 ($ per share), as determined by the Company's Board of Directors less the exercise price payable for such shares.

Employment Agreement

Michael J. Newsome, President and Chief Operating Officer of the Company, has entered into an employment agreement with the Company and a letter agreement with the Board of Directors of the Company (collectively, the "Employment Agreement") which took effect on November 1, 1995. The Employment Agreement has an initial term that expires on November 1, 1998 and provides for annual base salary and annual incentive bonuses and the grant of the options set forth above. If the Company terminates Mr. Newsome's employment without cause, as defined in the Employment Agreement, (other than by reason of death or disability) or Mr. Newsome terminates his employment for good reason, as defined in the Employment Agreement, the Employment Agreement provides that Mr. Newsome shall continue to receive his base salary and certain benefits for what would have been the remainder of the employment term determined without regard to such termination. Notwithstanding the foregoing, such payments will cease if Mr. Newsome breaches the noncompetition clause, described below. If the Company terminates Mr. Newsome's employment without cause or Mr. Newsome terminates his employment with good reason, the Company will have the right to purchase and Mr. Newsome shall have the right to sell the shares of Common Stock held by him on October 31, 1995 at a price equal to the fair market value, as determined by the Compensation Committee of the Board of Directors. If the Company terminates Mr. Newsome's employment for cause or Mr. Newsome terminates his employment for any reason other than good reason, the Employment Agreement provides that the Company will have a right to repurchase such shares at book value, as defined in the Employment Agreement. The Employment Agreement includes a noncompetition clause requiring Mr. Newsome not to compete with the Company following a termination of his employment for a period which may be as long as the longer of (i) two years after ceasing to be employed and (ii) what would have been the remaining term of employment without regard to such termination of employment.

No other employee of the Company is a party to an employment agreement with the Company.

Compensation Committee Interlocks and Insider Participation

The Board of Directors does not currently have a compensation committee, but anticipates establishing one within 90 days of the closing of the Offering. The functions of the compensation committee other than administration of the Plans, as discussed above, are currently performed by the Board of Directors of the Company. Mr. Newsome, the President of the Company, serves on the Board of Directors and on the committee established to administer the Plans prior to establishment of the compensation committee.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information concerning the beneficial ownership of the Common Stock as of May 4, 1996 and as adjusted to reflect the sale of shares of Common Stock offered hereby by (i) each person (or group within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934) known by the Company to own beneficially more than five percent of the Company's Common Stock, (ii) each of the executive officers named in the Summary Compensation Table, (iii) each director and (iv) all directors and executive officers as a group:

	Prior to Offering		After Offering	
Name and address of Beneficial Owner(1)	Common Stock beneficially owned	Percent	Common Stock beneficially owned	Percent

The SK Equity Fund, L.P.(2) SK Investment Fund, L.P.(2) Allan Karp(2) John F. Megrue(2) Thomas A. Saunders, III(2) Two Greenwich Plaza Suite 100 Greenwich, CT 06830.....	17,609,000	75%
Clyde B. Anderson 402 Industrial Lane Birmingham, AL 35211.....	1,596,049	7%
Michael J. Newsome(3) 451 Industrial Lane Birmingham, AL 35211.....	750,000	3%
All Directors and Executive Officers as a group(4).....	19,955,049	85%

<FN>

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(1) As used in this table "beneficial ownership" means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. A person is deemed as of any date to have "beneficial ownership" of any security that such person has a right to acquire within 60 days and such security is deemed to be outstanding for purposes of calculating the ownership percentage of such person, but is not deemed to be outstanding for purposes of calculating the ownership percentage of any other person.

(2) Includes 17,418,455 shares owned by The SK Equity Fund, L.P. and 190,545 shares owned by SK Investment Fund, L.P. SK Partners, L.P. is the general partner of each of The SK Equity Fund, L.P. and SK Investment Fund, L.P. Messrs. Karp, Megrue and Saunders are general partners of SK Partners, L.P., and, therefore, may be deemed to have beneficial ownership of the shares shown as being owned by the Funds above. Messrs. Megrue, Saunders and Karp disclaim benefical ownership of such shares.

(3) All of the shares owned by Mr. Newsome are subject to call by the Company at "book value" or "fair market value" if Mr. Newsome's employment is terminated under certain circumstances set forth in the Employment Agreement. See "Management--Employment Agreement."

(4) Includes shares held by the Funds as a result of affiliations described in note (2) above.

Prior to the consummation of the Offering, the Anderson Shareholders collectively own approximately 22% of the Company's Common Stock, including the Common Stock shown as being owned by Clyde B. Anderson in the table above. After the consummation of the Offering, the Anderson Shareholders will collectively own approximately % of the Company's Common Stock. The Anderson Shareholders have agreed that, for a period of 180 days from the date of this Prospectus, they will not, without the prior written consent of Smith Barney Inc. offer, sell, grant any option to purchase or otherwise dispose of the Company's Common Stock or any securities convertible into or exchangeable for such Common Stock.

CERTAIN TRANSACTIONS

Sale of Distribution Center

The Company assigned its interest in its former headquarters and distribution facility to Anderson & Anderson, an entity affiliated with certain Anderson Shareholders, for $850,000.

Management Agreement

Prior to June 1, 1995, the Company contracted with ANCO Management Services, Inc. ("ANCO"), an affiliated entity of the Anderson Shareholders, to obtain certain management services including operating, planning and financing advice. From June to November 1, 1995, the Company contracted for such management services with a different affiliated entity, Anderson & Anderson. Fees for those services amounted to $227,000, $256,000 and $95,000 in fiscal 1994, 1995 and 1996, respectively.

Working Capital Line of Credit

During fiscal 1995, the Company also borrowed funds from ANCO to meet its working capital needs. The average amount outstanding under these loans during fiscal 1995 was $120,000, the maximum amount outstanding was $810,000 and the weighted average interest rate was 7.45%. The loans were repaid during fiscal 1995.

Certain Issuance of Stock to Clyde B. Anderson

Prior to November 1, 1995, in consideration for his assistance in arranging the Recapitalization, the Company issued to Clyde B. Anderson 322,419 shares of Common Stock.

Transactions Related to the Recapitalization

Prior to November 1, 1995, all of the issued and outstanding common stock of the Company was owned by Charles C. Anderson, Sr., Joel R. Anderson, Charles C. Anderson, Jr., Terry C. Anderson, Clyde B. Anderson, Harold M. Anderson, certain Anderson family trusts and certain other persons (together with their permitted transferees, the "Anderson Shareholders") and by Michael J. Newsome. Pursuant to the terms of a stock purchase and redemption agreement dated November 1, 1995 (the "Stock Purchase Agreement"), The SK Equity Fund, L.P. (the "Equity Fund") and SK Investment Fund, L.P. (the "Investment Fund" and, together with the "Equity Fund", the "Funds") agreed to acquire from the Company for $24,250,000 in cash, and the Company agreed to issue and sell (i) to the Funds: (x) 17,609,000 shares of Common Stock, and (y) $4,574,000 aggregate principal amount of its 12% Subordinated Notes due November 1, 2002 (the "Subordinated Notes"), and (ii) to the Equity Fund $2,500,000 in the aggregate principal amount of its 12% Senior Subordinated Note due November 2, 2000 (the "Senior Subordinated Notes") (collectively, the "Acquisition"). In addition, pursuant to the terms of the Stock Purchase Agreement, the Company agreed, upon the consummation of the Acquisition, to redeem from the Anderson Shareholders 34,220,000 shares of Common Stock (the "Redemption") in exchange for: (i) $22,500,000 in cash, (ii) $1,625,000 aggregate principal amount of the 12% Senior Subordinated Notes and (iii) $11,426,000 aggregate principal amount of the Subordinated Notes. Thus, upon the consummation of the Acquisition and the Redemption, the Funds and the Anderson Shareholders owned 17,609,000 and 5,030,000 shares of Common Stock, respectively, or approximately 75.3% and 21.5% of the outstanding Common Stock, respectively. The remaining 750,000 shares of Common Stock were held by Mr. Newsome. In February, 1996 the Company repaid in full all the amounts outstanding under the Senior Subordinated Notes.

The Subordinated Notes were issued by the Company at discount, with the yield to maturity compounded annually at 14.92%. Pursuant to the terms of the Subordinated Notes, payment of interest accrued thereon during the first year of the term thereof is deferred until November 1, 1996. The Company is permitted to redeem the Subordinated Notes at their face value plus the interest accrued thereon until the day of redemption out of the proceeds from a public offering of its stock. The Subordinated Notes bear interest at the rate of 12% per annum and mature on November 1, 2002. The Company intends to redeem the Subordinated Notes out of the proceeds of the Offering.

Stockholders Agreement

In connection with the Acquisition and the Redemption, the Company, the Anderson Shareholders, Mr. Newsome and the Funds entered into a stockholders agreement dated as of November 1, 1995 (the "Stockholders Agreement"). Except for provisions relating to indemnification and contribution, the Stockholders Agreement will terminate when the number of shares of Common Stock held by the Anderson Shareholders falls below 1,974,500 shares.

The Stockholders Agreement specifies the number of members of the Board of Directors of the Company as well as the right of the Funds to nominate the majority of such members and the right of the Anderson Shareholders to nominate one such member. Such directors can only be removed for cause or if persons entitled to designate such directors consents to removal in writing.

Actions of the Board require either (i) the affirmative vote of

a majority of the directors at a duly convened meeting of the Board at which a quorum consisting of three directors, of whom at least two must be designees of the Funds, is present or (ii) the unanimous written consent of the Board. Certain actions including an amendment to the Company's Articles of Incorporation or Bylaws, a sudden and material change in the Company's line of business, certain related party transactions and a change in the Company's auditors prior to the completion of the fiscal 1997 audit, require the affirmative vote of the Board, with the director designated by the Anderson Shareholders voting in the affirmative.

Subject to certain exceptions, including the public offering of Common Stock, the Stockholders Agreement provides preemptive rights to each of the Funds, the Anderson Shareholders and Mr. Newsome to purchase their respective pro rata portions of any newly issued stock of the Company or any newly issued securities convertible, exchangeable or exercisable into the Company's stock.

The Stockholders Agreement grants the Anderson Shareholders and Mr. Newsome "tag along" rights to participate in a private sale of shares of Common Stock by the Funds to a third party. In addition, the Stockholders Agreement grants the Funds certain "drag along rights" to compel the Anderson Shareholders and Mr. Newsome to participate in a private sale of all the shares of Common Stock owned by the Funds to a third party.

The Stockholders Agreement also grants to the Funds unlimited demand registration rights and to the Anderson Shareholders, holding the majority of the total number of shares of Common Stock held by the Anderson Shareholders, one demand registration right that becomes exercisable 270 days after the closing of the Offering. The Company, notwithstanding these demand registration rights, shall not be obligated to effect more than one demand registration in any six-month period. The Stockholders Agreement also grants the Funds, the Anderson Shareholders and Mr. Newsome "piggy back" registration rights, subject to certain limitations, if the Company proposes to register its Common Stock.

The Company is obligated to pay all reasonable fees, costs and expenses in connection with any demand or "piggy back" registration other than underwriting discounts or commissions. The Stockholders Agreement contains customary indemnity provisions between the Company and the selling shareholders for losses arising out of any demand or "piggy back" registration.

Advisory Agreement

On November 1, 1995, the Company entered into an advisory agreement with Saunders Karp & Co., L.P. (the "Advisor"), a limited partnership the general partner of which is SK Partners L.P., which is also the general partner of each of the Funds. Pursuant to the advisory agreement the Advisor has agreed to provide certain financial advisory services to the Company. In consideration for these services, the Advisor is entitled to receive an annual fee of $200,000, payable quarterly in advance. The Company paid the Advisor $50,000 in fiscal 1996 and $50,000 during the thirteen week period ending on May 4, 1996 pursuant to that agreement. The Company also has agreed to indemnify the Advisor for certain losses arising out of the provision of advisory services and to reimburse certain of the Advisor's out-of-pocket expenses. In addition, on November 1, 1995, the Company paid the Advisor a one-time fee of $500,000 primarily for its assistance in the arrangement, placement and negotiation of the Term Loan and the Revolving Loan Agreement.

Non-Competition Agreement

Messrs. Charles C. Anderson, Joel R. Anderson and Clyde B. Anderson, as former controlling shareholders of the Company, have entered into a non-competition agreement with the Company and the Funds in connection with the Acquisition and Redemption. Under the agreement, Messrs. Andersons agreed not to be engaged in the retail sales of athletic equipment, apparel, footwear or other sporting goods in any and all states of

Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Illinois, Tennessee and any other state immediately adjacent to any of the foregoing states at any time prior to November 1, 2000.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to the Offering, there has been no market for the Common Stock of the Company. Future sales of substantial amounts of Common Stock in the public market could adversely affect prevailing market prices.

Upon completion of the Offering, the Company will have approximately shares of Common Stock outstanding (assuming no exercise of the Underwriters' over-allotment option and no exercise of outstanding options after May 4, 1996). Of these shares, the shares sold in the Offering will be freely tradeable without registration under the Securities Act of 1933, as amended (the "Act"), except to the extent the shares are held by affiliates of the Company. On the date of this Prospectus, approximately "restricted shares" as defined in Rule 144 will be outstanding. Of such shares, and without consideration of the contractual restrictions described below, approximately shares would be available for immediate sale in the public market without restriction pursuant to Rule 144(k). Beginning 90 days after the date of this Prospectus, and without consideration of the contractual restrictions described below, approximately shares would be eligible for sale in reliance upon Rule 144 promulgated under the Act and approximately shares would be eligible for sale in reliance upon Rule 701 promulgated under the Act. The holders of the remaining approximately restricted shares will not be able to sell such shares pursuant to Rule 144 until a two year period has elapsed since the shares were acquired from the Company or an affiliate of the Company, which two year periods will end between and . Furthermore, holders of an aggregate of 23,389,000 shares are entitled to piggyback registration rights, of which 22,639,000 shares are also entitled to demand registration rights. To date, none of these holders has indicated an intention to exercise such demand registration rights. See "Certain Transactions--Stockholders Agreement."

The Funds, the Anderson Shareholders, officers and directors who own shares of the Company's stock have agreed not to offer, sell, contract to sell or grant any option to purchase or otherwise dispose of Common Stock of the Company or any securities convertible into, or exchangeable for, shares of Common Stock, subject to certain exceptions, owned by them without the prior written consent of Smith Barney Inc. for a period of 180 days after the date of this Prospectus. As a result of these contractual restrictions and the provisions of Rules 144(k), 144 and 701, additional shares will be available for sale in the public market as follows: (i) approximately shares will be eligible for immediate sale on the date of this Prospectus, (ii) approximately shares will be eligible for sale beginning 90 days after the date of this Prospectus, (iii) approximately shares will be eligible for sale beginning 180 days after the date of this Prospectus. Additional shares may be available if options are exercised between May 4, 1996 and 180 days after the date of this Prospectus, or upon the vesting of shares pursuant to stock repurchase agreements between the Company and certain of its employees.

In general, under Rule 144 as currently in effect, beginning 90 days after the Offering, a person (or persons whose shares are aggregated) may sell within any three-month period a number of shares that does not exceed the greater of 1% of the then outstanding shares of the Company's Common Stock (approximately shares immediately after the Offering) or the average weekly trading volume of the Company's Common Stock during the four-calendar weeks preceding the date on which notice of the sale is filed with the Securities and Exchange Commission; provided that at least two years have elapsed since the shares to be sold were last acquired from the Company or an affiliate of the Company. Sales under Rule 144 are also subject to certain manner of sale provisions, notice requirements and the availability of current public information about the Company. Any person (or persons whose shares are aggregated) who is not deemed to have been an affiliate of the Company at any

time during the 90 days preceding a sale, may sell shares under Rule 144(k) without regard to the volume limitations, manner of sale provisions, public information requirements or notice requirements; provided that at least three years have elapsed since the shares to be sold were last acquired from the Company or an affiliate of the Company.

Subject to certain limitations on the aggregate offering price of a transaction and other conditions, Rule 701 may be relied upon with respect to the resale of securities originally purchased from the Company by its employees, directors, officers, consultants or advisers between May 20, 1988, the effective date of Rule 701, and the date the issuer becomes subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to written compensatory benefit plans or written contracts relating to the compensation of such persons. In addition, the Securities and Exchange Commission has indicated that Rule 701 will apply to typical incentive stock options granted by an issuer before it becomes subject to the reporting requirements of the Exchange Act (including options granted before May 20, 1988, if made in accordance with the Rule had it been in effect), along with the shares acquired upon exercise of such options after May 20, 1988 (including exercises after the date of this Prospectus). Securities issued in reliance on Rule 701 are restricted securities and, beginning 90 days after the date of this Prospectus, may be sold by persons other than affiliates subject only to the manner of sale provisions of Rule 144 and by affiliates under Rule 144 without compliance with its two-year holding period requirements.

The Company has also agreed not to offer, sell, contract to sell or otherwise dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or any rights to acquire Common Stock for a period of 180 days after the date of this Prospectus, without the prior written consent of the representatives of the Underwriters, subject to certain limited exceptions.

Following the Offering, the Company intends to file registration statements under the Act covering approximately 1,000,000 shares of Common Stock issued or reserved for issuance under the Plans. Accordingly, shares registered under such registration statements will, subject to Rule 144 volume limitations applicable to affiliates and the lapsing of the Company's repurchase options, be available for sale in the open market, unless such shares are subject to vesting restrictions with the Company or the contractual restrictions described above.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 50,000,000 shares of Common Stock.

Common Stock

As of May 4, 1996 there were 23,389,000 shares of Common Stock outstanding which were held of record by 23 shareholders. There will be shares of Common Stock outstanding (assuming no exercise of the Underwriters' over-allotment option and no exercise of outstanding options) after giving effect to the sale of the shares of Common Stock offered hereby.

The holders of Common Stock are entitled to one vote per share on all matters to be voted upon by the shareholders and do not have cumulative voting rights. The holders of Common Stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available therefor. See "Dividend Policy." In the event of liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities. Except as otherwise provided in the Stockholders Agreement, the holders of Common Stock have no preemptive or conversion rights or other subscription rights. See "Certain Transactions--Stockholders Agreement." There are no redemption or sinking

fund provisions applicable to the Common Stock. All outstanding shares of Common Stock are fully paid and non-assessable, and the shares of Common Stock to be issued upon completion of this offering will be fully paid and non-assessable.

Indemnification of Officers and Directors

The Company's Amended & Restated Bylaws (the "Bylaws") provide that the Company must indemnify any person, and such person's heirs and administrators, who is or was an officer or director of the Company or who served at the request of the Company as an officer or director of any corporation of which the Company owns shares or capital stock or of which the Company is a creditor or which is a subsidiary or affiliate of the Company (each such entity other than the Company, a "Related Entity"), against any and all liability and reasonable expenses that may be incurred by such person in connection with or resulting from any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, whether formal or informal, in which such person may become involved, as a party or otherwise, by reason of his being or having been an officer or director of the Company or an officer or director of a Related Entity, or by reason of any action taken or not taken by him in such capacity. Pursuant to Section 10-2B-8.51 of the Alabama Business Corporation Act (the "ABCA"), the Company is required to indemnify only if such person acted in good faith and, if acting in his official capacity, in what he reasonably believed to be in the best interests of the Company or such Related Entity or, if acting in a nonofficial capacity, he reasonably believed that his conduct was not opposed to the best interests of the Company or such Related Entity. The Company may not indemnify any such person in connection with any such action, suit or proceeding asserted or brought by or in the right of the Company in which such person is adjudged liable to the Company or in connection with any other proceeding charging improper personal benefit to such person, whether or not involving action in his or her official capacity, in which such person is adjudged liable on the basis that personal benefit was improperly received by such person, unless (and only to the extent that) the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper. To the extent that a director or officer of the Company has been successful on the merits or otherwise in defense of any proceeding or of any claim, issue or matter in such proceeding, such person shall be indemnified against reasonable expenses (including without limitation attorneys' fees) actually and reasonably incurred by such person in connection therewith, notwithstanding that he has not been successful on any other claim, issue or matter in any such action, suit or proceeding.

The Company may advance expenses (including attorneys' fees) incurred in defending a civil or criminal claim, action, suit or proceeding covered by the indemnification provisions of the ABCA in advance of the final disposition thereof upon receipt of a written affirmation by the indemnitee of his good faith belief that the standards of conduct set forth in Section 10-2B-8.51 of the ABCA have been met, and an undertaking by or on behalf of the indemnitee to repay such amount unless it is ultimately determined that he is entitled to indemnification under the ABCA.

Transfer Agent and Registrar

The Transfer Agent and Registrar for the Common Stock is .

UNDERWRITING

Upon the terms and subject to the conditions stated in the Underwriting Agreement dated the date hereof, each of the Underwriters named below has severally agreed to purchase, and the Company has agreed to sell to such Underwriters, the respective number of shares of Common Stock set forth

opposite the name of such Underwriter.

Name	Number of Shares
Smith Barney Inc.	
Montgomery Securities	
The Robinson-Humphrey Company, Inc.	
Total	

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the shares offered hereby are subject to approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are obligated to take and pay for all shares of Common Stock offered hereby (other than those covered by the over-allotment option described below) if any such shares are taken.

The Underwriters, for whom Smith Barney Inc., Montgomery Securities and The Robinson-Humphrey Company, Inc. are acting as the Representatives, propose to offer part of the shares of Common Stock directly to the public at the public offering price set forth on the cover page of this Prospectus and part of the shares of Common Stock to certain dealers at a price which represents a concession not in excess of $ per share under the public offering price. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $ per share to certain other dealers. The Representatives of the Underwriters have advised the Company that the Underwriters do not intend to confirm any sales to any accounts over which they exercise discretionary authority.

The Company has granted to the Underwriters an option, exercisable for thirty days from the date of this Prospectus, to purchase up to additional shares of Common Stock at the price to public set forth on the cover page of this Prospectus minus the underwriting discounts and commissions. The Underwriters may exercise such option solely for the purpose of covering over-allotments, if any, in connection with the offering of the shares offered hereby. To the extent such option is exercised, each Underwriter will be obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares as the number of shares set forth opposite each Underwriter's name in the preceding table bears to the total number of shares listed in such table.

The Company, its officers and directors, and certain of its shareholders have agreed that, for a period of 180 days from the date of this Prospectus, they will not, without the prior written consent of Smith Barney Inc., offer, sell, pledge, contract to sell, or otherwise dispose of any Common Stock (or any security convertible into or exchangeable or exercisable for Common Stock) or other securities of the Company that are substantially similar to Common Stock or grant any options or warrants to purchase Common Stock or similar securities, subject to certain limited exceptions.

Prior to the Offering, there has not been any public market for Common Stock of the Company. Consequently, the initial public offering price for the shares of Common Stock included in the Offering has been determined by negotiations between the Company and the Representatives. Among the factors considered in determining such price were the history of and prospects for the Company's business and the industry in which it competes, an assessment of the Company's management and the present state of the Company's development, the past and present revenues and earnings of the Company, the prospects for growth of the Company's revenues and earnings, the current state of the economy in the United States and the current level of economic activity in the industry in which the Company competes and in related or comparable industries, and currently prevailing conditions in the securities markets, including current market valuations

of publicly traded companies which are comparable to the Company.

The Company and the Underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company by Balch & Bingham, Birmingham, Alabama. Certain legal matters relating to the Offering will be passed upon for the Company by Davis Polk & Wardwell, New York, New York and for the Underwriters by Latham & Watkins, New York, New York.

EXPERTS

The audited consolidated financial statements of the Company and its subsidiaries as of January 28, 1995 and February 3, 1996, and for each of the three fiscal years in the period ended February 3, 1996, included in this Prospectus and the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (of which this Prospectus is a part) under the Securities Act with respect to the Common Stock. This Prospectus does not contain all the information set forth in the Registration Statement, certain portions of which have been omitted as permitted by the rules and regulations of the Commission.

The Registration Statement and the exhibits and schedules forming a part thereof can be inspected and copies obtained at the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission maintains a web site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Hibbett Sporting Goods, Inc.:

We have audited the accompanying consolidated balance sheets of HIBBETT SPORTING GOODS, INC. (an Alabama corporation) AND SUBSIDIARIES as of January 28, 1995 and February 3, 1996, and the related consolidated statements of operations, stockholders' investment (deficit), and cash flows for each of the three fiscal years in the period ended February 3, 1996. 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 generally accepted auditing standards. 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 financial position of Hibbett Sporting Goods, Inc. and subsidiaries as of January 28, 1995 and February 3, 1996, and the results of their operations and their cash flows for each of the three fiscal years in the period ended February 3, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Birmingham, Alabama
April 2, 1996

HIBBETT SPORTING GOODS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars In Thousands)

ASSETS

	January 28, 1995	February 3, 1996	May 4, 1996
			(Unaudited)
CURRENT ASSETS:			
Cash and cash equivalents	$ 727	$ 31	$ 32
Accounts receivable, net	1,094	1,341	1,418
Inventories	14,736	20,705	26,065
Prepaid expenses and other	112	756	1,035
Refundable income taxes	0	419	0
Deferred income taxes	410	538	584
	17,079	23,790	29,134
PROPERTY AND EQUIPMENT:			
Land	94	748	24
Buildings	1,084	4,869	83
Equipment	3,145	4,581	4,865
Furniture and fixtures	2,557	3,470	3,576
Leasehold improvements	4,092	5,901	6,038
Construction in progress	673	170	434
	11,645	19,739	15,020
Less accumulated depreciation and amortization	6,281	7,605	7,226
	5,364	12,134	7,794
NONCURRENT ASSETS:			
Deferred income taxes	296	308	320
Unamortized debt issuance costs, net	0	434	423
Other, net	48	36	32
	344	778	775
	$22,787	$36,702	$37,703
LIABILITIES AND STOCKHOLDERS' INVESTMENT (DEFICIT)			
CURRENT LIABILITIES:			
Current maturities of long-term debt	$ 420	$ 0	$ 0
Accounts payable	7,543	10,371	11,378
Accrued income taxes	71	0	221
Accrued expenses:			
Payroll-related	809	1,079	878
Other	650	887	976
Related-party	127	546	1,083
	9,620	12,883	14,536
LONG-TERM DEBT	4,908	31,912	30,325
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' INVESTMENT (DEFICIT):			
Common stock, $.01 par value, 50,000,000 shares authorized, 23,389,000 shares issued and outstanding at February 3, 1996 and May 4, 1996 (unaudited); and $.01 par value, 3,000,000 shares authorized, 1,025,600 shares issued and outstanding at January 28, 1995	10	234	234
Paid-in capital	117	14,933	14,933
Retained earnings (deficit)	8,132	(23,260)	(22,325)
	8,259	(8,093)	(7,158)
	$22,787	$36,702	$37,703

The accompanying notes are an integral part of these consolidated balance sheets.

HIBBETT SPORTING GOODS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars In Thousands, Except Per Share Amounts)

Fiscal Year Ended			Period Ended	
January 29, 1994	January 28, 1995	February 3, 1996	April 29, 1995	May 4, 1996
(52 Weeks)	(52 Weeks)	(53 Weeks)	(Unaudited)	

NET SALES	$40,119	$52,266	$67,077	$15,001	$20,251
COST OF GOODS SOLD, INCLUDING WAREHOUSE, DISTRIBUTION, AND STORE OCCUPANCY COSTS	27,731	36,225	46,642	10,431	14,035
Gross profit	12,388	16,041	20,435	4,570	6,216
STORE OPERATING, SELLING, AND ADMINISTRATIVE EXPENSES	8,352	10,197	13,326	2,681	3,344
DEPRECIATION AND AMORTIZATION	932	1,066	1,322	383	393
MANAGEMENT FEES	227	256	145	30	50
Operating income	2,877	4,522	5,642	1,476	2,429
INTEREST EXPENSE	488	654	1,685	182	910
Income before provision for income taxes	2,389	3,868	3,957	1,294	1,519
PROVISION FOR INCOME TAXES	920	1,479	1,514	495	584
Net income	$ 1,469	$ 2,389	$ 2,443	$ 799	$ 935
NET INCOME PER SHARE	$.04	$.06	$.07	$.02	$.04
WEIGHTED AVERAGE SHARES OUTSTANDING	39,677,581	39,677,581	35,613,428	39,677,581	23,768,133

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

HIBBETT SPORTING GOODS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT (DEFICIT)

(Dollars In Thousands)

	Common Stock			
	Number of Shares	Amount	Paid-In Capital	Retained Earnings (Deficit)
BALANCE, January 31, 1993	10,256	$ 1	$ 126	$ 4,274
Net income	0	0	0	1,469
BALANCE, January 29, 1994	10,256	1	126	5,743
Net income	0	0	0	2,389
Change in par value	0	(1)	1	0
Issuance of shares in connection with a 100-for-1 stock split	1,015,344	10	(10)	0
BALANCE, January 28, 1995	1,025,600	10	117	8,132
Net income	0	0	0	2,443
Issuance of shares in connection with a 38.687189-for-1 stock split	38,651,981	387	(387)	0
Purchase and retirement of shares	(34,220,000)	(342)	(43)	(33,835)
Issuance of shares	17,609,000	176	17,433	0
Expenses related to capital transactions	322,419	3	(2,187)	0
BALANCE, February 3, 1996	23,389,000	234	14,933	(23,260)
Net income (unaudited)	0	0	0	935
BALANCE, May 4, 1996 (Unaudited)	23,389,000	$234	$14,933	$(22,325)

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

HIBBETT SPORTING GOODS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars In Thousands)

	Fiscal Year Ended		
	January 29, 1994	January 28, 1995	February 3, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$1,469	$2,389	$2,443
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	989	1,124	1,475
Deferred income taxes	21	(266)	(140)
(Gain) loss on disposal of assets	20	4	6
Interest expense funded through additional debt	0	0	128
(Increase) decrease in assets:			
Accounts receivable, net	(85)	(9)	(247)
Inventories	(1,966)	(3,930)	(5,969)
Prepaid expenses and other	(159)	71	(644)
Refundable income taxes	(61)	61	(419)
Other noncurrent assets	(58)	11	(474)
Increase (decrease) in liabilities:			
Accounts payable	138	2,978	2,828
Accrued income taxes	(187)	71	(71)
Accrued expenses	148	694	926
Total adjustments	(1,200)	809	(2,601)
Net cash provided by (used in) operating activities	269	3,198	(158)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(1,600)	(2,179)	(8,172)
Proceeds from sale of property	9	26	6
Net cash provided by (used in) in investing activities	(1,591)	(2,153)	(8,166)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchase and retirement of shares	0	0	(22,250)
Issuance of shares	0	0	17,609
Expenses related to capital transactions	0	0	(2,184)
Principal payments on long-term debt	(994)	(3,251)	(5,328)
Proceeds from issuance of long-term debt	2,535	4,579	0
Proceeds from issuance of long-term debt to stockholders		0	6,641
Proceeds from term loan	0	0	1,000
Revolving loan borrowings and repayments, net	0	0	12,140
Borrowings (repayments) of short-term debt, net	(172)	(2,179)	0
Net cash provided by (used in) financing activities	1,369	(851)	7,628
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47	194	(696)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	486	533	727
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 533	$ 727	$ 31
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	$ 327	$ 612	$ 1,038
Income taxes, net of refunds	$1,147	$1,500	$ 2,144
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES:			
Issuance of debt to stockholders for the purchase of shares	$ 0	$ 0	$13,051
Issuance of stock as compensation related to capital transactions	$ 0	$ 0	$ 322

	Thirteen Week Period Ended	
	April 29, 1995	May 4, 1996
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 799	$ 935
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	398	447
Deferred income taxes	(58)	(58)
(Gain) loss on disposal of assets	0	(478)
Interest expense funded through additional debt	0	14
(Increase) decrease in assets:		
Accounts receivable, net	77	(77)

Inventories	(2,550)	(5,360)
Prepaid expenses and other	(156)	(279)
Refundable income taxes	0	419
Other noncurrent assets	(1)	(6)
Increase (decrease) in liabilities:		
Accounts payable	(45)	1,007
Accrued income taxes	406	221
Accrued expenses	(280)	425
Total adjustments	(2,209)	(3,725)
Net cash provided by (used in) operating activities	(1,410)	(2,790)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,365)	(1,128)
Proceeds from sale of property	5	5,553
Net cash provided by (used in) in investing activities	(1,360)	4,425
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase and retirement of shares	0	0
Issuance of shares	0	0
Expenses related to capital transactions	0	0
Principal payments on long-term debt	(1,113)	(4,267)
Proceeds from issuance of long-term debt	0	0
Proceeds from issuance of long-term debt to stockholders	0	0
Proceeds from term loan	0	0
Revolving loan borrowings and repayments, net	0	2,633
Borrowings (repayments) of short-term debt, net	3,830	0
Net cash provided by (used in) financing activities	2,717	(1,634)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(53)	1
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	727	31
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 674	$ 32
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 224	$ 311
Income taxes, net of refunds	$ 147	$ 0
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES:		
Issuance of debt to stockholders for the purchase of shares	$ 0	$ 0
Issuance of stock as compensation related to capital transactions	$ 0	$ 0

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

HIBBETT SPORTING GOODS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Hibbett Sporting Goods, Inc. (the "Company") is an operator of full-line sporting goods retail stores in small to mid-sized markets in the Southeastern United States. The Company's fiscal year ends on the Saturday closest to January 31 of each year.

Principles of Consolidation

The consolidated financial statements of the Company include its accounts and the accounts of all wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect (1) the reported amounts of certain assets and liabilities and disclosure of certain contingent assets and liabilities at the date of the financial statements, and (2) the reported amounts of certain revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unaudited Interim Financial Statements

In the opinion of management, the unaudited consolidated balance sheet as of May 4, 1996, and the unaudited consolidated statements of income and cash flows for the thirteen week periods ended April 29, 1995 and May 4, 1996, reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the information set forth therein. The results of operations for interim periods are not necessarily indicative of results for the full year as the Company's business is seasonal. Typically, sales and net income from operations are highest during the fourth fiscal quarter.

Inventories

Inventories are valued at the lower of cost or market using the retail inventory method of accounting, with cost determined on a first-in, first-out basis and market based on the lower of replacement cost or estimated realizable value.

Property and Equipment

Property and equipment are recorded at cost. It is the Company's policy to depreciate assets acquired prior to January 28, 1995 using accelerated and straight-line methods over the estimated service lives (3 to 10 years for equipment, 5 to 10 years for furniture and fixtures, and 10 to 31.5 years for buildings) and to amortize leasehold improvements using the straight-line method over the periods of the applicable leases. Depreciation on assets acquired subsequent to January 28, 1995 is provided using the straight-line method over the estimated service lives (3 to 5 years for equipment, 7 years for furniture and fixtures, and 39 years for buildings) or, in the case of leasehold improvements, 10 years or over the lives of the respective leases, if shorter.

Maintenance and repairs are charged to expense as incurred. Costs of renewals and betterments are capitalized by charges to property accounts and are depreciated using applicable annual rates. The cost and accumulated depreciation of assets sold, retired, or otherwise disposed of are removed from the accounts, and the related gain or loss is credited or charged to income.

Store Opening Costs

Non-capital expenditures incurred in preparation for opening new retail stores are expensed in the period each store opens.

Fair Value of Financial Instruments

In preparing disclosures about the fair value of financial instruments, management has assumed that the carrying amount approximates fair value for cash and cash equivalents, receivables, short-term borrowings and accounts payable, because of the short maturities of those instruments. The estimated fair values of long-term debt instruments are based upon the current interest rate environment and remaining term to maturity.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which generally requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. In addition, the asset and liability method requires the adjustment of previously deferred income taxes for changes in tax rates.

Net Income Per Share

Net income per share for each of the periods presented is calculated by dividing net income by the number of weighted average common shares outstanding. Common stock equivalents in the form of stock options are included in the calculation utilizing the treasury stock method for all periods presented.

Consolidated Statements of Cash Flows

For purposes of the consolidated statements of cash flows, the Company considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounting for the Impairment of Long-Lived Assets

During 1995, Statement of Financial Accounting Standards ("SFAS") No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, was issued. The new standard requires all businesses to recognize an impairment loss on a long-lived asset as a charge to current income when certain events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Company adopted the new standard effective Febuary 4, 1996 with no significant impact on its financial position or results of operations (unaudited).

Accounting for Stock-Based Compensation

SFAS No. 123, Accounting for Stock-Based Compensation, allows companies to continue to record compensation cost under Accounting Principles Board Opinion ("APB") No. 25 or to record compensation cost based on the fair value of stock based awards. Management currently anticipates that it will continue using its current accounting policy under APB No. 25; and as a result, adoption of SFAS No. 123 will not affect the financial condition or results of operations of the Company. SFAS No. 123 does, however, require certain pro forma disclosures reflecting what compensation cost would have been if the fair value based method of recording compensation expense for stock-based compensation had been adopted. The disclosure rules under SFAS No. 123 will be adopted by the Company in fiscal 1997.

Prior Year Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. STOCKHOLDERS' INVESTMENT TRANSACTIONS

In December 1994, the Company's Board of Directors approved an increase in the number of authorized shares of common stock from 20,000 to 3,000,000 shares and a decrease in the par value from $.10 to $.01 per share. In addition, the Company's Board of Directors declared a 100-for-1 stock split in the form of a 100% stock dividend.

On November 1, 1995, the Company's Board of Directors approved a series of equity and debt transactions which resulted in a recapitalization of the Company and a change in controlling ownership of the common stock outstanding (the "Recapitalization"). In connection with the Recapitalization, the Company's Board of Directors (i) increased the number of authorized shares of common stock from 3,000,000 to 50,000,000 shares, (ii) declared a 38.687189-for-1 stock split, (iii) approved the repurchase and retirement of 34,220,000 shares of common stock for $1.00 per share ($22,250,000 cash and the issuance of $13,051,000 of debt), and (iv) approved the issuance of 17,609,000 new shares of common stock at $1.00 per share and $7,074,000 of debt for $24,250,000 cash. Expenses of $2,506,000 were incurred in connection with the Recapitalization and have reduced paid-in capital.

All references in the financial statements to weighted average shares outstanding, net income per share, and stock options have been restated to reflect the above stock splits.

3. LONG-TERM DEBT

The Company's long-term debt is as follows:

	January 28, 1995	February 3, 1996	May 4, 1996 (Unaudited)
Revolving loan agreement	$ 0	$12,140,000	$14,773,000
Term loan agreement, due November 1997, unsecured	0	1,000,000	1,000,000
Subordinated notes payable to stockholders, unsecured, 12%, due November 2002, interest payable quarterly, beginning November 1, 1996	0	16,000,000	16,000,000
Senior subordinated bridge notes payable to stockholders, unsecured, 12%, due November 2000, interest payable quarterly	0	4,253,000	0
Revolving convertible term loan	4,580,000	0	0
Bank notes payable	748,000	0	0
Unamortized debt discount	0	(1,481,000)	(1,448,000)
	5,328,000	31,912,000	30,325,000
Less current maturities	420,000	0	0
	$4,908,000	$31,912,000	$30,325,000

At February 3, 1996 and May 4, 1996 (unaudited), the Company maintained a secured revolving loan agreement totaling $25,000,000 which expires November 2000. Amounts available and secured under the loan agreement are based on levels of certain specified Company assets. Based on the agreement, the Company may borrow amounts against a Base Rate or a LIBOR Rate, as defined in the agreement. Base Rate loans have no specified maturity date and interest on the loans is payable monthly. The Base Rate on these loans at February 3, 1996 and May 4, 1996 was 8.75% and 8.50% (unaudited), respectively. LIBOR Rate loans have specified interest periods (30, 60, 90, or 180 days) attached to the loan with the maturity date being the date principal and interest are due. The rate on these loans at February 3, 1996 and May 4, 1996 was 7.89% and 7.73% (unaudited), respectively. As amounts under the loan agreement do not have to be repaid until the expiring date of November 2000, the full amount outstanding is classified as long-term debt.

The Company's term loan also allows the Company to specify the interest rate against which amounts are borrowed, the Base Rate or LIBOR Rate. At February 3, 1996 and May 4, 1996, the full amount of the term loan was borrowed against the LIBOR Rate which was 9.45% and 8.78% (unaudited), respectively.

As part of the Recapitalization, in November 1995, the Company issued to stockholders subordinated notes and senior subordinated bridge notes totaling $20,125,000 with an original issue discount of $1,514,000 related solely to the stockholders subordinated notes. In January 1996, the Company issued $128,000 of additional notes as satisfaction for interest on the Company's bridge notes. A portion of the proceeds of these borrowings was utilized to retire existing debt.

The Company's debt agreements contain certain restrictive covenants common to such agreements. The Company was in compliance, or had received a noncompliance waiver, with respect to all of its covenants at February 3, 1996 and May 4, 1996 (unaudited).

Long-term debt contractually matures in each of the next five fiscal years as follows: $0 in 1997, $1,000,000 in 1998, $0 in 1999, $0 in 2000, $16,393,000 in 2001, and $16,000,000 thereafter. However, the senior subordinated bridge notes ($4,253,000) were repaid in advance during the thirteen week period ended May 4, 1996 (unaudited).

During fiscal 1995 and the majority of fiscal 1996, the Company maintained working capital lines of credit under which the average borrowings outstanding were $4,009,000 and $5,200,0000, and the maximum borrowings outstanding were $6,620,000 and $6,697,000 in fiscal 1995 and 1996, respectively. The weighted average interest rate was approximately 7.35% and 9.0% in fiscal 1995 and 1996, respectively. In addition, during fiscal 1995, the Company also borrowed funds to meet working capital needs from a related party. The average amount of borrowings outstanding under these loans during fiscal 1995 was $120,000, the maximum amount outstanding was $810,000, and the weighted average interest rate was 7.45%. No borrowings related to these former working capital lines of credit were outstanding at January 28, 1995, February 3, 1996, or May 4, 1996 (unaudited).

The estimated fair value of the Company's long-term debt was $32,657,000 and $30,921,000 (unaudited) at February 3, 1996 and May 6, 1996, respectively.

4. LEASES

The Company leases the premises for its retail sporting goods stores under operating leases which expire in various years through the year 2008. Many of these leases contain renewal options and require the Company to pay executory costs (such as property taxes, maintenance, and insurance). Rental payments typically include minimum rentals plus contingent rentals based on sales.

In February 1996, the Company entered into a sale-leaseback transaction to finance its new warehouse and office facilities. The sales price of $4,700,000 approximated the book value of the facility after considering transaction expenses. The related lease term is for 15 years at $476,000 per year, and is structured as an operating lease.

Minimum future rental payments under noncancelable operating leases having remaining terms in excess of one year as of February 3, 1996 are as follows:

Fiscal Year Ending	
1997	$ 3,497,000
1998	3,434,000
1999	3,115,000
2000	2,926,000
2001	2,192,000
Thereafter	9,375,000

	$24,539,000

Rental expense for all operating leases consisted of the following:

	Fiscal Year Ended			Thirteen Week Period Ended	
	January 29, 1994	January 28, 1995	February 3, 1996	April 29, 1995	May 4, 1996
				(Unaudited)	
Minimum rentals	$1,749,000	$2,469,000	$3,080,000	$ 673,000	$ 913,000
Contingent rentals	315,000	392,000	487,000	134,000	244,000
	$2,064,000	$2,861,000	$3,567,000	$ 807,000	$1,157,000

5. PROFIT-SHARING PLAN

The Company maintains a 401(k) profit sharing plan (the "Plan") which permits participants to make pretax contributions to the Plan. The Plan covers all employees who have completed one year of service and who are at least 21 years of age. Participants of the Plan may voluntarily contribute from 2% to 15% of their compensation within certain dollar limits as allowed by law. These elective contributions are made under the provisions of Section 401(k) of the Internal Revenue Code which allows deferral of income taxes on the amount contributed to the Plan. The Company's contribution to the Plan equals (1) an amount determined at the discretion of the Board of Directors plus (2) a matching contribution equal to a discretionary percentage of up to 6% of a participant's compensation. Contribution expense for fiscal years 1994, 1995, and 1996 was $89,000, $108,000, and $165,000, respectively, and was $21,000 and $60,000 (unaudited) for the thirteen week periods ended April 29, 1995 and May 4, 1996, respectively.

6. RELATED-PARTY TRANSACTIONS

Subsequent to November 1, 1995, the Company's new majority shareholder began providing financial advisory services to the Company for an annual fee of $200,000. Such services include, but are not necessarily limited to, advice and assistance concerning any and all aspects of the operation, planning, and financing of the Company. Management fee expense under this arrangement was $50,000 in each of fiscal 1996 and the thirteen week period ended May 4, 1996 (unaudited).

Prior to November 1, 1995, the Company's previous majority shareholders (now minority shareholders) provided to the Company similar services as discussed above. Fees for these services amounted to $227,000, $256,000, and $95,000 in fiscal years 1994, 1995, and 1996, respectively, and $30,000 and $0 (unaudited) in the thirteen week periods ended April 29, 1995 and May 4, 1996, respectively.

Subordinated notes payable to stockholders, net of the related unamortized debt discount, were outstanding and included in long-term debt in the amount of $18,772,000 and $14,552,000 (unaudited) at February 3, 1996 and May 4, 1996, respectively. Related to these notes, the Company incurred approximately $620,000 of interest expense in fiscal 1996, of which approximately $492,000 was included in accrued expenses and approximately $128,000 was capitalized into the senior subordinated bridge notes payable at February 3, 1996. For the thirteen week period ended May 4, 1996, the Company incurred approximately $500,000 (unaudited) of interest expense related to these notes.

In connection with the Recapitalization discussed in Note 2, both the majority shareholder and minority shareholders were paid for services provided to the Company related to the Recapitalization. These costs were recorded as a reduction to paid-in capital and approximated $960,000 in fiscal 1996.

The Company leased its previous warehouse and office facilities under a lease-purchase agreement which was fully paid in a previous year. Subsequent to February 3, 1996, the Company sold an assignment of its interest in the lease on this property to a related party for $850,000, which resulted in a gain of approximately $513,000 in the thirteen week period ended May 4, 1996.

7. INCOME TAXES

A summary of the components of the provision for income taxes is as follows:

	Fiscal Year Ended			Thirteen Week Period Ended	
	January 29, 1994	January 28, 1995	February 3, 1996	April 29, 1995	May 4, 1996
				(Unaudited)	
Federal:					
Current	$799,000	$1,553,000	$1,476,000	$493,000	$573,000
Deferred	19,000	(237,000)	(126,000)	(52,000)	(52,000)
	818,000	1,316,000	1,350,000	441,000	521,000
State:					
Current	100,000	192,000	178,000	60,000	69,000
Deferred	2,000	(29,000)	(14,000)	(6,000)	(6,000)
	102,000	163,000	164,000	54,000	63,000
Provision for income taxes	$920,000	$1,479,000	$1,514,000	$495,000	$584,000

The provision for income taxes differs from the amounts computed by applying federal statutory rates due to the following:

	Fiscal Year Ended			Thirteen Week Period Ended	
	January 29, 1994	January 28, 1995	February 3, 1996	April 29, 1995	May 4, 1996
				(Unaudited)	
Tax provision computed at the federal statutory rate (34%)	$812,000	$1,315,000	$1,345,000	$440,000	$516,000
Effect of state income taxes, net of benefits	66,000	127,000	118,000	36,000	42,000
Other	42,000	37,000	51,000	19,000	26,000
	$920,000	$1,479,000	$1,514,000	$495,000	$584,000

Temporary differences which create deferred tax assets are detailed below:

	January 28, 1995		February 3, 1996		May 4, 1996	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
					(Unaudited)	
Depreciation	$ 0	$296,000	$ 0	$308,000	$ 0	$320,000
Inventory	253,000	0	371,000	0	312,000	0
Accruals	147,000	0	153,000	0	258,000	0
Other	10,000	0	14,000	0	14,000	0

	410,000	296,000	538,000	308,000	584,000	320,000
Valuation allowance	0	0	0	0	0	0
Deferred tax asset, net	$410,000	$296,000	$538,000	$308,000	$584,000	$320,000

The Company has not recorded a valuation allowance for deferred tax assets as realization is considered more likely than not.

8. STOCK OPTIONS

The Hibbett Sporting Goods, Inc. Employee Stock Option Plan (the "Stock Option Plan") authorizes the granting of stock options for the purchase of up to 1,000,000 shares of common stock. The difference in the total exercise price of the options and the estimated fair value at the date of the grant is recorded as compensation expense over the vesting period. As of February 3, 1996, a total of 595,251 shares of the Company's authorized and unissued common stock were reserved for future grants under the Stock Option Plan and options for 404,749 shares were outstanding at that date. The weighted average exercise price of the options granted in fiscal 1996 was $.74 per share. Options outstanding become exercisable 33% at the end of each of the following three successive years for 154,749 shares and the remainder become exercisable 20% at the end of each of the following five successive years.

Subsequent to February 3, 1996, the Company granted options for 277,000 shares which are exercisable at $1.00 per share, and become exercisable 20% at the end of each of the following five successive years (unaudited).

9. COMMITMENTS AND CONTINGENCIES

Employment Agreement

On November 1, 1995, the Company entered into an employment agreement with an employee which provides for a three-year employment period at a base salary plus various incentives.

Legal

The Company is a party to various legal proceedings incidental to its business. In the opinion of management, after consultation with legal counsel, the ultimate liability, if any, with respect to those proceedings is not presently expected to materially affect the financial position or results of operations of the Company.

10. INITIAL PUBLIC OFFERING (UNAUDITED)

The Company is proceeding with the offering of _____ shares of common stock at an initial public price of $_____ per share. The estimated net proceeds to the Company of $_____ will be used to repay the subordinated notes payable to stockholders and to reduce borrowings on the revolving loan agreement.

Supplemental net income per share before extraordinary item is calculated by dividing net income (after adjustment for applicable interest expense) by the number of weighted average shares outstanding after giving effect to the estimated number of shares that would be required to be sold (at the initial public offering price of $_____ per share) to repay $_____ and $_____ of debt at February 3, 1996 and May 4, 1996, respectively. Supplemental net income per share before extraordinary item for the fiscal year ended February 3, 1996 and the thirteen week period ended May 4, 1996 was $____ and $_____, respectively. Supplemental net income per share after extraordinary item (to reflect the write off of unamortized debt discount and debt issuance costs) for the fiscal year ended February 3, 1996 and the thirteen week period ended May 4, 1996 was

$_____ and $_____, respectively.

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No dealer, salesperson or any other person has been authorized to give any information or to make any representations other than those contained in this Prospectus in connection with the offer contained herein, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or by any of the Underwriters. This Prospectus does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, those to which it relates in any state to any person to whom it is not lawful to make such offer in such state. The delivery of this Prospectus at any time does not imply that the information herein is correct as of any time subsequent to its date.

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UNTIL , 1996 (25 DAYS AFTER THE COMMENCEMENT OF THE OFFERING), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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Shares

HIBBETT SPORTING GOODS, INC.

Common Stock

PROSPECTUS

, 1996

Smith Barney Inc.

Montgomery Securities

The Robinson-Humphrey Company, Inc.

==========

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

Registration Fee	$11,897
NASD Filing Fee	3,950
NASDAQ/National Market filing fee	
Transfer Agent's Fees	
Printing and Engraving	

Legal Fees.....	
Accounting Fees.....	
Blue Sky Fees.....	
Miscellaneous.....	
Total.....	$

Each of the amounts set forth above, other than the Registration Fee, NASD Filing Fee and NASDAQ/National Market filing fee, is an estimate.

Item 14. Indemnification of Directors and Officers.

The Bylaws provide that the Company must indemnify any person, and such person's heirs and administrators, who is or was an officer or director of the Company or who served at the request of the Company as an officer or director of any corporation of which the Company owns shares of capital stock or of which the Company is a creditor or which is a subsidiary or affiliate of the Company (each such entity other than the Company, a "Related Entity"), against any and all liability and reasonable expenses that may be incurred by such person in connection with or resulting from any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, whether formal or informal, in which such person may have become involved, as a party or otherwise, by reason of being or having been an officer or director of the Company or an officer or director of a Related Entity, or by reason of any action taken or not taken in such capacity. Pursuant to Section 10-2B-8.51 of the Alabama Business Corporation Act (the "ABCA"), the Company is required to indemnify only if such person acted in good faith and, if acting in official capacity, in what was reasonably believed to be the best interests of the Company or such Related Entity or, if acting in a nonofficial capacity, what was reasonably believed to be conduct that was not opposed to the best interests of the Company or such Related Entity. The Company may not indemnify any such person in connection with any such action, suit or proceeding asserted or brought by or in the right of the Company in which such person is adjudged liable to the Company or in connection with any other proceeding charging improper personal benefit to such person, whether or not involving action in his or her official capacity, in which such person is adjudged liable on the basis that personal benefit was improperly received by such person, unless (and only to the extent that) the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper. To the extent that a director or officer of the Company has been successful on the merits or otherwise in defense of any proceeding or of any claim, issue or matter in such proceeding, such person shall be indemnified against reasonable expenses (including without limitation attorney's fees) actually and reasonably incurred by such person in connection therewith, notwithstanding that such person has not been successful on any other claim, issue or matter in any such action, suit or proceeding.

The Company may advance expenses (including attorney's fees) incurred in defending a civil or criminal claim, action, suit or proceeding covered by the indemnification provisions of the ABCA in advance of the final disposition thereof upon receipt of a written affirmation by the indemnitee of a good faith belief that the standards of conduct set forth in Section 10-2B-8.51 of the ABCA have been met, and an undertaking by or on behalf of the indemnitee to repay such amount unless it is ultimately determined that the indemnitee is entitled to indemnification under the ABCA.

The Company may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, partner, employee or agent of any Related Entity against any liability

asserted by and incurred by such person in any such capacity or arising out of his or her status as such, whether or not the Company is required or permitted to indemnify him or her against such liability, under the Bylaws or the ABCA. The Company intends to purchase directors and officers liability insurance.

The proposed form of Underwriting Agreement filed as Exhibit 1 to this Registration Statement provides for indemnification of directors and officers of the Registrant by the underwriters against certain liabilities.

Item 15. Recent Sales of Unregistered Securities.

Since June 1, 1993, the Registrant has sold the following securities without registration under the Securities Act of 1933, as amended (the "Act"):

1. Immediately prior to the Recapitalization, in consideration for his assistance in arranging the Recapitalization, the Company issued to Clyde B. Anderson 322,419 shares of Common Stock. Section 4(2) of the Act was relied upon for exemption from the registration requirements.

2. On November 1, 1995, as part of the Recapitalization, The SK Equity Fund, L.P. purchased 17,418,455 shares of Common Stock for $17,418,455 in cash, and SK Investment Fund, L.P. purchased 190,545 shares of Common Stock for $190,545. Section 4(2) of the Act was relied upon for exemption from the registration requirements.

Item 16. Exhibits and Financial Statement Schedules.

(a)The following exhibits are filed as part of this Registration Statement:

Exhibit Number	Description
1*	Form of Underwriting Agreement
3.1*	Articles of Incorporation of the Registrant, as amended
3.2*	Bylaws of the Registrant, as amended
4.1*	Form of Share Certificate
5.1*	Opinion of Balch & Bingham
10.1*	Loan and Security Agreement dated as of November 1, 1995 between the Registrant, Hibbett Team Sales, Inc. and Heller Financial, Inc.
10.2	Stockholders Agreement dated as of November 1, 1995 among The SK Equity Fund, L.P., SK Investment Fund, L.P., the Registrant and certain stockholders of the Registrant named therein
10.3	Advisory Agreement dated November 1, 1995 between the Registrant and Saunders, Karp & Co., L.P.
10.4	Employment and Post-Employment Agreement dated as of November 1, 1995 between the Registrant and Michael J. Newsome
10.5	Letter from the Registrant to Michael J. Newsome dated November 1, 1995 re: Incentive Compensation Arrangements
10.6	Non-competition Agreement dated November 1, 1995 among Charles C. Anderson, Joel R. Anderson, Clyde B. Anderson, the Registrant, The SK Equity Fund, L.P. and SK Investment Fund, L.P.
10.7	The Registrant's Stock Option Plan (as amended, effective as of March 6, 1996)
10.8	The Registrant's 1996 Stock Option Plan
10.9	Lease Agreement dated as of February 1, 1996 between QRS 12-14 (AL), Inc. and Sports Wholesale, Inc.
11	Statement of Computation of Net Income Per Share
21	List of Registrant's Subsidiaries
23.1	Consent of Arthur Andersen LLP
23.2*	Consent of Balch & Bingham (to be included in Exhibit 5.1 to this Registration Statement)

27 Financial Data Schedule

_____
* Each exhibit marked by an (*) will be filed by Amendment to this Registration Statement.

(b)Financial Statement Schedules.

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission have been omitted because they are not required under the related instructions or are inapplicable as the information has been provided in the financial statements or related notes thereto.

Item 17. Undertakings

The undersigned registrant hereby undertakes:

(a) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and persons controlling the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification (other than by policies of insurance) is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-1 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Birmingham, State of Alabama, on the 27th day of June, 1996.

Hibbett Sporting Goods, Inc.

By /s/ Michael J. Newsome

Michael J. Newsome
President, Chief Operating Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael J. Newsome and Susan Fitzgibbon, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and revocation, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and things requisite and necessary to be done as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael J. Newsome - --- Michael J. Newsome	Principal Executive Officer and Director	June 27, 1996
/s/ Susan H. Fitzgibbon - --- Susan Fitzgibbon	Principal Financial Officer, Controller and Principal Accounting Officer	June 27, 1996
/s/ Clyde B. Anderson - --- Clyde B. Anderson	Director	June 27, 1996
/s/ Thomas A. Saunders, III - --- Thomas A. Saunders, III	Director	June 27, 1996
/s/ F. Barron Fletcher, III - --- F. Barron Fletcher, III	Director	June 27, 1996
/s/ John F. Megrue - --- John F. Megrue	Director	June 27, 1996
/s/ Barry H. Feinberg - --- Barry H. Feinberg	Director	June 27, 1996

EXHIBIT INDEX

Exhibit Number	Description
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10.8	The Registrant's 1996 Stock Option Plan
10.9	Lease Agreement dated as of February 1, 1996 between QRS 12-14 (AL), Inc. and Sports Wholesale, Inc.
11	Statement of Computation of Net Income Per Share
21	List of Registrant's Subsidiaries
23.1	Consent of Arthur Andersen LLP
23.2*	Consent of Balch & Bingham (to be included in Exhibit 5.1 to this Registration Statement)
27	Financial Data Schedule

* Each exhibit marked by an (*) will be filed by Amendment to this Registration Statement.

STOCKHOLDERS AGREEMENT

dated as of

November 1, 1995

by and among

THE SK EQUITY FUND, L.P.,

SK INVESTMENT FUND, L.P.,

THE STOCKHOLDERS listed on

the signature pages hereof

and

HIBBETT SPORTING GOODS, INC.

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STOCKHOLDERS AGREEMENT

AGREEMENT dated as of November 1, 1995 among The SK Equity Fund, L.P., a Delaware limited partnership (the "Equity Fund"), SK Investment Fund, L.P., a Delaware limited partnership (the "Investment Fund"), the Stockholders listed on the signature pages hereof and Hibbett Sporting Goods, Inc., an Alabama corporation (the "Company").

W I T N E S S E T H:

WHEREAS, pursuant to the Stock Purchase and Redemption Agreement dated as of [November 1], 1995 (the "Stock Purchase and Redemption Agreement") by and among the Equity Fund, the Investment Fund, the Stockholders named therein and the Company, the Equity Fund and the Investment Fund, concurrently with the execution of this Agreement, are acquiring shares ("Shares") of common stock, par value $0.01 per share ("Common Stock"), of the Company; and

WHEREAS, the parties hereto desire to enter into this Agreement to govern certain of their rights, duties and obligations after consummation of the transactions contemplated by the Securities Purchase and Redemption Agreement;

NOW, THEREFORE, in consideration of the covenants and agreements contained herein and in the Securities Purchase and Redemption Agreement, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions. (a) The following terms, as used herein, have the following meanings:

"Affiliate" means, at any time and with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; provided that no stockholder of the Company shall be deemed an Affiliate of any other stockholder of the Company solely by reason of any investment in the Company. For the purpose of this definition, the term "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Affiliated Employee Benefit Trust" means any trust that is a successor to the assets held by a trust established under an employee benefit plan subject to ERISA or any other trust established directly or indirectly under such plan or any other such plan having the same sponsor.

"Aggregate Ownership" means, at any time and with respect to any Stockholder or group of Stockholders, the total number of Shares "beneficially owned" (as such term is defined in Rule 13d-3 under the Exchange Act) (without duplication) by such Stockholder or group of Stockholders at such time, calculated on a Fully Diluted basis and taking into account any stock dividend, stock split or reverse stock split.

"Anderson Group" means the Anderson Stockholders and their respective Permitted Transferees.

"Anderson Stockholders" means Charles C. Anderson, Joel R. Anderson, Charles C. Anderson, Jr., Terrence C. Anderson, Clyde B. Anderson, Harold M. Anderson, the Trusts, Gerald H. Daugherty, Martin R. Abroms and Sandra B. Cochran.

"Anderson Subordinated Note" means any Subordinated Note issued by the Company to any member of the Anderson Group as part of the transaction contemplated by the Stock Purchase and Redemption Agreement; provided that any Subordinated Note (or part thereof) shall cease to be an "Anderson Subordinated Note" upon Transfer thereof to any Person other than a member of the Anderson Group, and such Subordinated Note (or part thereof) shall not be deemed an "Anderson Subordinated Note" even if it (or part thereof) is acquired subsequently to such Transfer by a member of the Anderson Group.

"Board" means the board of directors of the Company.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in either New York City or in the state of Alabama are authorized by law to close.

"Bylaws" means, with respect to any corporate entity, the bylaws of such corporate entity, as amended from time to time.

"Callable Shares" means those certain Shares held by members of the Anderson Group described in Section 2.5 of the Stock Purchase and

Redemption Agreement until such Shares either (i) cease to be "Callable Shares" pursuant to Section 3.1(e) or (ii) are called by the Company pursuant to Section 5.12(b).

"Charter" means, with respect to any corporate entity, the articles of incorporation of such corporate entity, as amended from time to time.

"Closing Date" has the meaning set forth in the Stock Purchase and Redemption Agreement.

"Code" means the Internal Revenue Code of 1986, as amended.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fully Diluted" means, with respect to Common Stock and without duplication, all outstanding Shares and all Shares issuable in respect of securities convertible into or exchangeable for Common Stock, options, warrants and other rights to purchase or subscribe for Common Stock or securities convertible into or exchangeable for Common Stock; provided that, to the extent any of the foregoing options, warrants or other rights to purchase or subscribe for Common Stock are subject to vesting, the Shares subject to vesting shall be included in the definition of "Fully Diluted" only upon and to the extent of such vesting.

"Funds" means the Equity Fund and the Investment Fund, collectively, and their respective Permitted Transferees.

"Initial Public Offering" means the initial sale after the date hereof of Common Stock pursuant to an effective registration statement under the Securities Act (other than a registration statement on Form S-8 or any successor form).

"Majority Anderson Stockholders" means, at any time, the Anderson Stockholders holding the majority of the total number of Shares at such time held by the Anderson Group.

"Management Group" means the Management Stockholder and his Permitted Transferees.

"Management Letter Agreement" means the Letter Agreement dated as of November 1, 1995 between the Board and Michael J. Newsome.

"Management Stockholder" means Michael J. Newsome.

"Option Plan" has the meaning set forth in the Management Letter Agreement.

"Original Anderson Shares" means, at any time, the number of Shares (other than Callable Shares) owned by the Anderson Stockholders immediately following consummation of the transactions contemplated by this Agreement and the Stock Purchase and Redemption Agreement, as adjusted for any subsequent stock split or reverse stock split.

"Other Stockholders" means the Anderson Group and the Management Group, collectively.

"Permitted Transferee" means:

(i) in the case of any of the Funds (A) any beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of a general or limited partnership interest in either Fund (a "Fund Partner"), and any Affiliated Employee Benefit Trust or a natural person that is an Affiliate of any Fund Partner (collectively, the "Fund Affiliates"),

(B) the heirs, executors, administrators, testamentary trustees, legatees or beneficiaries of any of the foregoing persons who are natural persons covered by clause (A) (collectively, "Fund Associates"); or (C) a trust, a corporation, a limited liability company or a partnership, in each case (1) the beneficial ownership interests of which are held only by Fund Affiliates, Fund Associates, their spouses or their lineal descendants or (2) which was not formed for the purpose of taking an investment in the Shares and in which at least 80% of the beneficial ownership interest is held by Fund Affiliates, Fund Associates, their spouses or their lineal descendants;

(ii) in the case of any member of the Anderson Group (A) any Anderson Stockholder, (B) any spouse or lineal descendant of any Anderson Stockholder, (C) a Person to whom Shares are transferred from such Anderson Stockholder by will or the laws of descent and distribution or (D) a trust, a corporation, a limited liability company or a partnership, in each case (1) the beneficial ownership interests of which are held only by members of the Anderson Group or (2) which was not formed for the purpose of taking an investment in the Shares and in which at least 80% of the beneficial ownership interest is held by members of the Anderson Group; and

(iii) in the case of any member of the Management Group (A) any spouse or lineal descendent of the Management Stockholder, (B) a Person to whom Shares are transferred from the Management Stockholder by will or the laws of descent and distribution or (C) any trust that is for the exclusive benefit of the members of the Management Group;

provided that no Person which carries on an active trade or business that competes with the business of the Company or any of its subsidiaries may be a Permitted Transferee of any of the foregoing.

"Person" means an individual, corporation, partnership, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Public Offering" means an underwritten public offering of Registrable Stock of the Company pursuant to an effective registration statement under the Securities Act.

"Registrable Stock" means any Shares (other than Callable Shares) until (i) a registration statement covering such Shares has been declared effective by the SEC and such shares have been disposed of pursuant to such effective registration statement, (ii) such Shares are sold under circumstances in which all of the applicable conditions of Rule 144 are met or under which they may be sold pursuant to Rule 144(k) or (iii) such Shares are otherwise transferred, the Company has delivered a new certificate or other evidence of ownership for such Shares not bearing the legend required pursuant to this Agreement and such Shares may be resold without subsequent registration under the Securities Act.

"Registration Expenses" means (i) all registration and filing fees, (ii) fees and expenses relating to compliance with securities or blue sky laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Shares), (iii) printing expenses, (iv) internal expenses of the Company (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), (v) reasonable fees and disbursements of counsel for the Company and reasonable and customary fees and expenses for independent certified public accountants retained by the Company (including the expenses of any comfort letters or costs associated with the delivery by independent certified public accountants of a comfort letter or comfort letters requested pursuant to Section 5.4(h)), (vi) the reasonable fees and expenses of any special experts retained by the Company in connection with such registration, (vii) reasonable fees and expenses of one counsel for the Stockholders participating in the offering selected (A) by the Funds, in the case of any offering in which the Funds participate, or (B) in any other case, by the Other Stockholders holding

the majority of Shares to be sold for the account of all Other Stockholders in the offering, (viii) fees and expenses in connection with any review of underwriting arrangements by the National Association of Securities Dealers, Inc. (the "NASD"), (ix) fees and expenses in connection with listing the Shares on securities exchanges and (x) fees and disbursements of underwriters customarily paid by issuers or sellers of securities; but shall not include any underwriting fees, discounts or commissions attributable to the sale of Registrable Stock, or any out-of-pocket expenses (except as set forth in clause (vii) above) of the Stockholders (or the agents who manage their accounts) or any fees and expenses of underwriter's counsel.

"Rule 144" means Rule 144 and Rule 144A (or any successor provisions) under the Securities Act.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"SK Subordinated Note" means any Subordinated Note issued by the Company to any of the Funds as part of the transaction contemplated by the Stock Purchase and Redemption Agreement; provided that any Subordinated Note (or part thereof) shall cease to be an "SK Subordinated Note" upon Transfer thereof to any Person other than the Funds, and such Subordinated Note (or part thereof) shall not be deemed an "SK Subordinated Note" even if it (or part thereof) is acquired subsequently to such Transfer by the Funds.

"Stockholder" means each Person (other than the Company) who shall be a party to this Agreement, whether in connection with the execution and delivery hereof as of the date hereof, pursuant to Section 6.4, or otherwise, so long as such Person shall (i) beneficially own any Shares or (ii) have any options, warrants or other rights to purchase or subscribe for Common Stock or securities convertible into or exchangeable for Common Stock.

"Subordinated Notes" means the Company's 12% Subordinated Notes due 2002.

"Third Party" means a prospective purchaser of Shares from a Stockholder where such purchaser is not a Permitted Transferee of such Stockholder.

"Transfer" means:

(i) in the case of any of the Funds, any sale, assignment or transfer (but not a pledge or a grant of a participation interest), and

(ii) in the case of any member of the Anderson Group or the Management Group, any sale, assignment, transfer, grant of a participation interest, pledge or any other disposition.

The verb "Transfer" and the words "Transferring" and "Transferred" have correlative meanings.

"Trusts" means First Anderson Grandchildren's Trust F/B/O Charles C. Anderson III, First Anderson Grandchildren's Trust F/B/O Lauren A. Anderson, First Anderson Grandchildren's Trust F/B/O Hayley E. Anderson, Second Anderson Grandchildren's Trust F/B/O Alexandra R. Anderson, Third Anderson Grandchildren's Trust F/B/O Taylor Claire Anderson, Fourth Anderson Grandchildren's Trust F/B/O Carson Caine Anderson, Fifth Anderson Grandchildren's Trust F/B/O Harold M. Anderson, Jr., Sixth Anderson Grandchildren's Trust F/B/O Bentley Barbour Anderson, Seventh Anderson Grandchildren's Trust F/B/O Olivia Barbour Anderson, The Ashley R. Anderson Trust and Joel R. Anderson II Trust.

(b) The term the "Funds", to the extent any of them shall have transferred any of its Shares to "Permitted Transferees", shall mean the Funds and the Permitted Transferees of the Funds, taken together, and any right or action that may be taken at the election of the Funds may be taken at the

election of the Funds and such Permitted Transferees.

(c) Except as otherwise provided herein, any right or action that may be taken at the election of the Anderson Group shall be taken by a designee of the Anderson Group (the "Anderson Designee") on behalf thereof, such designee being designated by the Majority Anderson Stockholders from time to time. The initial Anderson Designee will be Clyde B. Anderson. Any change in the Anderson Designee will become effective upon notice in accordance with Section 6.6 from the Majority Anderson Stockholders to the Company, the Funds and the Management Designee.

(d) Except as otherwise provided herein, any right or action that may be taken at the election of the Management Group shall be taken by a designee of the Management Group (the "Management Designee") on behalf thereof, such designee being designated by the holders of the majority of the Shares held by the members of the Management Group from time to time. The initial Management Designee will be Michael J. Newsome or, in the event of his death or incapacity, his successor. Any change in the Management Designee will become effective upon notice in accordance with Section 6.6 from the holders of the majority of the Shares held by the members of the Management Group at the time of such notice to the Company, the Funds and the Anderson Designee.

(e) The term "Shares" shall include any Callable Shares unless expressly provided otherwise herein.

(f) Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
Anderson Director	2.1(a)
beneficially own	1.1(a)
Company Acceptance	3.1(c)(i)
Demand Registration	5.1(a)
Excess Number	4.1(a)
Holders	5.1(a)
Incidental Registration	5.1(a)
Indemnified Party	5.7
Indemnifying Party	5.7
Independent Director	2.1(a)
Inspectors	5.4(g)
Maximum Offering Size	5.1(d)
Nominee	2.3(a)
Participating Shares	4.1(a)
Pro Rata Portion	3.1(d)
Purchase Rights	3.5
Purchase Shares	4.1(a)
Records	5.4(g)
Restriction Termination Date	3.1(b)
Section 4.1 Notice	4.1(a)
Section 4.1 Notice Period	4.1(a)
Section 4.1 Pro Rata Portion	4.1(a)
Section 4.1 Sale	4.1(a)
Section 4.1 Sale Price	4.1(a)
Section 4.1 Seller	4.1(a)
Section 4.2 Notice	4.2(a)
Section 4.2 Notice Period	4.2(a)
Section 4.2 Sale	4.2(a)
Section 4.2 Sale Price	4.2(a)
Selling Stockholder	5.1(a)

ARTICLE 2
CORPORATE GOVERNANCE

2.1 Composition of the Board. (a) Initially and then for so long as the number of Shares held by the Anderson Group equals or exceeds 50% of the Original Anderson Shares, the Board shall consist of five directors, three of whom will be designated by the Funds, one of whom will be an officer of the Company designated by the Board, and one of whom will be designated by the Anderson Designee (the "Anderson Director"). The initial directors designated by the Funds are Messrs. John F. Megrue, F. Barron Fletcher, III and another director to be named by the Funds after the date hereof, the initial Anderson Director is Mr. Clyde B. Anderson, and the officer of the Company initially designated by the Board is Mr. Michael J. Newsome. One of the directors designated by the Funds shall be elected as the Chairman of the Board. After the number of Shares held by the Anderson Stockholders falls below 50% of the number of the Original Anderson Shares, all the directors will be elected in accordance with the Charter of the Company, the Bylaws of the Company and the applicable provisions of law. The Company will pay each member of the Board (other than an employee of the Company) an annual fee of $20,000, which may be waived by a director entitled thereto.

(b) Each Stockholder entitled to vote for the election of directors to the Board agrees that it will vote its Shares or execute written consents, as the case may be, and take all other necessary action (including causing the Company to call a special meeting of stockholders) in order to ensure that the composition of the Board is as set forth in this Section 2.1.

2.2 Removal. Each Stockholder agrees that if, at any time, it is then entitled to vote for the removal of directors of the Company, it will not vote any of its Shares in favor of the removal of any director who shall have been designated or nominated pursuant to Section 2.1 unless such removal shall be for cause or the Persons entitled to designate or nominate such director shall have consented to such removal in writing.

2.3 Vacancies. If, as a result of death, disability, retirement, resignation, removal (with or without cause) or otherwise, there shall exist or occur any vacancy on the Board:

(a) the Person or Persons entitled under Section 2.1 to designate or nominate such director whose death, disability, retirement, resignation or removal resulted in such vacancy may designate another individual (the "Nominee") to fill such vacancy and serve as a director of the Company; and

(b) each Stockholder then entitled to vote for the election of the Nominee as a director of the Company agrees that it will vote its Shares, or execute a written consent, as the case may be, in order to ensure that the Nominee is elected to the Board.

2.4 Action by the Board. (a) A quorum of the Board shall consist of three directors, of whom at least two must be designees of the Funds. All actions of the Board shall require the affirmative vote of at least a majority of the directors present at a duly convened meeting of the Board at which a quorum is present or the unanimous written consent of the Board; provided that, in the event there is a vacancy on the Board and an individual has been nominated to fill such vacancy, the first order of business shall be to fill such vacancy.

(b) The Board may create executive, compensation and audit committees, as well as such other committees as it may determine, and each such committee shall consist of at least three members of the Board. The Funds shall be entitled to majority representation on each committee created by the Board and, for so long as provisions of Section 2.1(a) remain in effect, the Anderson Director shall be a member of each committee, unless his membership is prohibited under applicable law or creates a conflict of interest or the appearance of a conflict of interest.

2.5 Conflicting Charter or Bylaw Provisions. Each Stockholder shall vote its Shares or execute written consents, as the case may be, and take all other actions necessary, to ensure that the Company's Charter and Bylaws facilitate and do not at any time conflict with any provision of

this Agreement.

2.6 Corporate Governance. For so long as the number of Shares held by the Anderson Group equals or exceeds 50% of the Original Anderson Shares, the Company shall not take any action regarding the following matters without the affirmative vote of the Board, with the Anderson Director voting in the affirmative:

(i) any amendment of the Charter or Bylaws of the Company or any of its subsidiaries;

(ii) any sudden and material change in the line of business of the Company or any of its subsidiaries from that conducted on the date hereof;

(iii) except for any payments by the Company to Saunders, Karp & Co., L.P. pursuant to letter agreements executed on or about the date hereof, any transaction between the Company or any of its subsidiaries and (A) an Affiliate of the Company or any of its subsidiaries, or (B) an officer, director or Stockholder of the Company or any of its subsidiaries or an Affiliate of any of them, except any such transaction involving the purchase and sale of products on commercially reasonable terms in the ordinary course of business; and

(iv) prior to the completion of the audit of the Company's financial statements for fiscal 1997, any change of the Company's auditors.

2.7 Meetings, Etc. (a) The Board shall hold a regularly scheduled meeting at least once every calendar quarter, at which the Company's financial statements for the immediately preceding fiscal quarter or fiscal year, as the case may be, will be discussed.

(b) Mr. Michael J. Newsome's employment with the Company shall not be terminated except (i) at the Board meeting at which such termination is on the agenda and about which the Anderson Director has been notified in accordance with the Company's Bylaws; provided that the vote of the majority of directors present at such meeting shall constitute a valid action of the Board regardless of whether the Anderson Director concurs in such action and (ii) due to his action or failure to act, which action or failure to act, as determined by the Board in accordance with the preceding clause (i), either has been or could have been detrimental to the Company or the Funds.

2.8 Issuances of Equity. The Company shall not issue any Shares (or any options to acquire or warrants or other securities convertible into or exercisable or exchangeable for Shares) unless such Shares (or such options to acquire or such securities convertible into or exercisable or exchangeable for Shares, as the case may be) are issued at fair market value as determined by the Board in good faith and in its sole discretion; provided that in no event shall the issuance by the Company of Shares in any Public Offering be subject to this Section 2.8.

ARTICLE 3
RESTRICTIONS ON TRANSFER

3.1 General. (a) Subject to Section 3.1(e), until the earlier of the fifth anniversary of the Closing Date and the Initial Public Offering, no Other Stockholder may, directly or indirectly, Transfer any Shares owned by such Stockholder to a Third Party (or solicit any offers to buy or otherwise acquire, or to take a pledge of, any Shares), except as permitted or required by Articles 3, 4 and 5 of this Agreement.

(b) Subject to Section 3.1(e), after the earlier of the fifth anniversary of the Closing Date and the Initial Public Offering, no Other Stockholder may, directly or indirectly, Transfer any Shares owned by such Stockholder to a Third Party (or solicit any offers to buy or otherwise

acquire, or to take a pledge of, any Shares) except (i) pursuant to Rule 144 or (ii) as otherwise expressly permitted or required by Articles 3, 4 and 5 of this Agreement (including, but not limited to, pursuant to Section 3.1(c)).

(c) Subject to Section 3.1(e), except as provided in Articles 4 or 5, if, at any time after the fifth anniversary of the Closing Date but before the Initial Public Offering, any Other Stockholder proposes to Transfer for value in accordance with Section 3.1(b)(ii) any or all of such Other Stockholder's Shares to any Third Party, such Other Stockholder shall obtain a bona fide written offer for such purchase or transfer from such Person and shall give prompt notice to the Company (a "Notice of Offer") which notice shall contain (i) a true and complete copy of the offer; (ii) the number of Shares which such Other Stockholder wishes to sell; and (iii) the proposed purchase price and all other material terms and conditions of the offer. The date on which the Notice of Offer is received is referred to hereinafter as the "Notice Date". Each Notice of Offer shall be deemed an irrevocable offer to sell, on the terms set forth in such Notice of Offer and herein, all, but not less than all, of the Shares which such Other Stockholder desires to sell, and the Company will have the irrevocable and exclusive option, as hereinafter provided, to buy on the terms set forth in such Notice of Offer all, but not less than all, of the Shares which such Other Stockholder wishes to sell.

(i) Within 15 Business Days following the Notice Date, the Company shall notify such Other Stockholder whether the Company elects to purchase all of such Shares (a "Company Acceptance"). If such Other Stockholder does not receive the Company Acceptance within such period, the Company shall be deemed to have declined to purchase such Shares. The Company Acceptance shall be deemed to be a legal obligation to purchase from such Other Stockholder all of such Shares upon the terms specified in the Notice of Offer.

(ii) The purchase price for the Shares sold to the Company pursuant to this Section 3.1 shall be the purchase price contained in the Notice of Offer.

(iii) Upon exercise of its right of first refusal, the Company and such Other Stockholder shall be respectively legally obligated to consummate the purchase and sale contemplated thereby and shall use their best efforts to secure any approvals required in connection therewith; provided, however, that such Other Stockholder shall not be required to sell less than all of its Shares offered. If the Company does not exercise its respective right of first refusal hereunder with respect to all offered Shares within the time specified for such exercise, such Other Stockholder shall be free, during a period of six months following the expiration of the period specified for such exercise, to sell the Shares specified in such Notice of Offer, but only to the Third Party specified in the Notice of Offer at a price not less than the price set forth, and on other terms and conditions substantially similar to those set forth, in such Notice of Offer.

(iv) The Closing of purchases of such Other Stockholder's Shares by the Company pursuant to this Section 3.1(c) shall take place after the termination of the 15 Business Day period following the Notice Date at 11:00 a.m. at the principal offices of the Company, or at such other time or place as the parties may agree. At such closing, such Other Stockholder shall sell to the Company full right, title and interest in and to the Shares so purchased, free and clear of all liens, security interests or adverse claims of any kind and nature and shall deliver to the Company a certificate or certificates evidencing the Shares sold, in each case duly endorsed for transfer or accompanied by appropriate stock transfer powers duly endorsed, and with all necessary transfer tax stamps affixed thereto at the expense of such Other Stockholder. The Company shall deliver to such Other Stockholder, in full payment of the purchase price of the Shares purchased, a federal funds check payable to the order of such Other Stockholder or wire transfer in immediately available funds in the amount determined pursuant to Section 3.1(c)(ii).

(v) The Company may, at any time after exercise of its right of first refusal pursuant to this Section 3.1(c), assign its right to purchase any or all of the Shares and may designate in the Company Acceptance any Person or Persons to take title to all or part of the Shares subject to such option, but this will not relieve the Company of the obligation to pay the 3.5 purchase price if not paid by the assignee. Upon such assignment, such Person shall have the irrevocable commitment to purchase such Shares on the same terms and subject to the same conditions set forth in this Section 3.1(c).

(d) Without in any way limiting the other provisions of this Agreement, no Stockholder may Transfer any Shares at any time except in compliance with applicable federal, state or foreign securities laws.

(e)(i) Notwithstanding any other provision of this Agreement, no Stockholder may, at any time, directly or indirectly, Transfer any Callable Shares, except that (A) Callable Shares may be so Transferred pursuant to Section 4.2 in a Section 4.2 Sale or (B) a Corresponding Number of Callable Shares may be Transferred by a member of the Anderson Group to another member of the Anderson Group concurrently with the Transfer of, and to the transferee of, the corresponding underlying principal amount of Anderson Subordinated Notes; provided that the Company may call the Callable Shares pursuant to Section 5.12.

(ii) Upon Transfer of any principal amount of the Anderson Subordinated Note by any member of the Anderson Group to any Person other than another member of the Anderson Group, a Corresponding Number of Callable Shares held by such member of the Anderson Group shall cease to be "Callable Shares" (regardless whether it is Transferred with the underlying principal amount of the Anderson Subordinated Note or not) and shall become "Shares" hereunder subject to all the other provisions of this Agreement; provided that if such Corresponding Number includes a fraction of a Share, then such a fraction shall be carried forward and added to a Corresponding Number calculated in connection with a subsequent Transfer of any principal amount of the Anderson Subordinated Note by such member of the Anderson Group. Upon consummation of any Section 4.2 Sale, all "Callable Shares" Transferred in such Section 4.2 Sale shall cease to be "Callable Shares".

For purposes of this clause (ii), "Corresponding Number" means, with respect to any principal amount of Anderson Subordinated Notes, a number arrived at by multiplying such principal amount by a fraction, the numerator of which is the number of Callable Shares outstanding on the Closing Date (as adjusted to reflect stock splits, reverse stock splits and other combinations of stock, stock dividends, recapitalizations and other similar transactions) and the denominator of which is 11,426,000.

3.2 Legend on Share Certificates. (a) In addition to any other legend that may be required, each certificate for Shares that is issued to any Stockholder shall bear a legend in substantially the following form:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH. THIS SECURITY IS ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AND A RIGHT OF FIRST REFUSAL GRANTED TO THE COMPANY PURSUANT TO THE STOCKHOLDERS AGREEMENT DATED AS OF NOVEMBER 1, 1995, COPIES OF WHICH MAY BE OBTAINED UPON REQUEST FROM THE COMPANY AND ANY SUCCESSOR THERETO.";

provided that in addition to the foregoing legend:

(i) each certificate for Shares held by Michael J. Newsome immediately upon consummation of the transactions contemplated by the Stock Purchase and Redemption Agreement shall bear the legend including the following sentence:

"THIS SECURITY IS SUBJECT TO A CALL BY THE COMPANY PURSUANT TO THE PROVISIONS OF THE MANAGEMENT LETTER AGREEMENT DATED AS OF NOVEMBER 1, 1995 BETWEEN THE BOARD OF THE COMPANY AND MICHAEL J.

NEWSOME, COPIES OF WHICH MAY BE OBTAINED UPON REQUEST FROM THE COMPANY AND ANY SUCCESSOR THERETO.";

(ii) each certificate for Shares issued to any employee of the Company pursuant to an option award under the Option Plan shall bear the legend including the following sentence:

"THIS SECURITY IS SUBJECT TO A CALL BY THE COMPANY PURSUANT TO THE PROVISIONS OF THE COMPANY'S STOCK OPTION PLAN, COPIES OF WHICH MAY BE OBTAINED UPON REQUEST FROM THE COMPANY AND ANY SUCCESSOR THERETO"; and

(iii) each certificate for Callable Shares that is issued to any holder of the Anderson Subordinated Notes shall bear the legend including the following sentence:

"THIS SECURITY IS ALSO SUBJECT TO A RESTRICTION ON TRANSFER SET FORTH IN SECTION 3.1(e) OF, AND TO A CALL BY THE COMPANY PURSUANT TO SECTION 5.12 OF, THE STOCKHOLDERS AGREEMENT DATED AS OF NOVEMBER 1, 1995, COPIES OF WHICH MAY BE OBTAINED UPON REQUEST FROM THE COMPANY AND ANY SUCCESSOR THERETO."

(b) If (i) any Shares shall cease to be Registrable Stock, the Company shall, upon the written request of the holder thereof, issue to such holder a new certificate evidencing such Shares without the first sentence of the legend required by Section 3.2(a) endorsed thereon, (ii) any Shares cease to be subject to the restrictions on transfer set forth in this Agreement, the Company shall, upon the written request of the holder thereof, issue to such holder a new certificate evidencing such shares without the second sentence of the legend required by Section 3.2(a) endorsed thereon and (iii) any Callable Shares shall cease to be "Callable Shares" in accordance with Section 3.1(e), the Company shall, upon the written request of the holder thereof, issue to such holder a new certificate evidencing such Shares with the first sentence of the legend set forth in Section 3.2(a), if such Shares are then Registrable Stock, and with the second sentence of the legend set forth in Section 3.2(a), if such Shares are then subject to any restrictions on transfer set forth in this Agreement.

3.3 Permitted Transferees. Notwithstanding anything in this Agreement to the contrary, any Stockholder may at any time transfer any or all of its Shares (other than Callable Shares, unless such Callable Shares are Transferred to a member of the Anderson Group together with Anderson Subordinated Notes in accordance with Section 3.1(e)(i)) to one or more of its Permitted Transferees without the consent of the Board or any other Stockholder or group of Stockholders and without compliance with the provisions of Articles 3, 4 and 5 so long as (i) such Permitted Transferee shall have agreed in writing to be bound by the terms of this Agreement, and (ii) the transfer to such Permitted Transferee is not in violation of applicable federal, state or foreign securities laws.

3.4 The Trusts. Each of the Trusts and its trustees shall take all necessary action so that the provisions of the relevant trust documents are not inconsistent or in conflict with the provisions of Articles 3, 4 and 5 and, in the event of any inconsistency or conflict between such trust documents and this Agreement, the provisions of this Agreement shall control.

3.5 Preemptive Rights. If at any time the Company shall propose to (i) issue any Shares or (ii) except as permitted below, enter into any contract, commitment, agreement, understanding or arrangement of any kind relating to the issuance of any Shares (including the issuance of options to acquire and securities convertible into or exchangeable or exercisable for Shares) (collectively, "Purchase Rights"), each of the Funds, the Anderson Group and the Management Group shall have the right to purchase the number of Shares or Purchase Rights, on the same terms as those on which the Company proposes to issue such Shares or Purchase Rights to Persons that are not Stockholders, so that, after the issuance of all of such Shares, or the issuance of such Purchase Rights and the exercise thereof, each of the Funds,

the Anderson Group or the Management Group would, in the aggregate, hold the same proportional interest of the Fully Diluted Shares as was held by the Funds, the Anderson Group or the Management Group, as the case may be, prior to the issuance of such Shares and/or exercise of such Purchase Rights; provided that the rights of the Stockholders pursuant to this Section 3.5 shall not apply in connection with (i) the issuance of new Shares, options to purchase such Shares or other Purchase Rights to employees, officers and directors of the Company or any of its subsidiaries with respect to any employee benefit plan, incentive award program or other employee compensation arrangement, plan or program, (ii) the issuance of new Shares or Purchase Rights as part of or in connection with any debt financing, (iii) the issuance of new Shares or Purchase Rights in connection with (A) the acquisition, directly or indirectly, of all or a portion of the outstanding capital stock of, or substantially all of the assets of, another Person or (B) any merger of the Company with or into another Person, (iv) any Public Offering or (v) the conversion, exercise or exchange of, or otherwise as required by the terms of, outstanding securities of the Company (but excluding any securities issued in violation of this Agreement).

ARTICLE 4
RIGHTS TO PARTICIPATE IN A SALE; RIGHTS TO COMPEL A SALE

4.1 Right to Participate in a Sale. (a) If the Funds (the "Section 4.1 Seller") propose to Transfer any Shares to a Third Party (a "Section 4.1 Sale"), the Section 4.1 Seller shall provide written notice of such proposed Section 4.1 Sale to the Other Stockholders ("Section 4.1 Notice"); provided that none of the rights described in this Section 4.1 shall apply (i) to transfers to Permitted Transferees of the Funds or (ii) to Transfers in accordance with (A) Article 5 pursuant to a Public Offering or (B) Rule 144. The Section 4.1 Notice shall identify the number of Shares subject to the Section 4.1 Sale, the form and amount of the per Share consideration for which a sale is proposed to be made (the "Section 4.1 Sale Price") and all other material terms and conditions of the proposed Section 4.1 Sale. Each Other Stockholder shall have the option, exercisable by irrevocable written notice to the Section 4.1 Seller within 15 days after receipt of the Section 4.1 Notice (the "Section 4.1 Notice Period"), to participate in the Section 4.1 Sale for up to the number of Shares (other than Callable Shares) specified in such notice to the Section 4.1 Seller (the "Participating Shares"); provided that the Majority Anderson Stockholders shall have the exclusive right to exercise such option on behalf of the Anderson Group, and the Anderson Group shall constitute a single participant in any Section 4.1 Sale solely for purposes of allocating the number of Shares to be sold in such Section 4.1 Sale among the participants therein; provided further that if the aggregate number of Shares proposed to be sold in such Section 4.1 Sale exceeds the number of shares that such Third Party is willing to purchase (the "Purchase Shares"), then the number of Shares to be sold by each participant in such Section 4.1 Sale shall be determined as follows: (A) each participant shall sell in such Section 4.1 Sale not less than the number of Shares equal to the lesser of (i) its Section 4.1 Pro Rata Portion (as defined below) of the Purchase Shares and (ii) the sum of the number of its Participating Shares or, in the case of the Section 4.1 Seller, of the number of Shares proposed to be sold by it in the Section 4.1 Notice; and (B) if the number of Purchase Shares exceeds the total number of Shares allocated among the participants in accordance with the immediately preceding clause (A) (the "Excess Number"), then each of the participants shall have the right to sell up to the Excess Number of additional Shares (other than the Callable Shares) in the following order of priority: first, the Funds, second, the Anderson Group, and third, the Management Group. "Section 4.1 Pro Rata Portion" means, with respect to any participant in the Section 4.1 Sale, at the time of any such Section 4.1 Sale, the proportion (expressed as a percentage) that such participant's ownership of Shares to be included in such Section 4.1 Sale bears to all Shares (other than Callable Shares) outstanding at such time. Each participating Other Stockholder shall deliver to the Section 4.1 Seller the certificate or certificates representing the Shares of such Other Stockholder to be included in such Section 4.1 Sale, together with a limited power-of-attorney authorizing the Section 4.1 Seller to transfer such Shares

pursuant to the terms and conditions set forth in the Section 4.1 Notice. Delivery of such certificate or certificates representing such Shares and the limited power-of-attorney authorizing the Section 4.1 Seller to transfer such Shares shall constitute an irrevocable acceptance of the Section 4.1 Sale by the Other Stockholder.

(b) The per Share consideration to be paid to the Section 4.1 Seller and each Other Stockholder participating in the Section 4.1 Sale shall be the Section 4.1 Sale Price, and shall be identical in all respects except for any rounding or fractional Shares, and all other terms and conditions relating to the payment of the Section 4.1 Sale Price shall be substantially identical in all material respects and as set forth in the Section 4.1 Notice.

(c) Promptly after the consummation of the sale of the Participating Shares of the Other Stockholders pursuant to the Section 4.1 Sale, the Section 4.1 Seller shall notify such Other Stockholders thereof and shall remit to each of such Other Stockholders at the address set forth in Section 6.6 the total consideration for the Participating Shares of each such Other Stockholder transferred pursuant thereto as computed pursuant to Section 4.1(b); provided that if the Anderson Designee, at least one Business Day prior to the consummation of the Section 4.1 Sale, notifies in writing the Section 4.1 Seller about the bank account of any member of the Anderson Group participating in such Section 4.1 Sale to which the consideration due for the Participating Shares being sold by such member shall be remitted, then it shall be remitted to such bank account concurrently with the consummation of such Section 4.1 Sale. In addition, promptly after the consummation of such Section 4.1 Sale, the Section 4.1 Seller shall furnish such other evidence of the completion and time of completion of such transfer and the terms thereof as may be reasonably requested by such Other Stockholders.

(d) If at the termination of the Section 4.1 Notice Period any Other Stockholder shall not have elected, as provided in Section 4.1(a), to participate in the Section 4.1 Sale, such Other Stockholder will be deemed to have waived any and all of its rights under this Section 4.1 with respect to the sale of any of its Shares pursuant to such Section 4.1 Sale. The Section 4.1 Seller shall have 120 days following such termination of the Section 4.1 Notice Period in which to sell the applicable Shares on substantially the same terms and conditions as were contained in the Section 4.1 Notice, at a price not higher than 102% of the price contained in the Section 4.1 Notice. Promptly after any sale pursuant to this Section 4.1, the Section 4.1 Seller shall notify the Company of the consummation thereof and shall furnish such evidence of the completion thereof (including time of completion) of such transfer and of the terms thereof as the Company may request. If, at the end of such 120 day period, the Section 4.1 Seller has not completed the sale of all applicable Shares, the Section 4.1 Seller shall return to the Other Stockholders the limited power-of-attorney (and all copies thereof) together with all certificates representing the Shares which such Other Stockholders delivered for sale pursuant to this Section 4.1, and all the restrictions on transfer contained in this Agreement with respect to Shares owned by such Other Stockholders shall again be in effect.

(e) Notwithstanding anything contained in this Section 4.1, there shall be no liability on the part of the Funds to any Other Stockholder if the sale of Shares pursuant to this Section 4.1, as proposed by the Section 4.1 Seller in the Section 4.1 Notice, is not consummated for whatever reason. Any decision as to whether to sell such Shares shall be at the Section 4.1 Seller's sole and absolute discretion.

4.2 Right to Compel Participation in Certain Transfers. (a) If the Funds should Transfer Shares constituting not less than 100% of the Funds' Aggregate Ownership to any Third Party (a "Section 4.2 Sale"), the Funds may, at their option, require all but not less than all the Other Stockholders to participate in such transfer; provided that the Funds shall have such an option only for so long as their Aggregate Ownership equals or exceeds 40% of the Shares outstanding. Not later than 15 days prior to the proposed date of the Section 4.2 Sale, the Funds shall provide written notice of the Section 4.2 Sale to the Other Stockholders ("Section 4.2 Notice") and a copy of the agreement pursuant to which such Shares are proposed to be transferred (the "Section 4.2 Agreement"). The Section 4.2 Notice shall

identify the transferee, the number of Shares subject to the Section 4.2 Sale, the form and amount of the per Share consideration for which a transfer is proposed to be made (the "Section 4.2 Sale Price") and all other material terms and conditions of the Section 4.2 Sale. Each Other Stockholder shall be required to participate in the Section 4.2 Sale on the terms and conditions set forth in the Section 4.2 Notice and to tender all its Shares, as set forth below. Within 10 days following receipt of the Section 4.2 Notice (the "Section 4.2 Notice Period"), each of the Other Stockholders shall deliver in escrow to a representative of the Funds designated in the Section 4.2 Notice certificates representing all Shares held by such Other Stockholder, duly endorsed, together with all other documents required to be executed in connection with such Section 4.2 Sale or, if such delivery is not permitted by applicable law, an unconditional agreement to deliver such Shares pursuant to this Section 4.2(a) at the closing for such Section 4.2 Sale against delivery to such Other Stockholder of the consideration therefor. In the event that an Other Stockholder should fail to deliver such certificates to the Funds, the Company shall cause the books and records of the Company to show that such Shares are bound by the provisions of this Section 4.2(a) and that such Shares shall be transferred to the Third Party immediately upon surrender for transfer by the Other Stockholder thereof.

(b) If, at the end of 120 day period following the Section 4.2 Notice, the Funds have not completed the transfer of all the Shares subject to the Section 4.2 Sale, the Funds shall return to each of the Other Stockholders all certificates representing Shares that such Other Stockholders delivered for Transfer pursuant hereto, together with all documents in the possession of the Funds executed by the Other Stockholders in connection with such proposed Transfer, and all the restrictions on Transfer contained in this Agreement or otherwise applicable at such time with respect to Shares owned by the Other Stockholders shall again be in effect, including, but not limited to, restrictions applicable to the Callable Shares pursuant to Section 3.1(e).

(c) Promptly after the consummation of the transfer of Shares by the Funds and the Other Stockholders pursuant to this Section 4.2, the Funds shall give notice thereof to the Other Stockholders and shall remit to each of the Other Stockholders who have surrendered their certificates at the address set forth in Section 6.6 the total consideration for the Shares of such Other Stockholders transferred pursuant thereto; provided that if the Anderson Designee, at least one Business Day prior to the consummation of the Section 4.2 Sale, notifies in writing the Funds about the bank account of any member of the Anderson Group participating in such Section 4.2 Sale to which the consideration due for the Shares so transferred by such member shall be remitted, then it shall be remitted to such bank account concurrently with the consummation of such Section 4.2 Sale. In addition, promptly after the consummation of such sale of Shares pursuant to this Section 4.2, the Funds shall furnish such other evidence of the completion and time of completion of such transfer and the terms thereof as may be reasonably requested by such Other Stockholders. The per Share consideration to be paid to the Funds and the Other Stockholders shall be the Section 4.2 Sale Price, it being understood and agreed that the consideration to be paid for each Callable Share shall be equal to such Section 4.2 Sale Price.

(d) Notwithstanding anything contained in this Section 4.2, there shall be no liability on the part of any Fund to any Other Stockholder if the sale of Shares pursuant to this Section 4.2, as proposed by the Funds in the Section 4.2 Notice, is not consummated for whatever reason. Any decision as to whether to sell Shares shall be at the sole and absolute discretion of the Funds.

4.3 Improper Transfer. Any attempt to Transfer any Shares not in compliance with this Agreement shall be null and void and neither the Company nor any transfer agent shall give any effect in the Company's stock records to such attempted Transfer.

ARTICLE 5
REGISTRATION RIGHTS

5.1 Demand Registration. (a) At any time, the Funds may make a written request and, at least 270 days after the Initial Public Offering, the Majority Anderson Stockholders may make a written request (any such requesting Person or a group of Persons, as the case may be, a "Selling Stockholder"; provided that, in case of a request made by the Majority Anderson Stockholders, the term "Selling Stockholder" means each member of the Anderson Group who elects to include Registrable Stock in such registration) that the Company effect the registration under the Securities Act of such Selling Stockholder's Registrable Stock, and specifying the intended method of disposition thereof. The Company will promptly give written notice of such requested registration (a "Demand Registration") at least 30 days prior to the anticipated filing date of the registration statement relating to such Demand Registration to all other Stockholders, and thereupon will use its best efforts to effect, as expeditiously as possible, the registration under the Securities Act of:

(i) in the case of a request made by the Funds, the Registrable Stock that the Company has been so requested to register by the Selling Stockholder, then held by the Selling Stockholder;

(ii) in the case of a request made by the Majority Anderson Stockholders, the Registrable Stock that the Company has been requested in writing (not later than ten days after the initial request by the Majority Anderson Stockholders) to register by the Anderson Group, then held by the Anderson Group; and

(iii) subject to Sections 5.1(d) and 5.2(b), all other Registrable Stock that any other Stockholder entitled to request the Company to effect an Incidental Registration (as such term is defined in Section 5.2) pursuant to Section 5.2 (all such Stockholders, together with the Selling Stockholder, the "Holders") has requested the Company to register by written request received by the Company within 15 days after the receipt by such Holders of such written notice given by the Company;

all to the extent necessary to permit the disposition (in accordance with the intended methods thereof as aforesaid) of the Registrable Stock so to be registered; provided that, subject to Sections 5.1(c) and (e), (i) the Company shall not be obligated to effect more than one Demand Registration for the Anderson Group pursuant to this Section 5.1 and (ii) the Company will not be required to effect more than one Demand Registration in any six-month period; and provided further that in the case of a Demand Registration made by the Anderson Group the shares of Registrable Stock required to be registered by the Anderson Group must have an aggregate fair market value in the reasonable opinion of the managing underwriter of at least $5,000,000.

Notwithstanding the foregoing, in the event of a request for a Demand Registration made by the Anderson Stockholders, the Company shall have the option to either (A) proceed with such Demand Registration pursuant to the provisions of this Section 5.1 or (B) proceed with a registered primary offering of Common Stock, in which case, the Anderson Stockholders shall have the rights set forth in Section 5.2 and such offering shall not constitute a Demand Registration requested by the Anderson Stockholders pursuant to this Section 5.1.

Promptly after the expiration of the 15-day period referred to in Section 5.1(a)(iii), the Company will notify all the Holders to be included in the Demand Registration of the other Holders and the number of shares of Registrable Stock requested to be included therein. The Selling Stockholder requesting a registration under this Section 5.1(a) may, at any time prior to the effective date of the registration statement relating to such registration, revoke such request (in case of a Demand Registration made by the Anderson Group such revocation may only be made by the Majority Anderson Stockholders), without liability to any of the other Holders, by providing a written notice to the Company revoking such request, in which case such request, so revoked, shall not be considered a Demand Registration; provided that if such registration is so revoked by the Anderson Group, such request shall constitute a Demand Registration unless the Anderson Group shall pay all

expenses (including all Registration Expenses) in connection with such revoked registration; provided further that once the Anderson Group has revoked a Demand Registration pursuant to this sentence, the Anderson Group may not revoke any future Demand Registration requested by it pursuant to this Section 5.1(a).

(b) The Company will pay all Registration Expenses in connection with any Demand Registration.

(c) A registration requested pursuant to this Section 5.1 shall not be deemed to have been effected unless the registration statement relating thereto (i) has become effective under the Securities Act and (ii) has remained effective for a period of at least 90 days (or such shorter period in which all Registrable Stock of the Holders included in such registration has actually been sold thereunder); provided that if after any registration statement requested pursuant to this Section 5.1 becomes effective (i) such registration statement is interfered with by any stop order, injunction or other order or requirement of the SEC or other governmental agency or court solely due to the actions or omissions to act of the Company prior to being effective for such 90-day period (or such shorter period) and (ii) less than 75% of the Registrable Stock included in such registration has been sold thereunder, such registration statement shall be at the sole expense of the Company and shall not be considered a Demand Registration.

(d) If a Demand Registration involves a Public Offering and the managing underwriter shall advise the Company and the Selling Stockholder that, in its view, the number of Shares requested to be included in such registration (including shares of Registrable Stock requested to be included by the Selling Stockholder, shares of Registrable Stock requested to be included by other Holders pursuant to Section 5.2 and Common Stock which the Company proposes to be included which is not Registrable Stock exceeds the largest number of shares of Common Stock which can be sold without having an adverse effect on such offering, including the price at which such shares of Common Stock can be sold (the "Maximum Offering Size"), the Company will include in such registration, in the priorities listed below, up to the Maximum Offering Size:

In the case of a Demand Registration made by the Funds:

(A) first, all Registrable Stock requested to be included in such registration by the Funds and all other Holders (allocated, if necessary for the offering not to exceed the Maximum Offering Size, pro rata among the Funds and such other Holders on the basis of the relative number of shares of Registrable Stock requested to be included in such registration); and

(B) second, any Common Stock proposed to be registered by the Company; and

in the case of a Demand Registration made by the Anderson Group:

(A) first, all Registrable Stock requested to be registered by the Anderson Stockholders (allocated, if necessary for the offering not to exceed the Maximum Offering Size, pro rata among such Persons on the basis of the relative number of shares of Registrable Stock requested to be registered);

(B) second, all Registrable Stock to be included in such registration by any other Holder (allocated, if necessary for the offering not to exceed the Maximum Offering Size, pro rata among such other Holders on the basis of the relative number of shares of Registrable Stock requested to be included in such registration); and

(C) third, any Common Stock proposed to be registered by the Company.

(e) If Registrable Stock representing 25% or more of the

number of shares of Registrable Stock requested to be registered by any Person or Persons making a Demand Registration is not included in any Demand Registration, then such registration shall be at the sole expense of the Company and such registration shall not be considered a Demand Registration.

(f) The Company shall not be required to effect registration pursuant to this Section 5.1 if a majority of the Board determines in good faith that owing to the business or market conditions or the business or financial condition of the Company it is inappropriate at such time to undertake a public offering of Common Stock; provided that the Company may elect not to effect registration on such grounds only once in any three year period beginning on the date of such election by the Company, and that within six months the Company shall effect such registration.

5.2 Incidental Registration. (a) If the Company proposes to register any of its Common Stock under the Securities Act (other than a registration (i) on Form S-8 or S-4 or any successor or similar forms, (ii) relating to Common Stock issuable upon exercise of employee stock options or in connection with any employee benefit or similar plan of the Company or (iii) in connection with a direct or indirect acquisition by the Company of another company), whether or not for sale for its own account, it will each such time, subject to the provisions of Section 5.2(b), give prompt written notice at least 15 days prior to the anticipated filing date of the registration statement relating to such registration to each Stockholder, which notice shall set forth such Stockholder's rights under this Section 5.2 and shall offer such Stockholders the opportunity to include in such registration statement such number of shares of Registrable Stock as each such Stockholder may request (an "Incidental Registration"); provided that the members of the Management Group, collectively, shall only have the right to include in the Initial Public Offering the number of shares of Registrable Stock equal to 50% of the number of shares of Registrable Stock owned by the Management Group immediately following the consummation of the transactions contemplated hereby and by the Stock Purchase and Redemption Agreement; and provided further that, in the case of any Public Offering (including the Initial Public Offering), if the managing underwriter advises the Company that, in its view, either (i) no shares of Registrable Stock owned by any member of the Management Group shall be included in such Public Offering or (ii) the number of shares of Registrable Stock owned by the Management Group to be included in such Public Offering shall be limited, then the Company shall either not include such shares of Registrable Stock or limit them accordingly, in each case as advised by such managing underwriter. Upon the written request of any Stockholder made within 10 days after the receipt of notice from the Company (which request shall specify the number of shares of Registrable Stock intended to be disposed of by such Stockholder), the Company will use its best efforts to effect the registration under the Securities Act of all Registrable Stock which the Company has been so requested to register by such Stockholders, to the extent required to permit the disposition of the Registrable Stock so to be registered; provided that (A) if such registration involves a Public Offering, all such Stockholders requesting to be included in the Company's registration must sell their Registrable Stock to the underwriters selected as provided in Section 5.4(f) on the same terms and conditions as apply to the Company and (B) if, at any time after giving written notice of its intention to register any stock pursuant to this Section 5.2(a) and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register such Registrable Stock, the Company shall give written notice to all such Stockholders and, thereupon, shall be relieved of its obligation to register any Registrable Stock in connection with such registration (without prejudice, however, to rights of the Funds, the Anderson Group or the Management Group under Section 5.1). No registration effected under this Section 5.2 shall relieve the Company of its obligations to effect a Demand Registration to the extent required by Section 5.1. The Company will pay all Registration Expenses in connection with each registration of Registrable Stock requested pursuant to this Section 5.2.

(b) If a registration pursuant to this Section 5.2 involves a Public Offering (other than in the case of a Public Offering requested by the Funds or the Anderson Group in a Demand Registration, in which case the

provisions with respect to priority of inclusion in such offering set forth in Section 5.1(d) shall apply) and the managing underwriter advises the Company that, in its view, the number of shares of Common Stock that the Company and such Stockholders intend to include in such registration exceeds the Maximum Offering Size, the Company will include in such registration, in the following priority, up to the Maximum Offering Size:

(i) first, so much of the Common Stock proposed to be registered by the Company as would not cause the offering to exceed the Maximum Offering Size; and

(ii) second, all Registrable Stock requested to be included in such registration by the Funds, the Anderson Group or the Management Group pursuant to this Section 5.2 (allocated, if necessary for the offering not to exceed the Maximum Offering Size, pro rata among such Stockholders on the basis of the relative number of shares of Registrable Stock so requested to be included in such registration).

5.3 Holdback Agreements. If any registration of Registrable Stock shall be in connection with a Public Offering, the Funds and each Other Stockholder agree not to effect any public sale or distribution, including any sale pursuant to Rule 144, or any successor provision, under the Securities Act, of any Shares, and not to effect any such public sale or distribution of any stock convertible into or exchangeable or exercisable for any Common Stock of the Company (in each case, other than as part of such Public Offering) during the 14 days prior to the effective date of such registration statement (except as part of such registration) or during the period after such effective date equal to the lesser of (i) such period of time as agreed between such managing underwriter and the Company and (ii) 180 days.

5.4 Registration Procedures. Whenever Stockholders request that any Registrable Stock be registered pursuant to Section 5.1 or 5.2, the Company will, subject to the provisions of such Sections, use its best efforts to effect the registration and the sale of such Registrable Stock in accordance with the intended method of disposition thereof as quickly as practicable, and in connection with any such request:

(a) The Company will as expeditiously as possible prepare and file with the SEC a registration statement on any form for which the Company then qualifies or which counsel for the Company shall deem appropriate and which form shall be available for the sale of the Registrable Stock to be registered thereunder in accordance with the intended method of distribution thereof, and use its best efforts to cause such filed registration statement to become and remain effective for a period of not less than 90 days.

(b) The Company will, prior to filing a registration statement or prospectus or any amendment or supplement thereto, furnish to the Anderson Designee, the Funds and each underwriter, if any, of the Registrable Stock covered by such registration statement copies of such registration statement or prospectus or amendment or supplement thereto as proposed to be filed, and thereafter the Company will furnish to each such Stockholder and underwriter, if any, such number of copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such Stockholder or underwriter may reasonably request in order to facilitate the disposition of the Registrable Stock owned by such Stockholder.

(c) After the filing of the registration statement, the Company will promptly notify each Stockholder holding Registrable Stock covered by such registration statement of any stop order issued or threatened by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(d) The Company will use its best efforts to (i) register or qualify the Registrable Stock covered by such registration statement under such other securities or blue sky laws of such jurisdictions in the United

States as any Stockholder holding such Registrable Stock reasonably (in light of such Stockholder's intended plan of distribution) requests and (ii) cause such Registrable Stock to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company and do any and all other acts and things that may be reasonably necessary or advisable to enable such Stockholder to consummate the disposition of the Registrable Stock owned by such Stockholder; provided that the Company will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (d), (B) subject itself to taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction.

(e) The Company will immediately notify each Stockholder holding such Registrable Stock, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Stock, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and promptly prepare and make available to each such Stockholder any such supplement or amendment.

(f) (i) The Funds will have the right, in their sole discretion, to select an underwriter or underwriters in connection with any Public Offering resulting from the exercise by it of a Demand Registration and (ii) the Company will select an underwriter or underwriters in connection with any other Public Offering. In connection with any Public Offering, the Company will enter into customary agreements (including an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of Registrable Stock in any such Public Offering.

(g) Upon the execution of confidentiality agreements in form and substance satisfactory to the Company, the Company will make available for inspection by any Stockholder and any underwriter participating in any disposition pursuant to a registration statement being filed by the Company pursuant to this Section 5.4 and any attorney, accountant or other professional retained by any such Stockholder or underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records") as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any Inspectors in connection with such registration statement. Records that the Company determines, in good faith, to be confidential and that it notifies the Inspectors in writing are confidential shall not be disclosed by the Inspectors unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in such registration statement, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court of competent jurisdiction or (iii) such Records have been made generally available to the public (other than as a result of a disclosure directly or indirectly by the Stockholders or the Inspectors). Each Stockholder agrees that information obtained by it as a result of such inspections shall be deemed confidential and shall not be used by it as the basis for any market transactions in the securities of the Company or its Affiliates unless and until such is made generally available to the public. Each Stockholder further agrees that it will, upon learning that disclosure of such Records is sought in a court of competent jurisdiction, give notice to the Company and allow the Company, at its expense, to undertake appropriate action to prevent disclosure of the Records deemed confidential.

(h) The Company will furnish to each such Stockholder and to each such underwriter, if any, a signed counterpart, addressed to each such Stockholder and underwriter, of (i) an opinion or opinions of counsel to the Company and (ii) a comfort letter or comfort letters from the Company's independent public accountants, each in customary form and covering such

matters of the type customarily covered by opinions or comfort letters, as the case may be, as a majority of such Stockholders or the managing underwriter therefor reasonably requests.

(i) The Company shall use its best efforts to effect the listing of the Registrable Stock on each securities exchange, if any, on which shares of Common Stock are then listed or will be listed in connection with the registration of the Registrable Stock, to the extent the Registrable Stock satisfies the applicable listing requirements of such exchanges.

(j) The Company will otherwise use its best efforts to comply with all applicable rules and regulations of the SEC, and make available to its stockholders, as soon as reasonably practicable, an earnings statement covering a period of 12 months, beginning within three months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act.

The Company may require each such Stockholder to promptly furnish in writing to the Company such information regarding the distribution of the Registrable Stock as the Company may from time to time reasonably request and such other information as may be legally required in connection with such registration.

Each such Stockholder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 5.4(e), such Stockholder will forthwith discontinue disposition of Registrable Stock pursuant to the registration statement covering such Registrable Stock until such Stockholder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 5.4(e), and, if so directed by the Company, such Stockholder will deliver to the Company all copies, other than any permanent file copies then in such Stockholder's possession, of the most recent prospectus covering such Registrable Stock at the time of receipt of such notice. In the event that the Company shall give such notice, the Company shall extend the period during which such registration statement shall be maintained effective (including the period referred to in Section 5.4(a)) by the number of days during the period from and including the date of the giving of notice pursuant to Section 5.4(e) to the date when the Company shall make available to such Stockholder a prospectus supplemented or amended to conform with the requirements of Section 5.4(e).

5.5 Indemnification by the Company. The Company agrees to indemnify and hold harmless each Stockholder holding Registrable Stock covered by a registration statement, its officers, directors, partners, employees, trustees, beneficiaries, representatives and agents, and each Person, if any, who controls such Stockholder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act to the fullest extent lawful from and against any and all losses, claims, damages, liabilities, judgments, actions and expenses (including, without limitation and as incurred, reimbursement of all costs of investigating, preparing, pursuing and defending any claim or action, or any investigation or proceeding by any governmental agency or body, commenced or threatened, including the reasonable fees and expenses of counsel to any such indemnified person) directly or indirectly caused by or arising out of any untrue statement or alleged untrue statement of a material fact contained in any registration statement (including any amendment thereto) or any prospectus relating to the Registrable Stock (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or directly or indirectly caused by or arising out of any omission or alleged omission to state therein (in the case of the prospectus or any preliminary prospectus, in the light of the circumstances under which they were made) a material fact required to be stated therein or necessary to make the statements therein (in the case of the prospectus or any preliminary prospectus, in the light of circumstances under which they were made, not misleading, except insofar as such losses, claims, damages, liabilities, judgments, actions or expenses are caused by any such untrue statement or omission or alleged untrue statement or omission that is made in reliance upon and in conformity with information furnished in writing to the Company by such Stockholder or on such Stockholder's behalf expressly

for use therein; provided that with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus or in any prospectus, as the case may be, the indemnity agreement contained in this paragraph shall not apply to the extent that any such loss, claim, damage, liability, judgments, actions or expense results from the fact that a current copy of the prospectus (or, in the case of a prospectus, the prospectus as amended or supplemented) was not sent or given to the person asserting any such loss, claim, damage, liability or expense at or prior to the written confirmation of the sale of the Registrable Stock concerned to such person if it is determined that the Company has provided such prospectus (or such amended or supplemented prospectus, as the case may be) and it was the responsibility of such Stockholder to provide such person with a current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) and such current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) would have cured the defect giving rise to such loss, claim, damage, liability or expense. The Company also agrees to indemnify any underwriters of the Registrable Stock, their officers and directors and each person who controls such underwriters within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act on substantially the same basis as that of the indemnification of the Stockholders provided in this Section 5.5.

5.6 Indemnification by Participating Stockholders. Each Stockholder holding Registrable Stock included in any registration statement agrees, severally but not jointly, to indemnify and hold harmless the Company, its officers, directors and agents and each Person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Company to such Stockholder, but only (a) with respect to information furnished in writing by such Stockholder or on such Stockholder's behalf expressly for use in any registration statement or prospectus relating to the Registrable Stock, or any amendment or supplement thereto, or any preliminary prospectus or (b) to the extent that any loss, claim, damage, liability or expense described in Section 5.5 results from the fact that a current copy of the prospectus (or amended or supplemented prospectus, as the case may be) was not sent or given to the person asserting any such loss, claim, damage, liability or expense at or prior to the written confirmation of the sale of the Registrable Stock concerned to such person if it is determined that it was the responsibility of such Stockholder to provide such person with a current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) and such current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) would have cured the defect giving rise to such loss, claim, damage, liability or expense. Each such Stockholder also agrees to indemnify and hold harmless underwriters of the Registrable Stock, their officers and directors and each person who controls such underwriters within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act on substantially the same basis as that of the indemnification of the Company provided in this Section 5.6.

5.7 Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to this Article 5, such person (an "Indemnified Party") shall promptly notify the person against whom such indemnity may be sought (the "Indemnifying Party") in writing and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party, and shall assume the payment of all fees and expenses; provided that the failure of any Indemnified Party so to notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure to notify. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) in the reasonable judgment of such Indemnified Party representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the Indemnifying Party shall not, in

connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by the Indemnified Parties. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability arising out of such proceeding.

5.8 Contribution. If the indemnification provided for in this Article 5 is unavailable to the Indemnified Parties in respect of any losses, claims, damages or liabilities referred to herein, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages, liabilities or expenses (i) as between the Company and the Stockholders holding Registrable Stock covered by a registration statement on the one hand and the underwriters on the other, in such proportion as is appropriate to reflect the relative benefits received by the Company and such Stockholders on the one hand and the underwriters on the other, from the offering of the Registrable Stock, or if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits but also the relative fault of the Company and such Stockholders on the one hand and of such underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations and (ii) as between the Company on the one hand and each such Stockholder on the other, in such proportion as is appropriate to reflect the relative fault of the Company and of each such Stockholder in connection with such statements or omissions, as well as any other relevant equitable considerations. The relative benefits received by the Company and such Stockholders on the one hand and such underwriters on the other shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Company and such Stockholders bear to the total underwriting discounts and commissions received by such underwriters, in each case as set forth in the table on the cover page of the prospectus. The relative fault of the Company and such Stockholders on the one hand and of such underwriters on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and such Stockholders or by such underwriters. The relative fault of the Company on the one hand and of each such Stockholder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Stockholders agree that it would not be just and equitable if contribution pursuant to this Section 5.8 were determined by pro rata allocation (even if the underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages, liabilities or expenses referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating

or defending any such action or claim. Notwithstanding the provisions of this Section 5.8, no underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Stock underwritten by it and distributed to the public was offered to the public exceeds the amount of any damages which such underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and no Stockholder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Stock of such Stockholder was offered to the public exceeds the amount of any damages which such Stockholder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Each such Stockholder's obligation to contribute pursuant to this Section 5.8 is several in the proportion that the proceeds of the offering received by such Stockholder bears to the total proceeds of the offering received by all such Stockholders and not joint.

5.9 Participation in Public Offering. No Person may participate in any Public Offering hereunder unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and the provisions of this Agreement in respect of registration rights.

5.10 Other Indemnification. Indemnification similar to that specified herein (with appropriate modifications) shall be given by the Company and each Stockholder participating therein with respect to any required registration or other qualification of securities under any federal or state law or regulation or governmental authority other than the Securities Act.

5.11 Use of Proceeds. Unless the Funds and the Anderson Designee agree otherwise, the Company shall apply not less than 50% of the net proceeds to it from each Public Offering towards repayment at par of any amounts outstanding, at the time of such Public Offering, under [the Anderson Subordinated Notes and the SK Subordinated Notes] (pro rata based on the amounts due to each holder thereof) until no amounts are outstanding under the Anderson Subordinated Notes and the SK Subordinated Notes.

5.12 Transfer of Shares While Anderson Subordinated Notes Outstanding; Call of Callable Shares.

(a) For so long as any amounts remain outstanding under the Anderson Subordinated Notes, no member of the Anderson Group or the Management Group may Transfer any Shares without the prior written approval of the Funds (such approval to be granted or refused within 20 Business Days of a written request therefor). For so long as any amounts remain outstanding under the Anderson Subordinated Notes, the Funds may not Transfer any Shares without the prior written approval of the Anderson Designee (such approval to be granted or refused within 20 Business Days of a written request therefor) unless concurrently with such Transfer by the Funds, the Company shall redeem all of the then outstanding Anderson Subordinated Notes at a redemption price equal to 100% of the principal amount thereof plus accrued and unpaid interest (if any) to the date of such redemption.

(b) Concurrently with the redemption of the Anderson Subordinated Notes contemplated by Section 5.12(a), each holder of Callable Shares shall be unconditionally obligated to sell and deliver to the Company (free and clear of any lien, security interest or other encumbrance or restriction (other than as contemplated hereby) and suitably endorsed for transfer) and the Company shall purchase from each such holder, all but not less than all of the then outstanding Callable Shares held by such holder at a call price of $.01 per Callable Share (the "Call Price"). Immediately upon the redemption of the Anderson Subordinated Notes contemplated by Section

5.12(a) and without any further action and without notice, such Callable Shares shall be deemed canceled and thereafter the only right of the holders of the Callable Shares shall be to receive the Call Price for each Callable Share so held. The Company shall promptly thereafter give notice of such call to each holder of Callable Shares in accordance with Section 6.6; provided that the failure to give, or any defect in, such notice shall not affect the validity of such call. Each notice of call will state the method by which the payment of the Call Price shall be made.

ARTICLE 6
MISCELLANEOUS

6.1 Information. The Company will deliver to the Anderson Designee:

(a) as soon as available and in any event no later than 90 days after the end of each fiscal year of the Company, a consolidated balance sheet of the Company and its subsidiaries as of the end of such fiscal year and the related consolidated statements of income, cash flow and stockholders equity for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by a report thereon of the Company's auditors; and

(b) as soon as available and in any event no later than 45 days after the end of the first three fiscal quarters of each fiscal year of the Company, a consolidated balance sheet of the Company and its subsidiaries as of the end of such fiscal quarter and the related consolidated statements of income, cash flow and stockholders equity for such fiscal quarter and for the portion of the Company's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter and the corresponding portion of the Company's previous fiscal year, all certified (subject to normal year-end audit adjustments) as to fairness of presentation, consistency and, except for the absence of footnotes, generally accepted accounting principles by the president or the chief financial officer of the Company.

6.2 Entire Agreement. This Agreement and the Securities Purchase and Redemption Agreement and all other documents and agreements contemplated thereby constitute the entire agreement among the parties hereto and supersede all prior agreements and understandings, oral and written, among the parties hereto with respect to the subject matter hereof.

6.3 Binding Effect; Benefit. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Agreement, expressed or implied, shall be construed to confer on any Person other than the parties hereto, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

6.4 Assignability. This Agreement shall not be assignable by any party hereto, except that any Person acquiring Shares who is required by the terms of this Agreement to become a party hereto shall execute and deliver to the Company an agreement to be bound by this Agreement and shall thenceforth be a "Stockholder" hereunder. Any Stockholder who ceases to own beneficially any Shares shall cease to be bound by the terms hereof (other than the provisions of Sections 5.5, 5.6, 5.7, 5.8, and 5.10 applicable to such Stockholder with respect to any offering of Registrable Stock completed before the date such Stockholder ceased to own any Shares).

6.5 Amendment; Waiver; Termination. (a) No provision of this Agreement may be waived except by an instrument in writing executed by the party against whom the waiver is to be effective. No provision of this Agreement may be amended or otherwise modified except by an instrument in writing executed by the Company with the approval of the Board and each of the Funds and the Anderson Designee.

(b) This Agreement shall terminate upon the number of Shares

held by the Anderson Stockholders falling below 50% of the number of the Original Anderson Shares; provided that this Agreement may be terminated at any time by written consent of each Fund and the Anderson Designee; and provided further that Sections 5.5 through 5.8 and 5.10 shall survive such termination.

6.6 Notices. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmissions) and shall be given,

if to the Other Stockholders to:

Hibbett Sporting Goods, Inc.
131 South 25th Street
Irondale, AL 35211
Attention: Charles C. Anderson
Joel R. Anderson
Charles C. Anderson, Jr.
Terrence C. Anderson
Clyde B. Anderson
Harold M. Anderson
First Anderson Grandchildren's Trust
F/B/O Charles C. Anderson III
First Anderson Grandchildren's Trust
F/B/O Lauren A. Anderson
First Anderson Grandchildren's Trust
F/B/O Hayley E. Anderson
Second Anderson Grandchildren's Trust
F/B/O Alexandra R. Anderson
Third Anderson Grandchildren's Trust
F/B/O Taylor Claire Anderson
Fourth Anderson Grandchildren's Trust
F/B/O Carson Caine Anderson
Fifth Anderson Grandchildren's Trust
F/B/O Harold M. Anderson, Jr.
Sixth Anderson Grandchildren's Trust
F/B/O Bentley Barbour Anderson
Seventh Anderson Grandchildren's Trust
F/B/O Olivia Barbour Anderson
The Ashley R. Anderson Trust
Joel R. Anderson II Trust
Gerald H. Daugherty
Martin R. Abroms
Sandra B. Cochran
Michael J. Newsome
Fax: (205) 956-0164

with a copy to:

Latham & Watkins
885 Third Avenue
New York, New York 10022
Attention: Steven Della Rocca
Fax: (212) 751-4864

and a copy to the Funds at their address listed below.

If to the Company, to:

Hibbett Sporting Goods, Inc.
131 South 25th Street
Irondale, AL 35211
Attention: President
Fax: (205) 956-0614

and a copy to Latham & Watkins and the Funds at their respective addresses listed herein.

If to the Funds, to:

The SK Equity Fund, L.P.
SK Investment Fund, L.P.
667 Madison Avenue
21st Floor
New York, New York 10021
Attention: John Megrue
Fax: (212) 755-1624

with a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attention: John J. McCarthy, Jr.
Fax: (212) 450-4800

All notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt. Any notice, request or other written communication sent by facsimile transmission shall be confirmed by certified mail, return receipt requested, posted within one Business Day, or by personal delivery, whether courier or otherwise, made within two Business Days after the date of such facsimile transmission.

Any Person who becomes a Stockholder shall provide its address and fax number to the Company, which shall promptly provide such information to each other Stockholder.

6.7 Headings. The headings contained in this Agreement are for convenience only and shall not affect the meaning or interpretation of this Agreement.

6.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

6.9 Applicable Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICTS OF LAW RULES OF SUCH STATE.

6.10 Specific Enforcement. Each party hereto acknowledges that the remedies at law of the other parties for a breach or threatened breach of this Agreement would be inadequate and, in recognition of this fact, any party to this Agreement, in the event of such breach or threatened breach, in addition to all other remedies which may be available, shall be entitled to obtain equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available.

6.11 Consent to Jurisdiction. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby may be brought in the United States District Court for the Southern District of New York or the Supreme Court of the State of New York, New York County, and each of the parties hereby submits and consents to the non-exclusive jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such

court. Each of the Company, the Anderson Stockholders and the Management Stockholder irrevocably designates, appoints, authorizes and empowers as its agent for service of process CT Corporation System at its offices currently located at 1633 Broadway, New York, New York 10019 to accept and acknowledge for and on behalf of such Pledgor and such Assignor service of any and all process, notices or other documents that may be served in any suit, action or proceeding relating to this agreement or the Stock Purchase and Redemption Agreement in any New York State or Federal court sitting in New York City. Each Anderson Stockholder hereby agrees to execute such other documents and to take such other actions as may be reasonably required to effect its submission to the non-exclusive jurisdiction of New York courts. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 6.6 shall be deemed effective service of process on such party.

6.12 Notice of Ownership Change. Each Anderson Stockholder agrees to give prompt notice to the Company of any change in the number of Shares and principal amount of the Subordinated Notes held by such Anderson Stockholder.

6.13 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

THE SK EQUITY FUND, L.P.
By SK Partners, L.P., the General Partner

By: /s/ John F. Megrue
Name: John F. Megrue
Title: Attorney-in-fact for Allan W. Karp

SK INVESTMENT FUND, L.P.,
By SK Partners, L.P., the General Partner

By: /s/ John F. Megrue
Name: John F. Megrue
Title: Attorney-in-fact

CHARLES C. ANDERSON

By: /s/ Charles C. Anderson
Charles C. Anderson

JOEL R. ANDERSON

By: /s/ Joel R. Anderson
Joel R. Anderson

CHARLES C. ANDERSON, JR.

By: /s/ Charles C. Anderson, Jr.
Charles C. Anderson, Jr.

TERRENCE C. ANDERSON

By: /s/ Terrence C. Anderson
Terrence C. Anderson

CLYDE B. ANDERSON

By: /s/ Clyde B. Anderson
Clyde B. Anderson

HAROLD M. ANDERSON

By: /s/ Harold M. Anderson
Harold M. Anderson

FIRST ANDERSON GRANDCHILDREN'S TRUST
F/B/O CHARLES C. ANDERSON, III

By: /s/ Jackie Menz
Name Jackie Menz
Trustee AVP and Trust Officer

FIRST ANDERSON GRANDCHILDREN'S TRUST
F/B/O LAUREN A. ANDERSON

By: /s/ Jackie Menz
Name Jackie Menz
Trustee AVP and Trust Officer

FIRST ANDERSON GRANDCHILDREN'S TRUST
F/B/O HAYLEY E. ANDERSON

By: /s/ Jackie Menz
Name Jackie Menz
Trustee AVP and Trust Officer

SECOND ANDERSON GRANDCHILDREN'S TRUST
F/B/O ALEXANDRA R. ANDERSON

By: /s/ Jackie Menz
Name Jackie Menz
Trustee AVP and Trust Officer

THIRD ANDERSON GRANDCHILDREN'S TRUST

F/B/O TAYLOR CLAIRE ANDERSON

By: /s/ Jackie Menz
Name Jackie Menz
Trustee AVP and Trust Officer

FOURTH ANDERSON GRANDCHILDREN'S TRUST
F/B/O CARSON CAINE ANDERSON

By: /s/ Jackie Menz
Name Jackie Menz
Trustee AVP and Trust Officer

FIFTH ANDERSON GRANDCHILDREN'S TRUST
F/B/O HAROLD M. ANDERSON, JR.

By: /s/ Jackie Menz
Name Jackie Menz
Trustee AVP and Trust Officer

SIXTH ANDERSON GRANDCHILDREN'S TRUST
F/B/O BENTLEY BARBOUR ANDERSON

By: /s/ Jackie Menz
Name Jackie Menz
Trustee AVP and Trust Officer

SEVENTH ANDERSON GRANDCHILDREN'S TRUST
F/B/O OLIVIA BARBOUR ANDERSON

By: /s/ Jackie Menz
Name Jackie Menz
Trustee AVP and Trust Officer

THE ASHLEY R. ANDERSON TRUST

By: /s/ Ashley Anderson
Name
Trustee

By: /s/ Jackie Menz
Name Jackie Menz
Trustee AVP and Trust Officer

JOEL R. ANDERSON II TRUST

By: /s/ Ashley Anderson
Name
Trustee

By: /s/ Jackie Menz
Name Jackie Menz
Trustee AVP and Trust Officer

GERALD H. DAUGHERTY

By: /s/ Gerald H. Daugherty
Gerald H. Daugherty

MARTIN R. ABROMS

By: /s/ Martin R. Abroms
Martin R. Abroms

SANDRA B. COCHRAN

By: /s/ Sandra B. Cochran
Sandra B. Cochran

MICHAEL J. NEWSOME

By: /s/ Michael J. Newsome
Michael J. Newsome

HIBBETT SPORTING GOODS, INC.

By: /s/ Michael J. Newsome
Name: Michael J. Newsome
Title: President

HIBBETT SPORTING GOODS, INC.

November 1, 1995

Saunders, Karp & Co., L.P.
667 Madison Avenue
New York, NY 10021

Dear Ladies and Gentlemen:

This letter confirms our understanding that Hibbett Sporting Goods, Inc. (the "Company") has engaged you (the "Advisor") to provide financial advisory services to the Company upon the request of the Company from time to time. These services are to be provided in connection with ongoing business and financial matters, including operating and cash flow requirements, corporate liquidity and other ordinary and necessary corporate finance concerns (including acquisition, advisory and finance matters).

In consideration for the Advisor agreeing to provide such advisory services, the Company agrees to pay the Advisor an annual fee of $200,000, payable quarterly in advance on February 1, May 1, August 1 and November 1 of each year, with such payments commencing on February 1, 1995; provided that such fee shall be deferred ("Deferred Fee") and shall not be due and payable hereunder until the date on which (i) all the amounts then outstanding under the PIK Notes (as defined below) are paid in full and each of the PIK Notes is canceled and (ii) no amounts are due under the Subordinated Notes. The Company covenants and agrees and the Advisor accepts and agrees that any Deferred Fee shall be subordinated and junior in right of payment to the prior payment and satisfaction in full of other indebtedness of the Company.

For purposes of this letter agreement, "PIK Notes" shall mean (i) the $2,500,000 in aggregate principal amount of the Company's 12% Senior Subordinated SK Bridge Notes due November 2, 2000 issued by the Company to The SK Equity Fund, L.P. and guaranteed by each of Hibbett Team Sales, Inc. and Sports Wholesale, Inc. (collectively, the "Guarantors") and (ii) the $1,625,000 in aggregate principal amount of 12% Senior Subordinated Sellers Bridge Notes due November 2, 2000 issued by the Company and guaranteed by each of the Guarantors; and "Subordinated Notes" shall mean the Company's 12% Subordinated Notes due November 1, 2002 and guaranteed by the Guarantors.

The annual fee is for financial advisory services to be rendered by the Advisor and its employees and partners and not for any such services to be rendered by any other person. Any additional services to be provided by the Advisor, and any additional fee therefor, shall be agreed to in writing by the parties.

In addition, the Company agrees to reimburse the Advisor promptly upon request from time to time for all reasonable out-of-pocket expenses incurred by the Advisor in connection with the services to be rendered by the Advisor pursuant to its engagement hereunder. The Company also agrees, upon the request of the Advisor, to reimburse the Advisor on or before November 1, 1995 for all additional reasonable out-of-pocket expenses incurred by the Advisor and its affiliates (including without limitation, the fees and disbursements of counsel) in connection with the agreements entered into by the Company on or about the date of this letter and the transactions contemplated therein.

The Company also agrees to indemnify the Advisor and certain other persons and to limit the Advisor's liability to the Company as set forth in Schedule I hereto constituting an integral part hereof. The Company's agreements contained or referred to in this paragraph shall survive any termination of this agreement.

This letter shall constitute the entire agreement between the parties hereto and shall not be amended except in writing by the Company and the Advisor. This agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of law rules of such state.

If the foregoing accurately describes our agreement with respect to the foregoing, please so indicate by signing this letter in the space indicated below.

Very truly yours,

HIBBETT SPORTING GOODS, INC.

By /s/ Michael J. Newsome

Name: Michael J. Newsome
Title: President

ACCEPTED AND AGREED:

SAUNDERS, KARP & CO., L.P.

By /s/ Allan Karp

General Partner

SCHEDULE I

Hibbett Sporting Goods, Inc. (the "Company") will indemnify and hold harmless Saunders, Karp & Co., L.P. (the "Advisor"), its affiliates and the respective partners, agents and employees of the Advisor and their respective affiliates (collectively, the "Advisor Group") from and against any claims, liabilities, damages, losses and expenses, including reasonable fees and expenses of counsel, arising out of or in connection with the services rendered by the Advisor under this agreement, and will reimburse the Advisor Group for all such fees and expenses, including the reasonable fees and expenses of counsel, as they are incurred by the Advisor Group in connection with pending or threatened litigation whether or not the Advisor Group is a party thereto. The Company will not, however, be responsible for any claims, liabilities, damages, losses or expenses to the extent that such claims, liabilities, damages, losses or expenses are determined by judgment of a court of competent jurisdiction to result primarily from the Advisor Group's gross negligence or bad faith. The foregoing agreement shall be in addition to any rights that the Advisor Group may have at common law or otherwise, including, but not limited to, any right to contribution.

Notwithstanding anything else contained herein, the Company also agrees that the Advisor Group shall have no liability to the Company in connection with the services rendered hereunder (whether in tort, contract or otherwise) for claims, liabilities, damages, losses, or expenses, including reasonable fees and expenses of counsel, incurred by the Company unless, and to the extent, they are determined by judgment of a court of competent jurisdiction to result primarily from the Advisor Group's gross negligence or

bad faith.

If indemnification is to be sought hereunder by a member of the Advisor Group, then such member shall notify the Company of the commencement of any action or proceeding in respect thereof; provided, however, that the failure so to notify the Company shall not relieve the Company from any liability that it may otherwise have to such indemnified person, except to the extent the Company shall have been materially prejudiced by such failure. Following such notification, the Company may elect in writing to assume the defense of such action or proceeding, and upon such election, it shall not be liable for any legal costs subsequently incurred by such member (other than reasonable costs of investigation) in connection therewith, unless (i) the Company has failed to provide counsel reasonably satisfactory to such member in a timely manner or (ii) counsel that has been provided by the Company reasonably determines that its representation of such member would present it with a conflict of interest. In any litigation or proceeding, the Company shall not be responsible for the fees and expenses of more than one counsel for all members of the Advisor Group claiming indemnification hereunder in any one jurisdiction, unless any of such members has a separate and conflicting defense with regard to such litigation or proceedings, as reasonably determined by the counsel that has been provided by the Company. The Company shall not be liable for any settlement of any litigation or proceeding effected without its prior written consent, which consent shall not be unreasonably withheld. Should the Company assume the defense of any action, the Company shall not, without the Advisor Group's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate such action if such settlement, compromise, consent or termination imposes obligations on any member of the Advisor Group (through injunctive relief or otherwise) other than the payment of money.

EMPLOYMENT AND POST-EMPLOYMENT AGREEMENT

EMPLOYMENT AND POST-EMPLOYMENT AGREEMENT dated as of November 1, 1995 by and between Hibbett Sporting Goods, Inc. an Alabama corporation (the "Company") and Michael J. Newsome ("Executive").

WHEREAS, Executive has been serving as member of the Board of Directors (the "Board") and President of the Company;

WHEREAS, the Company desires to employ Executive as President of the Company;

WHEREAS, the Company and Executive desire to enter into an agreement (the "Agreement") embodying the terms of such employment;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the parties agree as follows:

1. Term of Employment. Subject to the provisions of Section 6 of this Agreement, Executive shall be employed by the Company for a period of three years commencing on the closing (the "Commencement Date") of the transactions contemplated by the Stock Purchase and Redemption Agreement dated as of November 1, 1995 by and among the stockholders referred to therein, the Company, The SK Equity Fund, L.P. and SK Investment Fund, L.P. (the "Stock Purchase and Redemption Agreement") and ending on the third anniversary of the Commencement Date (the "Expiration Date"); provided that this Agreement and Executive's employment hereunder may be extended upon mutual agreement of the Company and Executive. The initial three year period of Executive's employment, together with any extensions of Executive's employment in accordance with this Section 1 (or, if shorter, the period of Executive's actual employment hereunder) is referred to herein as the "Employment Term."

2. Position. (a) Executive shall serve as the President of the Company. In such position, Executive shall have such responsibilities as are consistent with the scope of his responsibilities immediately prior to the Commencement Date and shall have such other duties and authority as shall be determined from time to time by the Board.

(b) During the Employment Term, Executive will devote such time and efforts to the performance of his duties and responsibilities hereunder as may reasonably be required to fulfill such duties and responsibilities (including all of his business time, if necessary) and will not engage in any other business, profession or occupation for compensation or otherwise without the prior written consent of the Board. Subject to the foregoing and to Sections 7 and 8, Executive shall not be precluded from (i) engaging in charitable activities and (ii) managing his personal investments and affairs.

3. Base Salary. The Company shall pay Executive an annual base salary (the "Base Salary") at the initial annual rate of $115,000, payable in arrears, in regular installments in accordance with the Company's usual payment practices but not less frequently than monthly during the Employment Term. Executive's Base Salary shall be increased on February 1, 1996 to $140,000 and on February 1, 1997 to $150,000. Thereafter Executive's Base Salary shall be increased on each February 1 during the Employment Term by the product of (i) Executive's Base Salary for the preceding year and (ii) the sum of (x) 2% and (y) the percentage increase, if any, in the Consumer Price Index for all Urban Consumers for Alabama, as issued by the Bureau of Labor Statistics of the U.S. Department of Labor as of the close of the preceding calendar year.

4. Employee Benefits. During the Employment Term, Executive shall be entitled to participate on the same basis as other key executives of the Company in all employee benefit plans and arrangements maintained by the Company from time to time, including but not limited to paid vacation, any

group health, dental, life, accidental death and dismemberment and disability insurance and 401(k) plan and profit sharing plan so maintained.

5. Business Expenses. During the Employment Term, the Company shall reimburse promptly such of Executive's travel, entertainment and other business expenses as are reasonably and necessarily incurred by Executive in the performance of his duties hereunder in accordance with the Company's policies as in effect from time to time. During the Employment Term, Executive shall be entitled to the use of the automobile currently used by Executive and to the use of a reasonably comparable replacement automobile; provided that, the cost of such replacement automobile (all inclusive) shall not exceed
$ 35,000.

6. Termination. Executive's employment hereunder may be terminated as provided in this Section 6 by a majority of the Board acting in good faith.

(a) For Cause by the Company. Executive's employment hereunder may be terminated by the Company in compliance with the first paragraph of this Section 6 for "Cause". For purposes of this Section 6(a), "Cause" shall mean:

(i) (A) conviction of a felony, (B) proven fraud, (C) proven embezzlement or (D) violation of the covenant not to compete or confidentiality clauses set forth in Sections 7 and 8 of this Agreement other than an immaterial violation;

(ii) to the extent not covered by clause (i) of this Section 6(a), (A) Executive's use of illegal drugs, abuse of other controlled substances or habitual intoxication, (B) an act or acts on Executive's part constituting a crime involving moral turpitude or a felony under the laws of the United States or any state thereof or (C) dishonesty, deceit or breach of fiduciary duty on Executive's part in the performance of his duties; or

(iii) Executive's refusal to use reasonable efforts to perform reasonable and lawful actions required by the Board approved business plan or refusal to follow any specific and reasonable directions of the Board, in either case after written notice by the Board of such refusal to Executive and a reasonable opportunity for Executive to cure such refusal or failure.

If Executive's employment is terminated for Cause, he shall be entitled to receive his Base Salary through the date of termination. Subject to Section 7(c), all other benefits to which Executive would otherwise be entitled shall automatically be terminated except to the extent required by law.

(b) Death; Disability. Executive's employment hereunder shall terminate upon his death and may be terminated by the Company, consistent with Company policy, if Executive becomes physically or mentally incapacitated and is therefore unable for a period of six consecutive months or for an aggregate of six months in any consecutive 24 month period to perform substantially his duties and responsibilities under this Agreement (such incapacity is hereinafter referred to as "Disability"). Any question as to the existence of the Disability of Executive as to which Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to Executive and the Company. Upon termination of Executive's employment hereunder by the Company due to Executive's Disability, Executive shall receive his Base Salary through the date on which Executive is first eligible to receive payment of disability benefits in lieu of Base Salary under the Company's employee benefit plans as then in effect but in no event for a period longer than the longer of (x) twelve months and (y) the remainder of the Employment Term as determined without regard to such termination. Upon termination of Executive's employment hereunder due to his death, Executive's estate shall receive Executive's Base Salary through the date of his death. All other benefits due to Executive or his estate following Executive's termination for Disability or as a result of his death shall be determined in

accordance with the plans, policies and practices of the Company then in effect.

(c) Without Cause by the Company and for Good Reason by the Executive. If Executive's employment is terminated by the Company in compliance with the first paragraph of this Section 6 without "Cause" (other than by reason of Disability or death) or by Executive for "Good Reason", Executive shall continue to receive his Base Salary and the benefits described in Section 4 of this Agreement other than participation in any plan qualified under Section 401 of the Internal Revenue Code of 1986, as amended, (or any excess or supplemental benefit plan under which benefits are determined by reference to a qualified plan) for the remainder of the Employment Term as determined without regard to such termination. It is expressly understood and agreed by the parties hereto that the Company's failure to extend the Employment Term shall not constitute a termination without Cause or for Good Reason.

During the period of continued payment provided in this Section 6(c), Executive will be available, consistent with other responsibilities that he may then have, to answer questions and provide advice to the Company. Notwithstanding any provision of this Agreement to the contrary, whether or not Executive is employed by the Company, from and after any breach by Executive of the provisions of Sections 7 or 8 other than an immaterial breach, the Company shall cease to have any obligations to make payments to Executive under this Agreement.

For purposes of this Section 6(c), "Good Reason" shall mean:

(i) a material reduction in Executive's responsibilities, authorities, duties or title, all as contemplated by Section 2 hereof, after written notice to the Board of such material reduction and a reasonable opportunity for the Company to cure, provided however, such reduction by reason of a termination for Cause or Disability shall not constitute Good Reason; or

(ii) (A) the relocation of the Company's corporate offices outside of a 200 mile radius of Birmingham, Alabama, if Executive's office is not also relocated to the new site of the Company's corporate office or (B) the relocation of Executive, without his consent, outside of a 200 mile radius of the Company's corporate office.

(d) Termination by Executive other than for Good Reason. If Executive terminates his employment with the Company for any reason other than Good Reason prior to the end of the Employment Term, Executive shall be entitled to the same payments he would have received if his employment had been terminated by the Company for Cause. Subject to Section 7(c), all other obligations of the Company hereunder shall be terminated as of the date Executive's employment hereunder is terminated.

(e) Notice of Termination. Any purported termination of employment by the Company or by Executive shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 11(g) hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of employment under the provision so indicated.

7. Employment and Post-Employment Restrictions. (a) Executive acknowledges and recognizes the highly competitive nature of the business of the Company and accordingly agrees as follows: (i) until the date of termination of Executive's employment hereunder and (ii) during the period from the date of termination of Executive's employment hereunder through the later of the date that (x) is two years from the Commencement Date, (y) is (I) one year after Executive ceases employment with the Company pursuant to Sections 6(b) or 6(c) thereunder or (II) two years after Executive ceases employment with the Company pursuant to Sections 6(a) or 6(d) hereunder and (z)

Executive ceases to receive payments pursuant to Section 6 of this Agreement (the period commencing on the date of termination of Executive's employment hereunder and ending on the latest of the dates referred to in clauses (x), (y) and (z) being referred to herein as the "Post-Termination Restriction Period"), Executive will not enter into the following endeavors: being an employee, consultant, owner (except for passive investments of not more than one percent of the outstanding shares of, or any other equity interest in, any company or entity listed or traded on a national securities exchange or in an over-the-counter securities market), officer, agent, representative or director of any firm or person in the Geographic Area, as hereinafter defined, which directly competes with a line or lines of business of the Company that exist now (such line of business as it exists now being the retail sale of athletic equipment, apparel, footwear and other sporting goods) or at any time during Executive's employment hereunder (a "Competing Business"); provided however that the Company and Executive will be reasonable in characterizing any such additional line of business for purposes of this Section 7 and provided further that, Executive and the Company shall use all reasonable efforts to enter into, promptly after the Company commences any such additional line of business, an amendment to this Section 7 describing such additional line of business. Notwithstanding the preceding sentence, Executive may accept employment with and be employed by a firm or person that has an affiliate engaged in a Competing Business, provided that, Executive does not enter into the endeavors described above with or on behalf of such affiliate. The Geographic Area is defined as any and all states of Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Illinois, Tennessee and any other state immediately adjacent to any of the foregoing states. With respect to each state set forth above this covenant not to compete is intended as a separate covenant. If any one of such covenants is declared invalid for any reason, this determination shall not affect the validity of the remainder of the covenants or any covenant covering territory other than such state. The other covenants in this Section 7 shall remain in effect as if the provision had been executed without the invalid covenants. The parties hereby declare that they intend that the remaining covenants of the provision continue to be effective without any covenants that have been declared invalid.

(b) Executive hereby agrees that he will not directly or indirectly induce any employee of the Company or any of its subsidiaries or affiliates to engage in any activity in which Executive is prohibited from engaging by Section 7(a) above or to terminate his employment with the Company or any of its subsidiaries or affiliates, and will not directly or indirectly employ or offer employment to any person who was employed by the Company or any of its subsidiaries or affiliates unless such person shall have ceased to be employed by the Company or any of its subsidiaries or affiliates for a period of at least six months.

(c) If at any time during the Post-Termination Restriction Period Executive (i) has not violated the provisions of paragraphs (a) and (b) above or Section 8 below, (ii) is not and has not been employed for any period by any person or entity since terminating employment with the Company and (iii) is not eligible to receive a continuation of benefits pursuant to Section 6(c) of this Agreement, the Company shall make available to Executive at his "COBRA expense", as defined below, the health insurance benefits that are generally available to employees of the Company; provided that if at any time Executive terminates his coverage under the Company's health insurance plans, the Company shall have no obligation to make available thereafter health insurance benefits. The parties expressly acknowledge that, during all or part of the period during which the Company is obligated to make available to Executive the health insurance coverage contemplated above, such obligation may be satisfied by compliance with the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, as set forth in Section 4980B of the Internal Revenue Code of 1986, as amended and Part 6, Title I of the Employee Retirement Income Security Act of 1974, as amended ("COBRA"). "COBRA expense" shall mean the maximum cost to Executive of "continuation coverage", determined in accordance with COBRA.

8. Confidentiality. Executive agrees that he will not at any time (whether during or after termination of his employment with the

Company) disclose or use for his own benefit or purposes or the benefit or purposes of any other person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise other than the Company and any of its subsidiaries or affiliates, any trade secrets, information, data, or other confidential information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, financing methods, plans, or the business and affairs of the Company generally, or of any subsidiary or affiliate of the Company, provided that the foregoing shall not apply to information which is not unique to the Company or is known to most others in the industry or the public other than as a result of Executive's breach of this covenant. Executive agrees that upon termination of his employment with the Company for any reason, he will return to the Company immediately all memoranda, books, papers, plans, information, computer software, printouts and equipment, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its subsidiaries and affiliates, except that he may retain personal notes, personal notebooks, personal correspondence and personal diaries. Executive further agrees that he will not retain or use for his account at any time any tradename, trademark or other proprietary business designation used or owned in connection with the business of the Company, its subsidiaries or its affiliates.

9. Specific Performance. It is expressly understood and agreed that although Executive and the Company consider the restrictions contained in this Agreement to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against Executive, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein. Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 7 or 8 would be inadequate and, in recognition of this fact, Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

10. Continuation of Employment. Unless the parties otherwise agree in writing, continuation of Executive's employment with the Company beyond the expiration of the Employment Term shall be deemed an employment at will and shall not be deemed to extend any of the provisions of this Agreement, and Executive's employment may thereafter be terminated at will by Executive or the Company. The Company shall use its best efforts to provide Executive with notice no later than one month prior to the Expiration Date of its intention not to extend this Agreement. A failure to give such notice shall not constitute a breach of this Agreement unless Executive has requested, after the expiration of the time for giving such notice, notice as to whether this Agreement will be extended and the Company has failed to respond to such request within 10 business days.

11. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of [Alabama] without regard to the conflicts of law rules of such state.

(b) Entire Agreement; Amendments. This Agreement contains the entire understanding of the parties with respect to the employment of Executive by the Company. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein and therein. This Agreement may not be altered, modified, or amended except by written

instrument signed by the parties hereto.

(c) No Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

(d) Severability. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

(e) Assignment. This Agreement shall not be assignable by Executive and shall be assignable by the Company to its successor or a purchaser of all or substantially all of its assets and otherwise only with the consent of Executive.

(f) Successors; Binding Agreement. This Agreement shall inure to the benefit of and be binding upon personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

(g) Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, or by prepaid overnight courier addressed to the respective addresses set forth below or to such other address as the applicable person may have furnished to the others in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

If to Executive:

Michael J. Newsome
Hibbett Sporting Goods, Inc.
131 South 25th Street
Irondale, AL 35211

With a copy to:

Steven Della Rocca
Latham & Watkins
885 Third Avenue
New York, NY 10022

If to the Company:

Hibbett Sporting Goods, Inc.
131 South 25th Street
Irondale, AL 35211
Attention: Maxine Martin

With a copy to:

Saunders Karp & Co., L.P.
667 Madison Avenue
New York, NY 10022
Attention: John F. Megrue

(h) Headings. The headings of the Sections of this Agreement are for reference only and shall not affect the contents of this Agreement.

(i) Withholding Taxes. The Company may withhold from any amounts payable under this Agreement such Federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

(j) Counterparts; Effectiveness. This Agreement may be signed

in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other party hereto.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

/s/ Michael J. Newsome

Michael J. Newsome

HIBBETT SPORTING GOODS, INC.

By: /s/ John F. Megrue

Title:

November 1, 1995

Mr. Michael J. Newsome
President
Hibbett Sporting Goods, Inc.
131 South 25th Street
Birmingham, AL 35215

Re: Incentive Compensation Arrangements

Dear Mickey:

We are delighted that you have agreed to continue as President of Hibbett Sporting Goods, Inc. (the "Company") and look forward to a productive relationship for the future. Set forth below are (i) your annual bonus arrangement and (ii) a description of the performance bonus the Compensation Committee of the Board of Directors of the Company (the "Board") may in its discretion award to you from time to time. In addition, pursuant to the Hibbett Sporting Goods, Inc. Stock Option Plan (the "Option Plan"), the Compensation Committee of the Board will award you options on shares of $.01 par value common stock of the Company ("Common Stock"). The terms of such award will be set forth in an Option Certificate, as defined in the Option Plan.

In consideration of the awards and potential awards, set forth above, and of the "put right" granted to you by the Company, set forth below, you have agreed to subject the shares (the "Shares") of Common Stock held by you on October 31, 1995 to the Company's right to call such Shares, as outlined below:

(i) In the event your employment with the Company is terminated (x) by the Company for "Cause", as defined in the Employment and Post-Employment Agreement, dated November 1, 1995 between you and the Company (the "Employment Agreement") or (y) by you for any reason other than "Good Reason", as defined in the Employment Agreement, the Company shall have the right, but not the obligation, to purchase your Shares at a price per share equal to Book Value Per Share.

"Book Value Per Share" shall mean the quotient obtained by dividing

(x) the sum of

(A) $21,875,000 and

(B) the excess of

(I) retained earnings at the end of the month immediately preceding the date of termination of your employment, determined on a consolidated basis for the Company and its subsidiaries by the Company (and its independent public accountants) based on the books and records of the Company and its subsidiaries and in accordance with generally accepted accounting practices applied on a consistent basis over

(II) the retained earnings reported on the "Pro Forma", as defined in the "Bank Credit Agreement", as defined in the Subordinated Notes, as defined in the Stockholders Agreement, dated as of November 1, 1995 by and among the SK Equity Fund, L.P., SK Investment Fund, L.P., the Company and the Stockholders listed therein (the "Stockholders Agreement")

by

(y) 21,875,000.

Such denominator may be adjusted in the sole discretion of the Compensation Committee of the Board for stock splits, reverse stock splits, stock dividends or other corporate transactions or events which in the sole discretion of the Compensation Committee are determined to affect the shares of Common Stock.

(ii) In the event your employment with the Company is terminated (a) by the Company without Cause, (b) by you with Good Reason or (c) by reason of your death or Disability, as defined in the Employment Agreement, the Company shall have the right to purchase and to require you to sell, and you shall have the right to sell and to require the Company to purchase, your Shares at a price per share equal to the fair market value of a share of Common Stock, as determined by the Compensation Committee of the Board of Directors in its reasonable discretion; provided that, the sum of the amount paid pursuant to this provision and any amount paid pursuant to a similar provision contained in the Option Certificate shall equal at least $750,000. Any valuation of such Shares as to which you and the Company cannot agree shall be determined in writing by a qualified independent appraiser mutually acceptable to you and the Company. Any amount payable to you pursuant to this paragraph (ii) shall be paid in four equal annual installments commencing on the receipt by the Company of the Shares together with interest on any unpaid balance at the "Bank Prime Loan" rate, as defined in the Bank Credit Agreement, on the date of termination of your employment, compounded annually.

Annual Bonus Arrangement

During the period beginning on the closing of the transactions contemplated by the Stock Purchase and Redemption Agreement, dated as of [November 1, 1995], by and among the Funds defined therein, the Stockholders identified therein and the Company (the "Stock Purchase and Redemption Agreement") and ending on the third anniversary of such closing, provided that you are employed by the Company on the last day of each relevant fiscal year, you shall be entitled to a bonus payable annually in respect of such fiscal year. Such bonus shall be equal to 2% of "Adjusted Income Before Taxes", as defined below, if any, for the fiscal year ending January 31, 1996 and 1.69% of Adjusted Income Before Taxes, if any, for each fiscal year thereafter; provided that the amount of such bonus in respect of any fiscal year shall not exceed 100% of your Base Salary, as defined in the Employment Agreement, for such period. Such bonus shall be determined following the close of each of the Company's fiscal years and paid to you promptly thereafter.

For this purpose, "Adjusted Income Before Taxes" for any given period shall mean the sum of (A) net income for such period calculated on a consolidated basis for the Company and its subsidiaries determined by the Company (and its independent public accountants) based on the books and records of the Company and its subsidiaries in accordance with generally accepted accounting practices applied on a consistent basis, (B) "Income Taxes", as defined below, (C) the bonus contemplated hereby for such period, (D) interest accrued in such period on (x) the Subordinated Notes, (y) the "PIK Notes", as defined in the Subordinated Notes and (z) the "New Distribution Facility Financing", as defined in the Subordinated Notes, together in each case with the amortization of any related capitalized financing costs and (E) the "Management Fee", as defined in the Subordinated Notes.

"Income Taxes" shall mean all federal, state or local income taxes as determined by the Company and audited by its independent certified public accountants.

Performance Bonus

The Compensation Committee will annually establish goals and objectives for you to accomplish. If you accomplish all such goals and objectives, the minimum bonus to which you will be entitled will be $20,000.

Your rights and interests hereunder may not be assigned, encumbered or transferred. The Company shall have the right to deduct from

all payment made hereunder any taxes required by law to be withheld with respect to such payments. The arrangements hereunder, except the option award referred to above which is governed by the Option Plan and Option Certificate, shall be governed by the laws of the State of Alabama.

Hibbett Sporting Goods, Inc.

By: /s/ John F. Megrue

Chairman of the Board
of Directors

Please acknowledge the
foregoing by signing below

/s/ Michael J. Newsome
- ---
Michael J. Newsome

AGREEMENT NOT TO COMPETE

I.

PARTIES

This Agreement Not to Compete (the "Agreement") is dated this 1st day of November, 1995, and is made by and among certain Stockholders listed on the signature pages hereof (the "Stockholders"), HIBBETT SPORTING GOODS, INC., an Alabama corporation (herein "Company"), SK INVESTMENT FUND, L.P. (the "Investment Fund") and THE SK EQUITY FUND, L.P. (the "Equity Fund"), in each case a partnership formed in Delaware, (the Investment Fund and the Equity Fund are herein collectively referred to as the "Buyers").

II.

RECITALS

A. The Company has as of this date (the "Closing Date") issued to Buyers certain specified securities, pursuant to the terms, covenants and conditions set forth in the Stock Purchase and Redemption Agreement entered into among the Stockholders and others named therein, the Company and the Buyers relating to the purchase by the Buyers of 17,609,000 shares of, and the redemption by the Stockholders of 34,220,000 shares of Common Stock of HIBBETT SPORTING GOODS, INC. dated as of November 1, 1995 (the "Stock Purchase and Redemption Agreement").

B. In consideration of and as an inducement and a necessary prerequisite to Buyers' entering into the Stock Purchase and Redemption Agreement, each Stockholder agrees to undertake and covenant with the Company and Buyers not to compete with the business of the Company on the terms herein specified.

NOW, THEREFORE, for valuable consideration received, receipt of which is hereby acknowledged, the Stockholders, the Company and Buyers agree as follows:

III.

AGREEMENT NOT TO COMPETE

3.1 Covenant. During the Non-Compete Period, as hereinafter defined, and within the Non-Compete Geographic Limits, as hereinafter defined, each Stockholder agrees not to enter into the following competitive endeavors: being an employee, consultant, owner (except for passive investments of not more than five percent of the outstanding shares of, or any other equity interest in, any company or entity listed or traded on a national securities exchange or in an over-the-counter securities market), officer, director, agent or representative of any individual, corporation, partnership, trust or other entity or organization (herein a "Person") which is engaged in the retail sale of athletic equipment, athletic apparel, athletic footwear and other sporting goods (the "Business"). The Non-Compete Period shall be the period beginning on the date of this Agreement and ending on the fifth anniversary of the Closing Date. The Non-Compete Geographic Limits is defined as any and all states of Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Illinois, Tennessee and any other state immediately adjacent to any of the foregoing states. With respect to each state set forth above this covenant not to compete is intended as a separate covenant. If any one of such covenants is declared invalid for any reason, this determination shall not affect the validity of the remainder of the covenants or any covenant covering territory other than such state. The other covenants in the non-competition provision shall remain in effect as if the provision had been executed without the invalid covenants. The parties hereby declare that they intend that the remaining covenants of the provision

continue to be effective without any covenants that have been declared invalid.

3.2 Customer Accounts.

3.2.1 Definition. As used herein, the term "Customer Accounts" shall mean all accounts of the Company with respect to the Business, and their affiliates, subsidiaries, licensees, and business associates, whether now existing or hereafter developed or acquired.

3.2.2 Covenant Not to Solicit. During the Non-Compete Period, no Stockholder shall, directly or indirectly, for Stockholder or any other Person, divert, take away, call on, or solicit, or attempt to divert, take away, call on, or solicit, any of the Customer Accounts of the Business (including but not limited to those Customer Accounts which such Stockholder called upon, solicited, or became acquainted with while engaged in the Business) with respect to a business that is competitive with the Business.

3.3 Solicitation of Employees. During the Non-Compete Period, no Stockholder shall (a) directly or indirectly, or by action in concert with others, induce or influence, or seek to induce or influence, any employee or officer of the Company to engage in any activity in which Stockholder is prohibited from engaging in by Sections 3.1 or 3.2 above and (b) directly or indirectly employ or offer employment to any individual who was employed by the Company or any of its subsidiaries unless such individual has ceased to be employed by the Company or such subsidiary for a period of at least 6 months or has been terminated by the Company.

3.4 Reasonableness of Covenants. Each Stockholder expressly understands and agrees that although the Company and the Buyers consider the restrictions contained in Sections 3.1, 3.2 and 3.3 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against such Stockholder, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

3.5 Injunctive Relief and Specific Performance. Each Stockholder acknowledges and agrees that the Buyer's and the Company's remedies at law for a breach of any of the provisions of this Article III would be inadequate and, in recognition of this fact, such Stockholder agrees that, in the event of such a breach, in addition to any remedies at law, the Company and/or the Buyer, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available. Each Stockholder further acknowledges that should such Stockholder violate any of the provisions of this Agreement, it will be difficult to determine the amount of damages resulting to the Company, and in addition to any other remedies which it may have, the Company and/or the Buyers shall be entitled to temporary and permanent injunctive relief without the necessity of proving damages.

3.6 Acknowledgment. Each of the Stockholders, Buyers and the Company acknowledges and agrees that the covenants contained in this Article III have been negotiated in good faith by the parties hereto, are reasonable and are not more restrictive or broader than are necessary to protect the interests of the parties hereto, and would not achieve their intended purpose if they were on different terms or for periods of time shorter than the periods of time provided herein or applied in more restrictive geographical areas than are provided herein. Each party further acknowledges and agrees that the business of the Company is highly competitive, that neither party would enter into the Stock Purchase and Redemption Agreement and the transactions contemplated thereby but for the covenants contained in this Article III and that such covenants are essential to protect the value of the business of the Company.

Each party agrees further that the transaction of which this Agreement is a part involves more than $100,000.

IV.

MISCELLANEOUS

4.1 Waiver. The waiver by the Company or Buyers of any default or breach contained in or secured by this Agreement shall not be construed as a waiver of any subsequent breach.

4.2 Modification. This Agreement is entered into for the benefit of the parties hereto and their respective successors and assigns, and cannot be amended or terminated except in a writing signed by all parties.

4.3 Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

4.4 Successors and Assignment. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, representatives and assigns. This Agreement may be assigned by Buyers to any successor in whole or in part to their respective interests in the Company.

4.5 Governing Law.

4.5.1 This Agreement shall be governed by and construed in accordance with the laws of the State of Alabama without regard to principles of conflict of law.

4.6 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT CONTEMPLATED HEREBY.

4.7 Notice. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission) and shall be given,

if to Buyers, to:

Saunders Karp & Co., L.P.
667 Madison Avenue
New York, New York 10022
Attention: John F. Megrue
Fax: (212) 755-1624

with a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attention: John J. McCarthy, Jr.
Fax: (212) 450-4800

if to the Stockholders, to:

Hibbett Sporting Goods, Inc.
131 South 25th Street
Irondale, AL 35211
Attention: Charles C. Anderson, Sr.
Joel R. Anderson
Clyde B. Anderson
Fax: (205) 956-0164

with a copy to:

Latham & Watkins
885 Third Avenue
New York, NY 10022
Attention: Steven Della Rocca
Fax: (212) 751-4864

if to the Company, to:

Hibbett Sporting Goods, Inc.
131 South 25th Street
Irondale, AL 35211
Attention: President
Fax: (205) 956-0164

with a copy to:

Latham & Watkins
885 Third Avenue
New York, NY 10022
Attention: Steven Della Rocca
Fax: (212) 751-4864

and:

Saunders Karp & Co., L.P.
667 Madison Avenue
New York, New York 10022
Attention: John F. Megrue
Fax: (212) 755-1624

All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

4.8 Counterparts. This Agreement may be executed in one or more counterparts, all of which together shall constitute a single agreement.

V.
EXECUTION

IN WITNESS WHEREOF, the parties have executed this Agreement in one or more counterparts which, taken together, shall constitute one Agreement.

THE SK EQUITY FUND, L.P.

By SK Partners, L.P., its
General Partner

By: /s/ John F. Megrue

Name: John F. Megrue
Title: Attorney-in-fact for Allan W. Karp

SK INVESTMENT FUND, L.P.

By SK Partners, L.P., its
General Partner

By: /s/ John F. Megrue

Name: John F. Megrue
Title: Attorney-in-fact for Allan W. Karp

CHARLES C. ANDERSON

By: /s/ Charles C. Anderson

Charles C. Anderson

JOEL R. ANDERSON

By: /s/ Joel R. Anderson

Joel R. Anderson

CLYDE B. ANDERSON

By: /s/ Clyde B. Anderson

Clyde B. Anderson

HIBBETT SPORTING GOODS, INC.

By: /s/ Michael J. Newsome

Name: Michael J. Newsome
Title: President

HIBBETT SPORTING GOODS, INC.

STOCK OPTION PLAN

(as amended effective as of March 6, 1996)

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HIBBETT SPORTING GOODS, INC.

STOCK OPTION PLAN

(as amended effective as of March 6, 1996)

SECTION 1.

PURPOSE

The purpose of this Plan is to promote the interests of the Company and its shareholders by granting Options to purchase Stock to Employees in order (1) to provide an additional incentive to each Employee to work to increase the value of the Company's stock, and (2) to provide each Employee with a stake in the future of the Company which corresponds to the stake of each of the Company's shareholders.

SECTION 2.
DEFINITIONS

Each term set forth in this Section 2 shall have the meaning set forth opposite such term for purposes of this Plan and, for purposes of such definitions, the singular shall include the plural and the plural shall include the singular.

2.1. Board -- means the Board of Directors of the Company.

2.2. Change in Control -- means (a) the acquisition of the power to direct, or cause the direction of, the management and policies of the Company by a person (not previously possessing such power), acting alone or in conjunction with others, whether through the ownership of Stock, by contract or otherwise, or (b) the acquisition, directly or indirectly, of the power to vote more than 50% of the outstanding Stock by any person or by two or more persons acting together. For purposes of this definition, (1) the term "person" means a natural person, corporation, partnership, joint venture, trust, government or instrumentality of a government, and (2) customary agreements with or between underwriters and selling group members with respect to a bona fide public offering of Stock shall be disregarded.

2.3. Code -- means the Internal Revenue Code of 1986, as amended.

2.4. Committee -- means the committee appointed by the Board to administer this Plan which at all times shall consist of two or more members of the Board. At such time as the Company becomes subject to the reporting requirements under Section 16(b) of the Exchange Act, each member of the Committee shall be a "disinterested person" within the meaning of Rule 16b-3.

2.5. Company -- means Hibbett Sporting Goods, Inc., an Alabama corporation, and any successor to such corporation.

2.6. Employee -- means any full-time employee of the Company who the Committee, acting in its absolute discretion, has determined to be eligible for the grant of an Option under this Plan.

2.7. Exchange Act -- means the Securities Exchange Act of 1934, as amended.

2.8. Fair Market Value -- means the fair market value of a share of Stock as determined pursuant to a valuation or an appraisal of the Stock and its value per share which is prepared by a qualified independent public accountant or other person experienced in valuing closely-held businesses and which is selected by the Board. Such valuation or appraisal shall be deemed to be the fair market value of the Stock and its value per share; provided, however, that the Board shall not be obligated to obtain more than one such independent valuation or appraisal in any calendar year; and, provided further, that if at any time the Stock is publicly traded on any exchange or

in the over-the-counter market, the closing price on the date of determination for a share of Stock as reported by The Wall Street Journal or, if The Wall Street Journal does not report such closing price, such closing price as reported by a newspaper or trade journal selected by the Committee, shall be the fair market value of a share of Stock.

2.9. ISO -- means an option granted under this Plan to purchase Stock which is intended by the Company to satisfy the requirements of Code Section 422.

2.10. Non-ISO -- means an option granted under this Plan to purchase Stock which is not intended by the Company to satisfy the requirements of Code Section 422.

2.11. Option -- means an ISO or a Non-ISO.

2.12. Option Certificate -- means the written certificate or instrument which sets forth the terms of an Option granted to an Employee or Director under this Plan.

2.13. Option Price -- means the price which shall be paid to purchase one share of Stock upon the exercise of an Option granted under this Plan.

2.14. Parent Corporation -- means any corporation which is a parent of the Company within the meaning of Section 424(e) of the Code.

2.15. Plan -- means this Hibbett Sporting Goods, Inc. Stock Option Plan, as amended from time to time.

2.16. Rule 16b-3 -- means the exemption under Rule 16b-3 to Section 16(b) of the Exchange Act or any successor to such rule.

2.17. Stock -- means the $.01 par value common stock of the Company.

2.18. Subsidiary -- means a corporation which is a subsidiary corporation (within the meaning of Section 424(f) of the Code) of the Company.

2.19. Ten Percent Shareholder -- means a person who owns (after taking into account the attribution rules of Code Section 424(d)) more than ten percent (10%) of the total combined voting power of all classes of stock of the Company.

SECTION 3.
SHARES RESERVED UNDER THE PLAN

There shall be 1,000,000 shares of Stock reserved for use under this Plan, and such shares of Stock shall be reserved to the extent that the Company deems appropriate from authorized but unissued shares of Stock and from shares of Stock which have been reacquired by the Company. Furthermore, any shares of Stock subject to an Option which remain unissued after the cancellation, expiration or exchange of such Option thereafter shall again become available for use under this Plan.

SECTION 4.
EFFECTIVE DATE

The effective date of this Plan shall be the date it is adopted by the Board, provided that the shareholders of the Company shall approve this Plan after the date of its adoption in accordance with Rule 16b-3 and, to the extent this Plan provides for the issuance of ISOs, the shareholders of the Company shall approve those portions of this Plan related to the granting of ISOs within twelve (12) months after the date of adoption. If any Options are granted under this Plan before the date of such shareholder approval, such Options automatically shall be granted subject to such approval.

SECTION 5.
ADMINISTRATION

This Plan shall be administered by the Committee. The Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee shall be filled by the Board. The Committee shall select one of its members as Chairman and shall hold meetings at such times and places as it may determine. The Committee acting in its absolute discretion shall exercise such powers and take such action as expressly called for under this Plan and, further, the Committee shall have the power to interpret this Plan and (in the event that the Company becomes subject to the reporting requirements of Section 16(b) of the Exchange Act, subject to Rule 16b-3) to take such other action (except to the extent the right to take such action is expressly and exclusively reserved for the Board or the Company's shareholders) in the administration and operation of this Plan as the

Committee deems equitable under the circumstances, which action shall be binding on the Company, on each affected Employee or Director and on each other person directly or indirectly affected by such action.

SECTION 6.
ELIGIBILITY

Only Employees shall be eligible for the grant of Options under this Plan.

SECTION 7.
GRANT OF OPTIONS

7.1. Committee Action. The Committee, acting in its absolute discretion, shall have the right to grant Options to Employees under this Plan from time to time to purchase shares of Stock and, further, shall have the right to grant new Options in exchange for outstanding Options which have a higher or lower Option Price. Each grant of an Option to an Employee shall be evidenced by an Option Certificate, and each such Option Certificate shall (1) specify whether the Option is an ISO or Non-ISO and (2) incorporate such other terms and conditions as the Committee, acting in its absolute discretion, deems consistent with the terms of this Plan, including (without limitation) a restriction on the number of shares of Stock subject to the Option which first become exercisable during any calendar year. If the Committee grants an ISO and a Non-ISO to an Employee on the same date, the right of the Employee to exercise one such Option shall not be conditioned on his or her failure to exercise the other such Option.

7.2. $100,000 Limit. To the extent that the aggregate Fair Market Value of Stock (determined as of the date the ISO is granted) with respect to which ISOs first become exercisable in any calendar year exceeds $100,000, such Options shall be treated as Non-ISOs. The Fair Market Value of the Stock subject to any other option (determined as of the date such option was granted) which (1) satisfies the requirements of Section 422 of the Code and (2) is granted to an Employee under a plan maintained by the Company, a Subsidiary or a Parent Corporation shall be treated (for purposes of this $100,000 limitation) as if granted under this Plan. This $100,000 limitation shall be administered in accordance with the rules under Section 422(d) of the Code.

SECTION 8.
OPTION PRICE

The Option Price for each share of Stock subject to an Option shall be no less than the Fair Market Value of a share of Stock on the date the Option is granted; provided, however, if the Option is an ISO granted to a Ten Percent Shareholder, the Option Price for each share of Stock subject to such ISO shall be no less than 110% of the Fair Market Value of a share of Stock on the date such ISO is granted. The Option Price shall be payable in full upon the exercise of any Option and, at the discretion of the Committee, an Option Certificate can provide for the payment of the Option Price either in cash, by check, or in Stock acceptable to the Committee or in any combination of cash, check, and Stock acceptable to the Committee. Any payment made in Stock shall be treated as equal to the Fair Market Value of such Stock on the date the properly endorsed certificate for such Stock is delivered to the Committee or its delegate.

SECTION 9.
EXERCISE PERIOD

Each Option granted under this Plan to an Employee shall be exercisable in whole or in part at such time or times as set forth in the related Option Certificate, but no Option Certificate shall make an Option granted to an Employee exercisable before the last day of the six-month period which begins on the date such Option is granted or after the earlier of

(a) the date such Option is exercised in full,

(b) the date which is the fifth anniversary of the date the Option is granted, if the Option is an ISO and the Employee is a Ten Percent Shareholder on the date the Option is granted, or

(c) the date which is the tenth anniversary of the date the Option is granted, if the Option is (i) a Non-ISO or (ii) an ISO which is granted to an Employee who is not a Ten Percent Shareholder on the date the Option is granted.

An Option Certificate may provide for the exercise of an Option granted to an Employee after the employment of such Employee has terminated for any reason whatsoever, including death or disability.

SECTION 10.
TRANSFERABILITY

10.1. Except as otherwise set forth in this Section 10, no Option granted under this Plan shall be transferable by an Employee other than by will or by the laws of descent and distribution, and such Option shall be exercisable during the lifetime of an Employee only by such Employee. The person or persons to whom an Option is transferred by will or by the laws of descent and distribution thereafter shall be treated as the Employee under this Plan.

10.2. Upon the voluntary or involuntary termination of employment of an Employee for any reason, the Company shall repurchase, and such Employee or his legal representative shall sell, all, but not less than all, of the Employee's Option and Stock acquired pursuant to Options granted hereunder (to the extent that such Options are exercisable) pursuant to this Section 10; provided, however, that in the event that the Stock becomes publicly traded, any Stock then held by such terminated Employee shall not be subject to the provisions of this Section 10.2.

10.3. The price at which the Company shall purchase Options pursuant to Section 10.2 shall be equal to the difference between the Fair Market Value of the Stock on the effective date of the Employee's termination and the exercise price for the Options being purchased. The price at which the Company shall purchase shares of Stock held by the Employee pursuant to Section 10.2 shall be equal to the Fair Market Value of the shares of Stock held by the Employee as of the date of termination.

10.4. Within thirty (30) days of the date of the Employee's termination, the Company shall deliver to the terminated Employee a check in the amount of the purchase price for the Employee's Stock and Options. Upon payment by the Company of the purchase price for the Stock and Options, the terminated Employee or his or her legal representative shall relinquish all further right, title and interest in and to the Stock and Options and shall surrender and deliver to the Company all of the certificates representing such Stock, with appropriate endorsement thereon or duly executed stock powers. Such Stock and Options shall be free from liens, options, or encumbrances of any kind. Any Options purchased by the Company pursuant to Section 10.2 shall be cancelled and such options thereafter shall again become available for use under this Plan.

SECTION 11.
SECURITIES REGISTRATION

Each Option Certificate shall provide that, upon the receipt of shares of Stock as a result of the exercise of an Option, the Employee shall, if so requested by the Company, hold such shares of Stock for investment and not with a view to resale or distribution to the public and, if so requested by the Company, shall deliver to the Company a written statement satisfactory to the Company to that effect. Each Option Certificate also shall provide that, if so requested by the Company, the Employee shall make a written representation to the Company that he or she will not sell or offer to sell any of such Stock unless a registration statement shall be in effect with respect to such Stock under the Securities Act of 1933, as amended ("1933 Act") and any applicable state securities law or unless he or she shall have furnished to the Company an opinion, in form and substance satisfactory to the Company, of legal counsel acceptable to the Company, that such registration is not required. Certificates representing the Stock transferred upon the exercise of an Option granted under this Plan may at the discretion of the Company bear a legend to the effect that such Stock has not been registered under the 1933 Act or any applicable state securities law and that such Stock may not be sold or offered for sale in the absence of an effective registration statement as to such Stock under the 1933 Act and any applicable state securities law or an opinion, in form and substance satisfactory to the Company, of legal counsel acceptable to the Company, that such registration is not required.

SECTION 12.

LIFE OF PLAN

No Option shall be granted under this Plan on or after the earlier of

(1) the tenth anniversary of the effective date of this Plan (as determined under Section 4 of this Plan), in which event this Plan thereafter shall continue in effect until all outstanding Options have been exercised in full or no longer are exercisable, or

(2) the date on which all of the Stock reserved under Section 3 of this Plan has (as a result of the exercise of Options granted under this Plan) been issued or no longer is available for use under this Plan, in which event this Plan also shall terminate on such date.

SECTION 13.
ADJUSTMENT

The number of shares of Stock reserved under Section 3 of this Plan, the number of shares of Stock subject to Options granted under this Plan, and the Option Price of such Options shall be adjusted by the Committee in an equitable manner to reflect any change in the capitalization of the Company, including, but not limited to, such changes as stock dividends or stock splits. The Committee shall have the right to adjust (in a manner which satisfies the requirements of Section 424(a) of the Code) the number of shares of Stock reserved under Section 3 of this Plan, the number of shares of Stock subject to Options granted under this Plan, and the Option Price of such Options in the event of any corporate transaction described in Section 424(a) of the Code which provides for the substitution or assumption of Options. If any adjustment under this Section 13 would create a fractional share of Stock or a right to acquire a fractional share of Stock, such fractional share shall be disregarded and the number of shares of Stock reserved under this Plan and the number subject to any Options granted under this Plan shall be the next lower number of shares of Stock, rounding all fractions downward. An adjustment made under this Section 13 by the Committee shall be conclusive and binding on all affected persons.

SECTION 14.
SALE OR MERGER OR CHANGE IN CONTROL

14.1. Sale or Merger. If the Company agrees to sell all or substantially all of its assets for cash or property or for a combination of cash and property or agrees to any merger, consolidation, reorganization, division or other corporate transaction in which Stock is converted into another security or into the right to receive securities or property and such agreement does not provide for the assumption or substitution of the Options granted under this Plan, each Option granted to an Employee may, at the direction and discretion of the Committee, (a) be cancelled unilaterally by the Company (subject to such conditions, if any, as the Committee deems appropriate under the circumstances) in exchange for whole shares of Stock (and cash in lieu of a fractional share) the number of which, if any, shall be determined by the Committee on a date set by the Committee for this purpose by dividing (1) the excess of the then Fair Market Value of the Stock then subject to exercise under such Option (as determined without regard to any vesting schedule for such Option) over the Option Price of such Stock by (2) the then Fair Market Value of a share of such Stock, or (b) be cancelled unilaterally by the Company if the Option Price equals or exceeds the Fair Market Value of a share of Stock on such date.

14.2. Change in Control. If there is a Change in Control of the Company or a tender or exchange offer is made for Stock other than by the Company, the Committee thereafter shall have the right to take such action with respect to any unexercised Options granted to Employees, or all such Options, as the Committee deems appropriate under the circumstances to protect the interest of the Company in maintaining the integrity of such grants under this Plan, including following the procedures set forth in Section 14.1 for a sale or merger of the Company. The Committee shall have the right to take different action under this Section 14.2 with respect to different Employees or different groups of Employees, as the Committee deems appropriate under the circumstances. In no event, however, shall the Committee take any action under this Section 14.2 which would impair the rights of an Employee with respect to Options theretofore granted to such Employee or which would impair the value of such Options, without such Employee's consent.

SECTION 15.

AMENDMENT OR TERMINATION

This Plan may be amended by the Committee from time to time to the extent that the Committee deems necessary or appropriate; provided, however, that no amendment shall be made which would impair the rights of an Employee with respect to Options theretofore granted or which would impair the value of such Options, without such Employee's consent; and, provided further, that (a) no such amendment shall be made absent the approval of the shareholders of the Company required under Section 422 of the Code (1) to increase the number of shares of Stock reserved under Section 3, or (2) to change the class of employees eligible for Options under Section 6, (b) at such time as the Company becomes subject to the reporting requirements of Section 16(b) of the Exchange Act, the Committee shall, in accordance with Rule 16b-3, not amend this Plan absent the approval of the shareholders of the Company (1) to increase materially (within the meaning of Rule 16b-3) the benefits accruing to an Employee or Director under the Plan, (2) to increase materially (within the meaning of Rule 16b-3) the number of securities which may be issued under the Plan, or (3) otherwise modify materially (within the meaning of Rule 16b-3) the requirements as to eligibility for participation in the Plan, and (c) no provision of this Plan shall be amended more than once every six months if amending such provision would result in the loss of an exemption under Rule 16b-3. Any amendment which specifically applies to Non-ISOs shall not require shareholder approval unless such approval is necessary to comply with Section 16 of the Exchange Act. The Committee also may suspend the granting of Options under this Plan at any time and may terminate this Plan at any time; provided, however, the Committee shall not have the right unilaterally to modify, amend or cancel any Option granted before such suspension or termination unless (1) the Employee consents in writing to such modification, amendment or cancellation or (2) there is a dissolution or liquidation of the Company or a transaction described in Section 13 or Section 14 of this Plan.

SECTION 16.
MISCELLANEOUS

16.1. No Shareholder Rights. No Employee shall have any rights as a shareholder of the Company as a result of the grant of an Option to him or to her under this Plan or his or her exercise of such Option pending the actual delivery of Stock subject to such Option to such Employee.

16.2. No Contract of Employment. The grant of an Option to an Employee under this Plan shall not constitute a contract of employment and shall not confer on any Employee any rights upon his or her termination of employment in addition to those rights, if any, expressly set forth in the Option Certificate which evidences his or her Option.

16.3. Other Conditions. Each Option Certificate may require that an Employee (as a condition to the exercise of an Option) enter into any agreement or make such representations prepared by the Company, including any agreement which restricts the transfer of Stock acquired pursuant to the exercise of such Option or provides for the repurchase of such Stock by the Company under certain circumstances.

16.4. Withholding. The exercise of any Option granted under this Plan shall constitute full and complete consent by an Employee to whatever action the Committee deems necessary to satisfy the federal and state tax withholding requirements, if any, which the Committee acting in its discretion deems applicable to such exercise. The Committee also shall have the right to provide in an Option Certificate that an Employee may elect to satisfy federal and state withholding requirements through a reduction in the number of shares of Stock actually transferred to him or her under this Plan, and if the Employee is subject to the reporting requirements under Section 16 of the Exchange Act, any such election and any such reduction shall be effected so as to satisfy the conditions to the exemption under Rule 16b-3 under the Exchange Act.

16.5. Construction. This Plan shall be construed under the laws of the State of Alabama.

HIBBETT SPORTING GOODS, INC.

1996 STOCK OPTION PLAN

April 1, 1996

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HIBBETT SPORTING GOODS, INC.

1996 STOCK OPTION PLAN

SECTION 1.

PURPOSE

The purpose of this Plan is to promote the interests of the Company and its shareholders by granting Options to purchase Stock to Employees in order (1) to provide an additional incentive to each Employee to work to increase the value of the Company's stock, and (2) to provide each Employee with a stake in the future of the Company which corresponds to the stake of each of the Company's shareholders.

SECTION 2.
DEFINITIONS

Each term set forth in this Section 2 shall have the meaning set forth opposite such term for purposes of this Plan and, for purposes of such definitions, the singular shall include the plural and the plural shall include the singular.

2.1. Board -- means the Board of Directors of the Company or a Committee appointed by the Board of Directors of the Company.

2.2. Book Value Per Share -- means the quotient obtained by dividing

(x) the sum of

(A) $21,875,000 and

(B) the excess of

(I) retained earnings at the end of the month immediately preceding the date of termination of employment, determined on a consolidated basis for the Company and its subsidiaries by the Company (and its independent public accountants) based on the books and records of the Company and its subsidiaries and in accordance with generally accepted accounting practices applied on a consistent basis over

(II) the retained earnings reported on the "Pro Forma," as defined in the "Bank Credit Agreement," as defined in the Subordinated Notes, as defined in the Stockholders Agreement, dated as of November 1, 1995 by and among the SK Equity Fund, L.P., SK Investment Fund, L.P., the Company and the Stockholders listed therein

by

(y) 21,875,000.

Such denominator may be adjusted in the sole discretion of the Board for stock splits, reverse stock splits, stock dividends or other corporate transactions or events which in the sole discretion of the Board are determined to affect the shares of Common Stock. 2.3. Change in Control -- means (a) the

acquisition of the power to direct, or cause the direction of, the management and policies of the Company by a person (not previously possessing such power), acting alone or in conjunction with others, whether through the ownership of Stock, by contract or otherwise, or (b) the acquisition, directly or indirectly, of the power to vote more than 50% of the outstanding Stock by any person or by two or more persons acting together. For purposes of this definition, (1) the term "person" means a natural person, corporation, partnership, joint venture, trust, government or instrumentality of a government, and (2) customary agreements with or between underwriters and selling group members with respect to a bona fide public offering of Stock shall be disregarded.

2.4. Code -- means the Internal Revenue Code of 1986, as amended.

2.5. Committee -- means a committee appointed by the Board to administer this Plan which at all times shall consist of two or more members of the Board. At such time as the Company becomes subject to the reporting requirements under Section 16(b) of the Exchange Act, each member of the Committee shall be a "disinterested person" within the meaning of Rule 16b-3. The Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee shall be filled by the Board. The Committee shall select one of its members as Chairman and shall hold meetings at such times and places as it may determine.

2.6. Company -- means Hibbett Sporting Goods, Inc., an Alabama corporation, or any successor to such corporation, and its wholly owned subsidiaries.

2.7. Employee -- means any full-time employee of the Company who the Board, acting in its absolute discretion, has determined to be eligible for the grant of an Option under this Plan.

2.8. Exchange Act -- means the Securities Exchange Act of 1934, as amended.

2.9. Fair Market Value -- means the fair market value of a share of Stock as determined pursuant to a valuation or an appraisal of the Stock and its value per share which is prepared by a qualified independent public accountant or other person experienced in valuing closely held businesses and which is selected by the Board. Such valuation or appraisal shall be deemed to be the fair market value of the Stock and its value per share; provided, however, that the Board shall not be obligated to obtain more than one such independent valuation or appraisal in any calendar year; and, provided further, that if at any time the Stock is publicly traded on any exchange or in the over-the-counter market, the closing price on the date of determination for a share of Stock as reported by The Wall Street Journal or, if The Wall Street Journal does not report such closing price, such closing price as reported by a newspaper or trade journal selected by the Board, shall be the fair market value of a share of Stock.

2.10. ISO -- means an option granted under this Plan to purchase Stock which is intended by the Company to satisfy the requirements of Code Section 422.

2.11. Non-ISO -- means an option granted under this Plan to purchase Stock which is not intended by the Company to satisfy the requirements of Code Section 422.

2.12. Option -- means an ISO or a Non-ISO.

2.13. Option Agreement -- means the written agreement or instrument which sets forth the terms of an Option granted to an Employee under this Plan.

2.14. Option Price -- means the price which shall be paid to purchase one share of Stock upon the exercise of an Option granted under this Plan.

2.15. Parent Corporation -- means any corporation which is a parent of the Company within the meaning of Section 424(e) of the Code.

2.16. Plan -- means this Hibbett Sporting Goods, Inc. 1996 Stock Option Plan, as amended from time to time.

2.17. Rule 16b-3 -- means the exemption under Rule 16b-3 to Section 16(b) of the Exchange Act or any successor to such rule.

2.18. Stock -- means the $.01 par value common stock of the Company.

2.19. Subsidiary -- means a corporation which is a subsidiary corporation (within the meaning of Section 424(f) of the Code) of the Company.

2.20. Ten Percent Shareholder -- means a person who owns (after taking into account the attribution rules of Code Section 424(d)) more than

ten percent (10%) of the total combined voting power of all classes of stock of the Company.

SECTION 3.
SHARES RESERVED UNDER THE PLAN

There shall be 595,251 shares of Stock reserved for use under this Plan, and such shares of Stock shall be reserved to the extent that the Company deems appropriate from authorized but unissued shares of Stock and from shares of Stock which have been reacquired by the Company. Furthermore, any shares of Stock subject to an Option which remain unissued after the cancellation, expiration or exchange of such Option thereafter shall again become available for use under this Plan.

SECTION 4.
EFFECTIVE DATE

The effective date of this Plan shall be the date it is adopted by the Board, provided that the shareholders of the Company shall approve this Plan after the date of its adoption in accordance with Rule 16b-3 and, to the extent this Plan provides for the issuance of ISOs, the shareholders of the Company shall approve those portions of this Plan related to the granting of ISOs within twelve (12) months after the date of adoption. If any Options are granted under this Plan before the date of such shareholder approval, such Options automatically shall be granted subject to such approval.

SECTION 5.
ADMINISTRATION

This Plan shall be administered by the Board. The Board acting in its absolute discretion shall exercise such powers and take such action as expressly called for under this Plan and, further, the Board shall have the power to interpret this Plan and (in the event that the Company becomes subject to the reporting requirements of Section 16(b) of the Exchange Act, subject to Rule 16b-3) to take such other action (except to the extent the right to take such action is expressly and exclusively reserved for the Board or the Company's shareholders) in the administration and operation of this Plan as the Board deems equitable under the circumstances, which action shall be binding on the Company, on each affected Employee and on each other person directly or indirectly affected by such action.

Each member of the Board shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and upon any other information furnished in connection with the Plan by any person or persons other than such member. In no event shall any person who is or has been a member of the Board be liable for any determination made or other action taken by him or any failure by him to act in reliance upon any such report or information, if in good faith.

Neither the Board nor any member thereof shall be liable for any act, omission, interpretation, construction or determination made in connection with the Plan in good faith, and the members of the Board may be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including attorney's fees) arising therefrom to the full extent permitted by law and under any directors' and officers' liability insurance that may be in effect from time to time, in all events as a majority of the Board then in office may determine from time to time, as evidenced by a written resolution thereof. In addition, no member of the Board and no employee of the Company shall be liable for any act or failure to act hereunder, by any other member or other employee or by any agent to whom duties in connection with the administration of this Plan have been delegated or, for any act or failure to act by such member or employee, in all events except in circumstances involving such member's or employee's bad faith, gross negligence, intentional fraud or violation of a statute.

SECTION 6.
ELIGIBILITY

Only Employees shall be eligible for the grant of Options under this Plan.

SECTION 7.
GRANT OF OPTIONS

7.1. Board Action. The Board, acting in its absolute discretion, shall

have the right to grant Options to Employees under this Plan from time to time to purchase shares of Stock and, further, shall have the right to grant new Options in exchange for outstanding Options which have a higher or lower Option Price. Each grant of an Option to an Employee shall be evidenced by an Option Agreement, and each such Option Agreement shall (1) specify whether the Option is an ISO or Non-ISO and (2) incorporate such other terms and conditions as the Board, acting in its absolute discretion, deems consistent with the terms of this Plan, including (without limitation) a restriction on the number of shares of Stock subject to the Option which first become exercisable during any calendar year. If the Board grants an ISO and a Non-ISO to an Employee on the same date, the right of the Employee to exercise one such Option shall not be conditioned on his or her failure to exercise the other such Option.

7.2. $100,000 Limit. To the extent that the aggregate Fair Market Value of Stock (determined as of the date the ISO is granted) with respect to which ISOs first become exercisable in any calendar year exceeds $100,000, such Options shall be treated as Non-ISOs. The Fair Market Value of the Stock subject to any other option (determined as of the date such option was granted) which (1) satisfies the requirements of Section 422 of the Code and (2) is granted to an Employee under a plan maintained by the Company, a Subsidiary or a Parent Corporation shall be treated (for purposes of this $100,000 limitation) as if granted under this Plan. This $100,000 limitation shall be administered in accordance with the rules under Section 422(d) of the Code.

SECTION 8.
OPTION PRICE

The Option Price for each share of Stock subject to an Option shall be no less than the Fair Market Value of a share of Stock on the date the Option is granted; provided, however, if the Option is an ISO granted to a Ten Percent Shareholder, the Option Price for each share of Stock subject to such ISO shall be no less than 110% of the Fair Market Value of a share of Stock on the date such ISO is granted. The Option Price shall be payable in full upon the exercise of any Option and, at the discretion of the Board, an Option Agreement can provide for the payment of the Option Price either in cash, by check, or in Stock acceptable to the Board or in any combination of cash, check, and Stock acceptable to the Board. Any payment made in Stock shall be treated as equal to the Fair Market Value of such Stock on the date the properly endorsed certificate for such Stock is delivered to the Board or its delegate.

SECTION 9.
EXERCISE PERIOD

Each Option granted under this Plan to an Employee shall be exercisable in whole or in part at such time or times as set forth in the related Option Agreement, but no Option Agreement shall make an Option granted to an Employee exercisable before the last day of the six-month period which begins on the date such Option is granted or after the earlier of:

(a) the date which is the fifth anniversary of the date the Option is granted, if the Option is an ISO and the Employee is a Ten Percent Shareholder on the date the Option is granted; or

(b) the date which is the tenth anniversary of the date the Option is granted, if the Option is (i) a Non-ISO or (ii) an ISO which is granted to an Employee who is not a Ten Percent Shareholder on the date the Option is granted.

An Option Agreement may provide for the exercise of an Option granted to an Employee after the employment of such Employee has terminated for any reason whatsoever, including death or disability.

SECTION 10.
TRANSFERABILITY

10.1. Except as otherwise set forth in this Section 10, no Option granted under this Plan shall be transferable by an Employee other than by will or by the laws of descent and distribution, and such Option shall be exercisable during the lifetime of an Employee only by such Employee. The person or persons to whom an Option is transferred by will or by the laws of descent and distribution thereafter shall be treated as the Employee under this Plan.

10.2.(a) Upon the termination of employment of an Employee for any reason, the Company shall have the right and option to repurchase all, but not less than all, of the Employee's Options (to the extent that such Options are exercisable) and Stock acquired pursuant to Options granted hereunder pursuant to this Section 10. Such right and option shall be exercisable for a period of ninety (90) days following the date of termination.

(b) The price at which the Company shall purchase the Stock and Options of the terminated Employee pursuant to this Section 10 shall be as follows:

(1) For so long as the Company's Stock is not publicly traded:

(i) the price at which the Company shall purchase Options shall be equal to the difference between the Book Value Per Share of the Stock on the effective date of the Employee's termination and the exercise price for the Options being purchased; and

(ii) the price at which the Company shall purchase shares of Stock held by the Employee shall be equal to the Book Value Per Share of the shares of Stock held by the Employee as of the date of termination.

(2) In the event that the Company's Stock becomes publicly traded:

(i) the price at which the Company shall purchase Options shall be equal to the difference between the Fair Market Value of the Stock on the effective date of the Employee's termination and the exercise price for the Options being purchased; and

(ii) the price at which the Company shall purchase shares of Stock held by the Employee shall be equal to the Fair Market Value of the shares of Stock held by the Employee as of the date of termination.

(c) The closing of the purchase by the Company, if any, shall take place at the principal office of the Company on a date designated by the Company. The designated date shall not be more than thirty (30) days after the date on which the Company exercises its option to repurchase the shares of Stock owned by the Employee pursuant to this Section 10, unless the purchase price for the Stock has not yet been determined, in which case the closing shall occur not more than thirty (30) days following the determination of such purchase price. At closing, the Company shall deliver to the terminated Employee or his or her legal representative a check in the amount of the purchase price for the Employee's Stock and Options. Upon payment by the Company of the purchase price for the Stock and Options, the terminated Employee or his or her legal representative shall relinquish all further right, title and interest in and to the Stock and Options and shall surrender and deliver to the Company all of the certificates representing such Stock, with appropriate endorsement thereon or duly executed stock powers. Such Stock and Options shall be free from liens, options, or encumbrances of any kind. Any Options purchased by the Company pursuant to Section 10.2 shall be cancelled and such options thereafter shall again become available for use under this Plan.

(d) Subject to the provisions of this Plan and the Option Agreement relating to any Option granted hereunder, in the event that the Company fails to exercise its option to purchase the Stock of Optionee acquired pursuant to Options granted pursuant to this Plan as provided for in Section 10.2 hereof, the Employee shall thereafter be free to sell or otherwise dispose of some or all of such Stock.

10.3.(a) The Board shall impose such restrictions on any shares of Stock acquired pursuant to Options under the Plan as it may deem advisable, including, without limitation, the right of first refusal described below, restrictions under applicable federal securities law, restrictions imposed by any stock exchange upon which such shares of Stock may be listed, and restrictions under any blue sky or state securities laws applicable to such shares.

(b) If at any time during an Employee's lifetime, following the acquisition of Stock pursuant to the exercise of an Option granted under this Plan, the Employee shall desire to sell all or any part of the shares acquired by Employee pursuant to such Option, the Employee may sell the same only after offering it to the Company in the following manner:

(1) The Employee shall serve notice upon the Company stating that the Employee has received a bona fide offer for the sale of shares of the Stock and setting forth the following information: (i) the number of shares of the Employee's Stock proposed to be sold; (ii) the name and address of the person offering to purchase such Stock; and (iii) the sale price and terms of payment of such sale. Such notice shall also contain an offer by the Employee to sell such shares of the Stock to the Company at the price offered by such bona fide offeror.

(2) For a period of thirty (30) days after receipt of such notice, the Company shall have the right and option to purchase all or a portion of the shares of Stock so offered. If the Company fails to exercise such option with respect to all or a portion of such shares of Stock, the Employee shall be free to sell such remaining shares of Stock to the person named in the aforesaid notice at a price and upon the terms and conditions set forth in such notice; provided, however, that such disposition shall be made within thirty (30) days following the termination of the option of the Company to purchase such shares of Stock.

SECTION 11.
SECURITIES REGISTRATION

Each Option Agreement shall provide that, upon the receipt of shares of Stock as a result of the exercise of an Option, the Employee shall, if so requested by the Company, hold such shares of Stock for investment and not with a view to resale or distribution to the public and, if so requested by the Company, shall deliver to the Company a written statement satisfactory to the Company to that effect. Each Option Agreement also shall provide that, if so requested by the Company, the Employee shall make a written representation to the Company that he or she will not sell or offer to sell any of such Stock unless a registration statement shall be in effect with respect to such Stock under the Securities Act of 1933, as amended ("1933 Act") and any applicable state securities law or unless he or she shall have furnished to the Company an opinion, in form and substance satisfactory to the Company, of legal counsel acceptable to the Company, that such registration is not required. Certificates representing the Stock transferred upon the exercise of an Option granted under this Plan may at the discretion of the Company bear a legend to the effect that such Stock has not been registered under the 1933 Act or any applicable state securities law and that such Stock may not be sold or offered for sale in the absence of an effective registration statement as to such Stock under the 1933 Act and any applicable state securities law or an opinion, in form and substance satisfactory to the Company, of legal counsel acceptable to the Company, that such registration is not required.

SECTION 12.
LIFE OF PLAN

No Option shall be granted under this Plan on or after the earlier of

(1) the tenth anniversary of the effective date of this Plan (as determined under Section 4 of this Plan), in which event this Plan thereafter shall continue in effect until all outstanding Options have been exercised in full or no longer are exercisable, or

(2) the date on which all of the Stock reserved under Section 3 of this Plan has (as a result of the exercise of Options granted under this Plan) been issued or no longer is available for use under this Plan, in which event this Plan also shall terminate on such date.

SECTION 13.
ADJUSTMENT

The number of shares of Stock reserved under Section 3 of this Plan, the number of shares of Stock subject to Options granted under this Plan, and the Option Price of such Options shall be adjusted by the Board in an equitable manner to reflect any change in the capitalization of the Company, including, but not limited to, such changes as stock dividends or stock splits. The Board shall have the right to adjust (in a manner which satisfies the requirements of Section 424(a) of the Code) the number of shares of Stock reserved under Section 3 of this Plan, the number of shares of Stock subject to Options

granted under this Plan, and the Option Price of such Options in the event of any corporate transaction described in Section 424(a) of the Code which provides for the substitution or assumption of Options. If any adjustment under this Section 13 would create a fractional share of Stock or a right to acquire a fractional share of Stock, such fractional share shall be disregarded and the number of shares of Stock reserved under this Plan and the number subject to any Options granted under this Plan shall be the next lower number of shares of Stock, rounding all fractions downward. An adjustment made under this Section 13 by the Board shall be conclusive and binding on all affected persons.

SECTION 14.
SALE OR MERGER OR CHANGE IN CONTROL

14.1. Sale or Merger. If the Company agrees to sell all or substantially all of its assets for cash or property or for a combination of cash and property or agrees to any merger, consolidation, reorganization, division or other corporate transaction in which Stock is converted into another security or into the right to receive securities or property and such agreement does not provide for the assumption or substitution of the Options granted under this Plan, each Option granted to an Employee may, at the direction and discretion of the Board, (a) be cancelled unilaterally by the Company (subject to such conditions, if any, as the Board deems appropriate under the circumstances) in exchange for whole shares of Stock (and cash in lieu of a fractional share) the number of which, if any, shall be determined by the Board on a date set by the Board for this purpose by dividing (1) the excess of the then Fair Market Value of the Stock then subject to exercise under such Option (as determined without regard to any vesting schedule for such Option) over the Option Price of such Stock by (2) the then Fair Market Value of a share of such Stock, or (b) be cancelled unilaterally by the Company if the Option Price equals or exceeds the Fair Market Value of a share of Stock on such date.

14.2. Change in Control. If there is a Change in Control of the Company or a tender or exchange offer is made for Stock other than by the Company, the Board thereafter shall have the right to take such action with respect to any unexercised Options granted to Employees, or all such Options, as the Board deems appropriate under the circumstances to protect the interest of the Company in maintaining the integrity of such grants under this Plan, including following the procedures set forth in Section 14.1 for a sale or merger of the Company. The Board shall have the right to take different action under this Section 14.2 with respect to different Employees or different groups of Employees, as the Board deems appropriate under the circumstances. In no event, however, shall the Board take any action under this Section 14.2 which would impair the rights of an Employee with respect to Options theretofore granted to such Employee or which would impair the value of such Options, without such Employee's consent.

SECTION 15.
AMENDMENT OR TERMINATION

This Plan may be amended by the Board from time to time to the extent that the Board deems necessary or appropriate; provided, however, that no amendment shall be made which would impair the rights of an Employee with respect to Options theretofore granted or which would impair the value of such Options, without such Employee's consent; and, provided further, that (a) no such amendment shall be made absent the approval of the shareholders of the Company required under Section 422 of the Code (1) to increase the number of shares of Stock reserved under Section 3, or (2) to change the class of employees eligible for Options under Section 6, (b) at such time as the Company becomes subject to the reporting requirements of Section 16(b) of the Exchange Act, the Board shall, in accordance with Rule 16b-3, not amend this Plan absent the approval of the shareholders of the Company (1) to increase materially (within the meaning of Rule 16b-3) the benefits accruing to an Employee under the Plan, (2) to increase materially (within the meaning of Rule 16b-3) the number of securities which may be issued under the Plan, or (3) otherwise modify materially (within the meaning of Rule 16b-3) the requirements as to eligibility for participation in the Plan, and (c) no provision of this Plan shall be amended more than once every six months if

amending such provision would result in the loss of an exemption under Rule 16b-3. Any amendment which specifically applies to Non-ISOs shall not require shareholder approval unless such approval is necessary to comply with Section 16 of the Exchange Act. The Board also may suspend the granting of Options under this Plan at any time and may terminate this Plan at any time; provided, however, the Board shall not have the right unilaterally to modify, amend or cancel any Option granted before such suspension or termination unless (1) the Employee consents in writing to such modification, amendment or cancellation or (2) there is a dissolution or liquidation of the Company or a transaction described in Section 13 or Section 14 of this Plan.

SECTION 16.
MISCELLANEOUS

16.1. No Shareholder Rights. No Employee shall have any rights as a shareholder of the Company as a result of the grant of an Option to him or to her under this Plan or his or her exercise of such Option pending the actual issuance of Stock subject to such Option to such Employee.

16.2. No Contract of Employment. The grant of an Option to an Employee under this Plan shall not constitute a contract of employment and shall not confer on any Employee any rights upon his or her termination of employment in addition to those rights, if any, expressly set forth in the Option Agreement which evidences his or her Option.

16.3. Other Conditions. Each Option Agreement may require that an Employee (as a condition to the exercise of an Option) enter into any agreement or make such representations prepared by the Company, including any agreement which restricts the transfer of Stock acquired pursuant to the exercise of such Option or provides for the repurchase of such Stock by the Company under certain circumstances.

16.4. Withholding. The exercise of any Option granted under this Plan shall constitute full and complete consent by an Employee to whatever action the Board deems necessary to satisfy the federal and state tax withholding requirements, if any, which the Board acting in its discretion deems applicable to such exercise. The Board also shall have the right to provide in an Option Agreement that an Employee may elect to satisfy federal and state withholding requirements through a reduction in the number of shares of Stock actually transferred to him or her under this Plan, and if the Employee is subject to the reporting requirements under Section 16 of the Exchange Act, any such election and any such reduction shall be effected so as to satisfy the conditions to the exemption under Rule 16b-3 under the Exchange Act.

16.5. Construction. This Plan shall be construed under the laws of the State of Alabama.

LEASE AGREEMENT
by and between

QRS 12-14 (AL), INC.,
an Alabama corporation

as LANDLORD

and

SPORTS WHOLESALE, INC.,
an Alabama corporation,

as TENANT

Premises: Birmingham, Alabama

Dated as of: February 1, 1996

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EXHIBITS

Exhibit "A" - Premises
Exhibit "B" - Machinery and Equipment
Exhibit "C" - Schedule of Permitted Encumbrances
Exhibit "D" - Rent Schedule
Exhibit "E" - Lease Amendment Form

LEASE AGREEMENT, made as of this 1st day of February, 1996, between QRS 12-14 (AL), INC., an Alabama corporation ("Landlord"), with an address c/o W. P. Carey & Co., Inc., 50 Rockefeller Plaza, 2nd Floor, New York, New York 10020, and SPORTS WHOLESALE, INC. ("Tenant"), an Alabama corporation with an address at 451 Industrial Lane, Birmingham, Alabama 35211.

In consideration of the rents and provisions herein stipulated to be paid and performed, Landlord and Tenant hereby covenant and agree as follows:

1. Demise of Premises. Landlord hereby demises and lets to Tenant, and Tenant hereby takes and leases from Landlord, for the term and upon the provisions hereinafter specified, the following described property (collectively, the "Leased Premises"): (a) Landlord's interest (now or hereafter acquired) in the premises described in Exhibit "A" hereto, together with the Appurtenances (collectively, the "Land"); (b) the buildings, structures and other improvements now or hereafter constructed on the Land (collectively, the "Improvements"); and (c) the fixtures, machinery, equipment and other property described in Exhibit "B" hereto (collectively, the "Equipment").

2. Certain Definitions.

"Acquisition Cost" shall mean $4,700,000.

"Additional Rent" shall mean Additional Rent as defined in Paragraph 7.

"Alterations" shall mean all changes, additions, improvements or repairs to, all alterations, reconstructions, renewals, replacements or removals of and all substitutions or replacements for any of the Improvements or Equipment, both interior and exterior, structural and non-structural, and ordinary and extraordinary. Alterations shall exclude all trade fixtures and equipment which are not necessary to the operation, as buildings, of the buildings constituting the Leased Premises and which are readily removable from the Leased Premises without causing damage thereto.

"Applicable Initial Date" shall have the meaning assigned to such term in Paragraph 29.

"Appurtenances" shall mean all tenements, hereditaments, easements, rights-of-way, rights, privileges in and to the Land, including (a) easements over other lands granted by any Easement Agreement and (b) any streets, ways, alleys, vaults, gores or strips of land adjoining the Land.

"Assignment" shall mean any assignment of rents and leases from Landlord to a Lender which (a) encumbers any of the Leased Premises and (b) secures Landlord's obligation to repay a Loan, as the same may be amended, supplemented or modified from time to time.

"Basic Rent" shall mean Basic Rent as defined in Paragraph 6.

"Basic Rent Payment Dates" shall mean the Basic Rent Payment Dates as defined in Paragraph 6.

"Carey Entity" shall mean any Person set forth in subparagraphs (ii) through (iv) of Paragraph 30.

"Casualty" shall mean any loss of or damage to any property (including the Leased Premises) included within or related to the Leased Premises or arising from the Adjoining Property.

"City" shall mean the City of Birmingham, Alabama.

"Commencement Date" shall mean Commencement Date as defined in Paragraph 5.

"Condemnation" shall mean a Taking and/or a Requisition.

"Condemnation Notice" shall mean notice or knowledge of the institution of or intention to institute any proceeding for Condemnation.

"Costs" of a Person or associated with a specified transaction shall mean all reasonable out-of-pocket costs and expenses incurred by such Person or associated with such transaction, including without limitation attorneys' fees and expenses, court costs, brokerage fees, escrow fees, title insurance premiums, recording fees and transfer taxes, as the circumstances require.

"Covenants" shall mean the covenants and agreements described on Exhibit "A" to the Guaranty.

"CPI" shall mean CPI as defined in Exhibit "D" hereto.

"Default Termination Amount" shall mean the Default

Termination Amount as defined in Paragraph 23(a)(iii).

"Default Rate" shall mean the Default Rate as defined in Paragraph 7(a)(iv).

"Easement Agreement" shall mean any conditions, covenants, restrictions, easements, declarations, licenses and other agreements listed as Permitted Encumbrances or as may (if consented to by Tenant) hereafter affect the Leased Premises.

"Environmental Law" shall mean (i) whenever enacted or promulgated, any applicable federal, state, foreign and local law, statute, ordinance, rule, regulation, license, permit, authorization, approval, consent, court order, judgment, decree, injunction, code, requirement or agreement with any governmental entity, (x) relating to pollution (or the cleanup thereof), or the protection of air, water vapor, surface water, groundwater, drinking water supply, land (including land surface or subsurface), plant, aquatic and animal life from injury caused by a Hazardous Substance or (y) concerning exposure to, or the use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, handling, labeling, production, disposal or remediation of Hazardous Substances, Hazardous Conditions or Hazardous Activities, in each case as amended and as now or hereafter in effect, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations or injuries or damages due to or threatened as a result of the presence of, exposure to, or ingestion of, any Hazardous Substance. The term Environmental Law includes, without limitation, the federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the federal Water Pollution Control Act, the federal Clean Air Act, the federal Clean Water Act, the federal Resources Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments to RCRA), the federal Solid Waste Disposal Act, the federal Toxic Substance Control Act, the federal Insecticide, Fungicide and Rodenticide Act, the federal Occupational Safety and Health Act of 1970, the federal National Environmental Policy Act and the federal Hazardous Materials Transportation Act, each as amended and as now or hereafter in effect and any similar state or local Law.

"Environmental Violation" shall mean (a) any direct or indirect discharge, disposal, spillage, emission, escape, pumping, pouring, injection, leaching, release, seepage, filtration or transporting (arising due to any act or omission occurring prior to expiration or termination of this Lease) of any Hazardous Substance at, upon, under, onto or within the Leased Premises, or from the Leased Premises to the environment, in violation of any Environmental Law or in excess of any reportable quantity established under any Environmental Law or which would reasonably be expected to result in any liability to Landlord, Tenant, Lender, any Federal, state or local government or any other Person for the costs of any removal or remedial action or natural resources damage or for bodily injury or property damage, (b) any deposit, storage, dumping, placement or use (arising due to any act or omission occurring prior to expiration or termination of this Lease) of any Hazardous Substance at, upon, under or within the Leased Premises in violation of any Environmental Law or in excess of any reportable quantity established under any Environmental Law or which would reasonably be expected to result in any liability to any Federal, state or local government or to any other Person for the costs of any removal or remedial action or natural resources damage or for bodily injury or property damage, (c) the abandonment or discarding at any time prior to expiration or termination of the Term of any barrels, containers or other receptacles containing any Hazardous Substances in violation of any Environmental Laws, (d) any activity, occurrence or condition (arising due to any act or omission occurring prior to expiration or termination of this Lease) which would reasonably be expected to result in any liability, cost or expense to Landlord or Lender or any other owner or occupier of the Leased Premises, or which could reasonably be expected to result in a creation of a lien on the Leased Premises under any Environmental Law, or (e) any violation of or noncompliance with any Environmental Law (arising due to any act or

omission occurring prior to expiration or termination of this Lease).

"Equipment" shall mean the Equipment as defined in Paragraph 1.

"Expiration Date" shall mean the Expiration Date as defined in Paragraph 5(a).

"Event of Default" shall mean an Event of Default as defined in Paragraph 22(a).

"Fair Market Value" shall mean the fair market value of the Leased Premises as of the Relevant Date as affected and encumbered by this Lease. For all purposes of this Lease, Fair Market Value shall be determined in accordance with the procedure specified in Paragraph 29. Fair Market Value shall in no event be less than the Acquisition Cost.

"Fair Market Value Date" shall mean the date when the Fair Market Value is determined in accordance with Paragraph 29 following a Casualty, Condemnation or Event of Default, as applicable.

"Federal Funds" shall mean federal or other immediately available funds which at the time of payment are legal tender for the payment of public and private debts in the United States of America.

"Guarantor" shall mean Hibbett Sporting Goods, Inc., an Alabama corporation.

"Guaranty" shall mean the Guaranty and Suretyship Agreement dated the date hereof from Guarantor to Landlord, as the same hereafter be amended with Landlord's consent.

"Hazardous Activity" means any activity, process, procedure or undertaking which directly or indirectly (i) procures, generates or creates any Hazardous Substance; (ii) causes or results in (or threatens to cause or result in) the release, seepage, spill, leak, flow, discharge or emission of any Hazardous Substance into the environment (including the air, ground water, watercourses or water systems), (iii) involves the containment or storage of any Hazardous Substance; or (iv) would cause the Leased Premises or any portion thereof to become a hazardous waste treatment, recycling, reclamation, processing, storage or disposal facility within the meaning of any Environmental Law.

"Hazardous Condition" means any condition which would support any claim or liability under any Environmental Law, including the presence of underground storage tanks.

"Hazardous Substance" means (i) any substance, material, product, petroleum, petroleum product, derivative, compound or mixture, mineral (including asbestos), chemical, gas, medical waste, or other pollutant, in each case whether naturally occurring, man-made or the by-product of any process, that is toxic, harmful or hazardous or acutely hazardous to the environment or public health or safety or (ii) any substance supporting a claim under any Environmental Law, whether or not defined as hazardous as such under any Environmental Law. Hazardous Substances include, without limitation, any toxic or hazardous waste, pollutant, contaminant, industrial waste, petroleum or petroleum-derived substances or waste, radon, radioactive materials, asbestos, asbestos containing materials, urea formaldehyde foam insulation, lead and polychlorinated biphenyl's.

"Impositions" shall mean the Impositions as defined in Paragraph 9(a).

"Improvements" shall mean the Improvements as defined in Paragraph 1.

"Indemnitee" shall mean an Indemnitee as defined in Paragraph 15.

"Insurance Requirements" shall mean the requirements of all insurance policies required to be maintained in accordance with this Lease.

"Land" shall mean the Land as defined in Paragraph 1.

"Law" shall mean any constitution, statute, rule of law, code, ordinance, order, judgment, decree, injunction, rule, regulation, requirement or administrative or judicial determination, even if unforeseen or extraordinary, of every duly constituted governmental authority, court or agency, now or hereafter enacted or in effect.

"Lease" shall mean this Lease Agreement.

"Lease Year" shall mean, with respect to the first Lease Year, the period commencing on the Commencement Date and ending at midnight on the last day of the twelfth (12th) consecutive calendar month following the month in which the Commencement Date occurred, and each succeeding twelve (12) month period during the Term.

"Leased Premises" shall mean the Leased Premises as defined in Paragraph 1.

"Legal Requirements" shall mean the requirements of all present and future Laws (including but not limited to Environmental Laws and Laws relating to accessibility to, usability by, and discrimination against, disabled individuals) and all covenants, restrictions and conditions now or hereafter of record which may be applicable to Tenant or to any of the Leased Premises, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, repair or restoration of any of the Leased Premises, even if compliance therewith necessitates structural changes or improvements or results in interference with the use or enjoyment of any of the Leased Premises.

"Lender" shall mean any person or entity (and their respective successors and assigns) which may, after the date hereof, make a Loan to Landlord or is the holder of any Note.

"Loan" shall mean any loan made by one or more Lenders to Landlord, which loan is secured by a Mortgage and an Assignment and evidenced by a Note. For purposes of this Lease, if at any time there is more than one Loan then "Loan" shall mean the Loan secured by a Mortgage having the most senior lien priority.

"Major Alterations" shall have the meaning assigned to such term in paragraph 36 of this Agreement.

"Monetary Obligations" shall mean Rent and all other sums payable by Tenant under this Lease to Landlord, to any third party on behalf of Landlord or to any Indemnitee.

"Mortgage" shall mean any mortgage or deed of trust from Landlord to a Lender which (a) encumbers any of the Leased Premises and (b) secures Landlord's obligation to repay a Loan, as the same may be amended, supplemented or modified.

"Net Award" shall mean (a) the entire award payable to Landlord or Lender by reason of a Condemnation whether pursuant to a judgment or by agreement or otherwise with respect to the fee interest in the Leased Premises not reduced by any award for the leasehold estate, or (b) the entire proceeds of any insurance required under clauses (i), (ii) (to the extent payable to Landlord or Lender), (iv), (v) or (vi) of Paragraph 16(a), as the case may be, less any expenses incurred by Landlord and Lender in collecting such award or proceeds.

"Note" shall mean any promissory note evidencing

Landlord's obligation to repay a Loan, as the same may be amended, supplemented or modified.

"Partial Casualty" shall mean any Casualty which does not constitute a Termination Event.

"Partial Condemnation" shall mean any Condemnation which does not constitute a Termination Event.

"Permitted Encumbrances" shall mean those covenants, restrictions, reservations, liens, conditions and easements and other encumbrances, other than any Mortgage or Assignment, listed on Exhibit "C" hereto (but such listing shall not be deemed to revive any such encumbrances that have expired or terminated or are otherwise invalid or unenforceable).

"Permitted Transfer" shall mean a Permitted Transfer as defined in Exhibit A to the Guaranty.

"Person" shall mean an individual, partnership, association, corporation or other entity.

"Prepayment Premium" shall mean any payment (other than a payment of principal and/or interest which Landlord is required to make under a Note or a Mortgage) by reason of any prepayment by Landlord of any principal due under a Note or Mortgage, and which may be (in lieu of such prepayment premium or prepayment penalty) a "make whole" clause requiring a prepayment premium in an amount sufficient to compensate the Lender for the loss of the benefit of the Loan due to a prepayment. Upon request of Tenant, Landlord will provide to Tenant documentation setting forth the Prepayment Premium calculation.

"Present Value" of any amount shall mean such amount discounted to present value at a rate per annum equal to 9%.

"Prime Rate" shall mean the annual interest rate as published, from time to time, in the Wall Street Journal as the "Prime Rate" in its column entitled "Money Rate". The Prime Rate may not be the lowest rate of interest charged by any "large U.S. money center commercial banks" and Landlord makes no representations or warranties to that effect. In the event the Wall Street Journal ceases publication or ceases to publish the "Prime Rate" as described above, the Prime Rate shall be the average per annum discount rate (the "Discount Rate") on ninety-one (91) day bills ("Treasury Bills") issued from time to time by the United States Treasury at its most recent auction, plus three hundred (300) basis points. If no such 91-day Treasury Bills are then being issued, the Discount Rate shall be the discount rate on Treasury Bills then being issued for the period of time closest to ninety-one (91) days.

"Purchase Agreement" shall mean the Purchase Agreement dated the date hereof between Landlord and Guarantor, as the same may hereafter be amended with Landlord's written consent.

"Relevant Amount" shall mean the Termination Amount or the Default Termination Amount, as the case may be.

"Relevant Date" shall mean (a) the date immediately prior to the date on which the applicable Condemnation Notice is received, in the event of a Termination Notice under Paragraph 18 which is occasioned by a Taking, (b) the date immediately prior to the date on which the applicable Casualty occurs, in the event of a Termination Notice under Paragraph 18 which is occasioned by a Casualty, (c) the date when Fair Market Value is redetermined, in the event of a redetermination of Fair Market Value pursuant to Paragraph 20(c), or (d) the date immediately prior to the Event of Default giving rise to the need to determine Fair Market Value in the event Landlord provides Tenant with notice of its intention to require Tenant to make a termination offer under Paragraph 23(a)(iii).

"Remaining Sum" shall mean Remaining Sum as defined in Paragraph 19(c).

"Renewal Date" shall mean the Renewal Date as defined in Paragraph 5(b).

"Rent" shall mean, collectively, Basic Rent and Additional Rent.

"Requisition" shall mean any temporary requisition or confiscation of the use or occupancy of any of the Leased Premises by any governmental authority, civil or military, whether pursuant to an agreement with such governmental authority in settlement of or under threat of any such requisition or confiscation, or otherwise.

"Retention Date" shall mean the later of the date on which the amount of the Remaining Sum is finally determined or the date on which Landlord's right to the Remaining Sum is finally determined.

"Sale Contract" shall have the meaning assigned to such term in Paragraph 35.

"Site Assessment" shall mean a Site Assessment as defined in Paragraph 10(c).

"State" shall mean the State of Alabama.

"Surviving Obligations" shall mean any obligations of Tenant under this Lease, actual or contingent, which arise on or prior to the expiration or prior termination of this Lease or which survive such expiration or termination by their own terms.

"Taking" shall mean (a) any taking or damaging of all or a portion of any of the Leased Premises (i) in or by condemnation or other eminent domain proceedings pursuant to any Law, general or special, or (ii) by reason of any agreement with any condemnor in settlement of or under threat of any such condemnation or other eminent domain proceeding, or (iii) by any other means, or (b) any de facto condemnation. The Taking shall be considered to have taken place as of the later of the date actual physical possession is taken by the condemnor, or the date on which the right to compensation and damages accrues under the law applicable to the Leased Premises.

"Term" shall mean the Term as defined in Paragraph 5.

"Termination Amount" shall mean the greater of (a) Fair Market Value or (b) the sum of the Acquisition Cost and any Prepayment Premium which Landlord will be required to pay in prepaying any Loan with proceeds of the Termination Amount.

"Termination Date" shall mean Termination Date as defined in Paragraph 18(b).

"Termination Event" shall mean a Termination Event as defined in Paragraph 18(a).

"Termination Notice" shall mean Termination Notice as defined in Paragraph 18(a).

"Third Party Purchaser" shall have the meaning assigned to such term in Paragraph 21(f).

"Transfer Agreement" shall mean the Agreement dated as of the date hereof among Landlord, Tenant, the City and Lawyers Title Insurance Corporation.

3. Title and Condition.

(a) The Leased Premises are demised and let subject

to (i) the rights of any Persons in possession of the Leased Premises, (ii) the existing state of title of any of the Leased Premises, including any Permitted Encumbrances, (iii) any state of facts which an accurate survey or physical inspection of the Leased Premises might show, (iv) all Legal Requirements, including any existing violation of any thereof, and (v) the condition of the Leased Premises as of the commencement of the Term, without representation or warranty by Landlord. Tenant acknowledges that Landlord presently owns only an equitable or beneficial interest in the Leased Premises a more particularly described in the Transfer Agreement.

(b) Tenant acknowledges that the Leased Premises is in good condition and repair at the inception of this Lease. LANDLORD LEASES AND TENANT TAKES THE LEASED PREMISES AS IS. TENANT ACKNOWLEDGES THAT LANDLORD (WHETHER ACTING AS LANDLORD HEREUNDER OR IN ANY OTHER CAPACITY) HAS NOT MADE AND WILL NOT MAKE, NOR SHALL LANDLORD BE DEEMED TO HAVE MADE, ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO ANY OF THE LEASED PREMISES, INCLUDING ANY WARRANTY OR REPRESENTATION AS TO (i) ITS FITNESS, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE, (ii) THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, (iii) THE EXISTENCE OF ANY DEFECT, LATENT OR PATENT, (iv) LANDLORD'S TITLE THERETO, (v) VALUE, (vi) COMPLIANCE WITH SPECIFICATIONS, (vii) LOCATION, (viii) USE, (ix) CONDITION, (x) MERCHANTABILITY, (xi) QUALITY, (xii) DESCRIPTION, (xiii) DURABILITY (xiv) OPERATION (xv) THE EXISTENCE OF ANY HAZARDOUS SUBSTANCE, HAZARDOUS CONDITION OR HAZARDOUS ACTIVITY OR (xvi) COMPLIANCE OF THE LEASED PREMISES WITH ANY LAW OR LEGAL REQUIREMENT; AND ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY TENANT. TENANT ACKNOWLEDGES THAT THE LEASED PREMISES IS OF ITS SELECTION AND TO ITS SPECIFICATIONS AND THAT THE LEASED PREMISES HAS BEEN INSPECTED BY TENANT AND IS SATISFACTORY TO IT. IN THE EVENT OF ANY DEFECT OR DEFICIENCY IN ANY OF THE LEASED PREMISES OF ANY NATURE, WHETHER LATENT OR PATENT, LANDLORD SHALL NOT HAVE ANY RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO OR FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT LIABILITY IN TORT). THE PROVISIONS OF THIS PARAGRAPH 3(b) HAVE BEEN NEGOTIATED, AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES BY LANDLORD, EXPRESS OR IMPLIED, WITH RESPECT TO ANY OF THE LEASED PREMISES, ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT OR ARISING OTHERWISE.

(c) Tenant represents to Landlord that Tenant has examined the title to the Leased Premises prior to the execution and delivery of this Lease and has found the same to be satisfactory for the purposes contemplated hereby. Tenant acknowledges that (i) equitable title to the Leased Premises is in Landlord as described in the Transfer Agreement and that Tenant has only the leasehold right of possession and use of Landlord's interest in the Leased Premises as provided herein, (ii) the Improvements conform to all material Legal Requirements and all Insurance Requirements, (iii) all easements necessary or appropriate for the use or operation of the Leased Premises have been obtained, (iv) all contractors and subcontractors who have performed work on or supplied materials to the Leased Premises have been fully paid, and all materials and supplies have been fully paid for, except as set forth in the Seller/Lessee's Certificate from Tenant to Landlord dated the date hereof, (v) the Improvements have been fully completed in all material respects in a workmanlike manner of first class quality, and (vi) all Equipment necessary or appropriate for the use or operation of the Leased Premises has been installed and is presently fully operative in all material respects.

(d) Landlord hereby assigns to Tenant, without recourse or warranty whatsoever, all warranties, guaranties, indemnities and similar rights which Landlord may have against any manufacturer, seller, engineer, contractor or builder in respect of any of the Leased Premises. Such assignment shall remain in effect until an Event of Default occurs or until the expiration or earlier termination of this Lease, whereupon such assignment shall cease and all of said warranties, guaranties, indemnities and other rights shall automatically revert to Landlord (it being understood, however, that if the Lease terminates as a result of the purchase of the Leased Premises by Tenant, such assignment shall remain in effect and all of said warranties, guaranties, indemnities and other rights shall remain with Tenant).

(e) Tenant covenants that it will not interfere with any rights of Landlord under the Transfer Agreement and will not take any action which would cause the City to fail to convey the Leased Premises to Landlord.

4. Use of Leased Premises; Quiet Enjoyment.

(a) Tenant may occupy and use the Leased Premises for a distribution center and office facilities and for no other purpose unless consented to by Landlord, which consent shall not be unreasonably withheld so long as the primary use of the Leased Premises is not a hotel, restaurant, health care facility, heavy manufacturing facility, or a facility used to store Hazardous Substances. Tenant shall not use or occupy or permit any of the Leased Premises to be used or occupied, nor do or permit anything to be done in or on any of the Leased Premises, in a manner which would (i) violate any Law or Legal Requirement, (ii) make void or voidable or cause any insurer to cancel any insurance required by this Lease, or make it difficult or impossible to obtain any such insurance at commercially reasonable rates, (iii) cause structural injury to any of the Improvements or (iv) constitute a public or private nuisance or waste.

(b) Subject to the provisions hereof, so long as no Event of Default has occurred and is continuing, Tenant shall quietly hold, occupy and enjoy the Leased Premises throughout the Term, without any hindrance, ejection or molestation by Landlord provided that Landlord or its agents may enter upon and examine any of the Leased Premises at such reasonable times and intervals as Landlord may select and upon reasonable notice to Tenant (except in the case of an emergency, in which no notice shall be required) for the purpose of inspecting the Leased Premises, verifying compliance or non-compliance by Tenant with its obligations hereunder and the existence or non-existence of an Event of Default or event which with the passage of time and/or notice would constitute an Event of Default, showing the Leased Premises to prospective Lenders and purchasers and taking such other action with respect to the Leased Premises as is permitted by any provision hereof, subject to Paragraph 37(j).

5. Term.

(a) Subject to the provisions hereof, Tenant shall have and hold the Leased Premises for an initial term (such term, as extended or renewed in accordance with the provisions hereof, being called the "Term") commencing on the date hereof (the "Commencement Date") and ending on the last day of the 180th calendar month next following the date hereof (the "Expiration Date").

(b) Provided that if, on or prior to the Expiration Date or any other Renewal Date (as hereinafter defined) this Lease shall not have been terminated pursuant to any provision hereof, then on the Expiration Date and on the fifth (5th) and tenth (10th) anniversaries of the Expiration Date (the Expiration Date and each such anniversary being a "Renewal Date"), the Term shall be deemed to have been automatically extended for an additional period of five (5) years, unless Tenant shall notify Landlord in writing in recordable form at least nine (9) months prior to the next Renewal Date that Tenant is terminating this Lease as of the next Renewal Date. Any such extension of the Term shall be subject to all of the provisions of this Lease, as the same may be amended, supplemented or modified.

(c) If Tenant exercises its option not to extend or further extend the Term, or if an Event of Default occurs and is continuing, then Landlord shall have the right during the remainder of the Term then in effect and, in any event, Landlord shall have the right during the last year of the Term, to (i) advertise the availability of the Leased Premises for sale or reletting and to erect upon the Leased Premises signs indicating such availability and (ii) show the Leased Premises to prospective purchasers or tenants or their agents at such reasonable times and upon reasonable notice to Tenant as Landlord may select, subject to Paragraph 37(j).

6. Basic Rent. Tenant shall pay to Landlord, as annual

rent for the Leased Premises during the Term, the amounts determined in accordance with Exhibit "D" hereto ("Basic Rent"). Basic Rent shall be payable in quarterly installments, in advance commencing on April 1, 1996 and continuing on each July 1, October 1, January 1 and April 1 thereafter (each such day being a "Basic Rent Payment Date"), except that Basic Rent for the period between the date hereof and April 1, 1996 shall be prorated and paid in advance on the date hereof. Each such rental payment shall be made, at Landlord's sole discretion, (a) to Landlord at its address set forth above and/or to such one or more other Persons (not more than two), at such addresses and in such proportions as Landlord may direct by fifteen (15) days' prior written notice to Tenant (in which event Tenant shall give Landlord notice of each such payment concurrent with the making thereof), and (b) by a check hand delivered at least five (5) business days before or mailed at least ten (10) days before the applicable Basic Rent Payment Date, or in Federal Funds.

7. Additional Rent.

(a) Tenant shall pay and discharge, as additional rent (collectively, "Additional Rent"):

(i) except as otherwise specifically provided herein, all Costs of Tenant, Landlord and any Carey Entity which are incurred in connection or associated with (A) the ownership, use, non-use, occupancy, possession, operation, condition, design, construction, maintenance, alteration, repair or restoration of any of the Leased Premises, (B) the performance of any of Tenant's obligations under this Lease, (C) any sale or other transfer of any of the Leased Premises to Tenant under this Lease, (D) any Condemnation proceedings, (E) the adjustment, settlement or compromise of any insurance claims involving or arising from any of the Leased Premises, (F) the prosecution, defense or settlement of any litigation involving or arising from any of the Leased Premises, this Lease, or the sale of the Leased Premises to Landlord, (G) the exercise or enforcement by Landlord, its successors and assigns, of any of its rights under this Lease, (H) any amendment to or modification or termination of this Lease made at the request of Tenant, (I) Costs of Landlord's counsel and reasonable internal Costs of Landlord incurred in connection with any act undertaken by Landlord (or its counsel) at the request of Tenant, or incurred in connection with any act of Landlord performed on behalf of Tenant during continuance of an Event of Default, or incurred by Landlord (or its counsel) pursuant to the Transfer Agreement and (J) any other items specifically required to be paid by Tenant under this Lease;

(ii) after the date all or any portion of any installment of Basic Rent is due and not paid, an amount equal to five percent (5%) of the amount of such unpaid installment or portion thereof, but Landlord shall not impose such late charge unless Basic Rent has not been paid within five days when due at least three times during the Lease term;

(iii) a sum equal to any additional sums (including any late charge, default penalties, interest and fees of Lender's counsel but excluding any principal of a Loan) which are payable by Landlord to any Lender under any Note by reason of Tenant's late payment or non-payment of Basic Rent or by reason of an Event of Default; and

(iv) interest at the rate (the "Default Rate") of five percent (5%) over the Prime Rate per annum on the following sums until paid in full: (A) all overdue installments of Basic Rent from the respective due dates thereof, (B) all overdue amounts of Additional Rent relating to obligations which Landlord shall have paid on behalf of Tenant, from the date of payment thereof by Landlord, and (C) all other overdue amounts of Additional Rent, within 5 days following written demand from Landlord to Tenant for payment of such amount.

(b) Tenant shall pay and discharge (i) any Additional Rent referred to in Paragraph 7(a)(i) when the same shall become due, provided that amounts which are billed to Landlord or any third party, but not to Tenant, shall be paid within five (5) business days after receipt by Tenant of Landlord's written demand for payment thereof, and (ii) any other

Additional Rent, within five (5) days after receipt by Tenant of Landlord's written demand for payment thereof.

(c) In no event shall amounts payable under Paragraph 7(a)(ii), (iii) and (iv) exceed the maximum amount permitted by applicable Law.

(d) Notwithstanding the foregoing, Tenant shall not be responsible for payment of any Costs of Landlord or any Carey Entity which result from acts of Landlord or any Carey Entity constituting gross negligence, willful misconduct or Landlord's breach of this Lease.

8. Net Lease; Non-Terminability.

(a) This is a net lease and all Monetary Obligations shall be paid without notice or demand and without set-off, counterclaim, recoupment, abatement, suspension, deferment, diminution, deduction, reduction or defense (collectively, a "Set-Off").

(b) Except as otherwise expressly provided herein, this Lease and the rights of Landlord and the obligations of Tenant hereunder shall not be affected by any event or for any reason, including the following: (i) any damage to or theft, loss or destruction of any of the Leased Premises, (ii) any Condemnation, (iii) Tenant's acquisition of ownership of any of the Leased Premises other than pursuant to an express provision of this Lease, (iv) any default on the part of Landlord hereunder or under any Note, Mortgage, Assignment or any other agreement, (v) any latent or other defect in any of the Leased Premises, (vi) the breach of any warranty of any seller or manufacturer of any of the Equipment, (vii) any violation of any provision of this Lease by Landlord, (viii) the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution or winding-up of, or other proceeding affecting Landlord, (ix) the exercise of any remedy, including foreclosure, under any Mortgage or Assignment, (x) any action with respect to this Lease (including the disaffirmance hereof) which may be taken by Landlord, any trustee, receiver or liquidator of Landlord or any court under the Federal Bankruptcy Code or otherwise, (xi) any interference with Tenant's use of the Leased Premises, (xii) market or economic changes or (xiii) any other cause, whether similar or dissimilar to the foregoing, any present or future Law to the contrary notwithstanding. Nothing herein shall, however, prevent Tenant from seeking injunctive relief or damages against Landlord if Landlord breaches its obligations under Paragraph 4(b).

(c) The obligations of Tenant hereunder shall be separate and independent covenants and agreements, all Monetary Obligations shall continue to be payable in all events (or, in lieu thereof, Tenant shall pay amounts equal thereto), and the obligations of Tenant hereunder shall continue unaffected unless the requirement to pay or perform the same shall have been terminated pursuant to an express provision of this Lease. The obligation to pay Rent or amounts equal thereto shall not be affected by any collection of rents by any governmental body pursuant to a tax lien or otherwise resulting from Tenant's failure to pay any Imposition, even though such obligation results in a double payment of Rent. All Rent payable by Tenant hereunder shall constitute "rent" for all purposes (including Section 502(b)(6) of the Bankruptcy Code).

(d) Except as otherwise expressly provided herein, Tenant shall have no right and hereby waives all rights which it may have under any Law (to the extent permitted by applicable law) (i) to quit, terminate or surrender this Lease or any of the Leased Premises, or (ii) to any Set-Off of any Monetary Obligations.

9. Payment of Impositions.

(a) Tenant shall, before interest or penalties are due thereon, pay and discharge all taxes (including real and personal property, franchise, sales, use or rent taxes), all charges for any easement or agreement maintained for the benefit of any of the Leased Premises, all assessments and levies, all permit, inspection and license fees, all rents and

charges for water, sewer, utility and communication services relating to the any of Leased Premises, all ground rents and all other public charges whether of a like or different nature, even if unforeseen or extraordinary, imposed upon or assessed against (i) Tenant, (ii) Tenant's leasehold interest in the Leased Premises, (iii) any of the Leased Premises, (iv) Landlord as a result of or arising in respect of the acquisition, ownership, occupancy, leasing, use, possession or sale of any of the Leased Premises, any activity conducted on any of the Leased Premises, or the Rent, or (v) any Lender by reason of any Note, Mortgage, Assignment or other document evidencing or securing a Loan and which (as to this clause (v)) Landlord has agreed to pay (collectively, the "Impositions"); provided, that nothing herein shall obligate Tenant to pay (A) income, excess profits or other taxes of Landlord (or Lender) which are determined on the basis of Landlord's (or Lender's) net income or net worth (unless such taxes are in lieu of or a substitute for any other tax, assessment or other charge upon or with respect to the Leased Premises which, if it were in effect, would be payable by Tenant under the provisions hereof or by the terms of such tax, assessment or other charge), (B) any estate, inheritance, succession, gift or similar tax imposed on Landlord, or (C) any tax imposed on Landlord in connection with the sale of the Leased Premises to any Person (excluding transfer or recording taxes payable in connection with a sale to Tenant of the Leased Premises, which taxes shall be paid by Tenant). If any Imposition may be paid in installments without interest or penalty, Tenant shall have the option to pay such Imposition in installments; in such event, Tenant shall be liable only for those installments which accrue or become due and payable during the Term. Tenant shall prepare and file all tax reports required by governmental authorities which relate to the Impositions. Tenant shall deliver to Landlord (1) copies of all settlements and notices pertaining to the Impositions which may be issued by any governmental authority within ten (10) days after Tenant's receipt thereof, (2) receipts for payment of all taxes required to be paid by Tenant hereunder within thirty (30) days after the due date thereof and (3) receipts for payment of all other Impositions within ten (10) days after Landlord's request therefor.

Notwithstanding any provision herein to the contrary, the Tenant shall be entitled to the benefits of all tax abatements and other incentives available with respect to the Leased Premises, and the Landlord agrees to cooperate with the Tenant, at Tenant's expense, in connection with any filing, report, application or similar action taken by Tenant related thereto.

(b) Landlord shall have the right at any time (but only if a Lender so requires or if an Event of Default has occurred and is continuing) to require Tenant to pay to Landlord an additional monthly sum (each an "Escrow Payment") sufficient to pay the Escrow Charges (as hereinafter defined) as they become due. As used herein, "Escrow Charges" shall mean real estate taxes on the Leased Premises or payments in lieu thereof and premiums on any insurance required by this Lease. Landlord shall determine the amount of the Escrow Charges and of each Escrow Payment. As long as the Escrow Payments are being held by Landlord the Escrow Payments shall not be commingled with other funds of Landlord or other Persons and interest thereon shall accrue for the benefit of Tenant from the date such monies are received and invested until the date such monies are disbursed to pay Escrow Charges. Landlord shall apply the Escrow Payments to the payment of the Escrow Charges in such order or priority as Landlord shall determine or as required by law. If at any time the Escrow Payments theretofore paid to Landlord shall be insufficient for the payment of the Escrow Charges, Tenant, within ten (10) days after Landlord's demand therefor, shall pay the amount of the deficiency to Landlord.

10. Compliance with Laws and Easement Agreements; Environmental Matters.

(a) Tenant shall, at its expense, comply with and conform to, and cause any other Person occupying any part of the Leased Premises to comply with and conform to, all Insurance Requirements and Legal Requirements (including all applicable Environmental Laws). Subject to Paragraph 10(g), Tenant shall not at any time (i) cause, permit or suffer to occur any Environmental Violation or (ii) permit any sublessee, assignee or

other Person occupying the Leased Premises under or through Tenant to cause, permit or suffer to occur any Environmental Violation.

(b) Tenant, at its sole cost and expense, will at all times promptly and faithfully abide by, discharge and perform all of the covenants, conditions and agreements contained in any Easement Agreement on the part of Landlord or the occupier to be kept and performed thereunder. Tenant will not alter, modify, amend or terminate any Easement Agreement, give any consent or approval thereunder, or enter into any new Easement Agreement without, in each case, the prior written consent of Landlord.

(c) Not more frequently then once every year and at any other time that, in the opinion of Landlord or Lender, a reasonable basis exists to believe that an Environmental Violation exists, and upon prior written notice from Landlord, Tenant shall permit such persons as Landlord may designate ("Site Reviewers") to visit the Leased Premises and perform, as agents of Tenant, environmental site investigations and assessments ("Site Assessments") on the Leased Premises for the purpose of determining whether there exists on the Leased Premises any Environmental Violation or any condition which is reasonably likely to result in any Environmental Violation. Such Site Assessments may include both above and below the ground testing for Environmental Violations and such other tests as may be necessary, in the opinion of the Site Reviewers, to conduct the Site Assessments. Tenant shall supply to the Site Reviewers such available or existing historical and operational information regarding the Leased Premises as may be reasonably requested by the Site Reviewers to facilitate the Site Assessments, and shall make available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. The cost of performing and reporting any Site Assessments shall be paid by Tenant (a) once every three years, or (b) not more than once per year if a Lender so requests, or (c) if the Site Assessment discloses an Environmental Violation or any condition which is reasonably likely to result in an Environmental Violation.

(d) If an Environmental Violation occurs or is found to exist and, in Landlord's reasonable judgment, the cost of remediation of the same is likely to exceed $150,000, Tenant shall provide to Landlord, within ten (10) days after Landlord's request therefor, adequate financial assurances that Tenant will effect such remediation in accordance with applicable Environmental Laws. Such financial assurances shall be a bond or letter of credit reasonably satisfactory to Landlord in form and substance and in an amount equal to or greater than Landlord's reasonable estimate, based upon a Site Assessment performed pursuant to Paragraph 10(c), of the anticipated cost of such remedial action.

(e) Notwithstanding any other provision of this Lease, if an Environmental Violation occurs or is found to exist and the Term would otherwise terminate or expire, and Landlord is unable to sell or lease the Leased Premises due solely to such Environmental Violation, then, at the option of Landlord, the Term shall be automatically extended beyond the date of termination or expiration and this Lease shall remain in full force and effect beyond such date until the earlier to occur of (i) the completion of all remedial action in accordance with applicable Environmental Laws or (ii) the date specified in a written notice from Landlord to Tenant terminating this Lease.

(f) If, after being requested to do so, Tenant fails to make diligent efforts to correct, or to contest as provided in Section 10(g) below, any Environmental Violation which occurs or is found to exist, Landlord shall have the right (but no obligation) to take any and all actions as Landlord shall deem reasonably necessary or advisable in order to cure such Environmental Violation. In exercising any such rights, Landlord shall use reasonable efforts to minimize interference with the Tenant's or any subtenant's business.

(g) Tenant shall notify Landlord within 5 business days after becoming aware of any Environmental Violation (or alleged Environmental Violation) or noncompliance with any of the covenants contained in this Paragraph 10 and shall forward to Landlord within 5 business days

following receipt thereof copies of all orders, reports, notices, permits, applications or other communications relating to any such violation or noncompliance.

(h) All future leases, subleases or concession agreements relating to the Leased Premises entered into by Tenant shall contain covenants of the other party with respect to Environmental matters similar to those herein, including a covenant to not at any time cause any Environmental Violation to occur.

11. Liens; Recording.

(a) Tenant shall not, directly or indirectly, create or permit to be created or to remain and shall promptly discharge or remove any lien, levy or encumbrance on any of the Leased Premises or on any Rent or any other sums payable by Tenant under this Lease, other than any Mortgage or Assignment, the Permitted Encumbrances and any mortgage, lien, encumbrance or other charge created by or resulting solely from any act or omission of Landlord. NOTICE IS HEREBY GIVEN THAT LANDLORD SHALL NOT BE LIABLE FOR ANY LABOR, SERVICES OR MATERIALS FURNISHED OR TO BE FURNISHED TO TENANT OR TO ANYONE HOLDING OR OCCUPYING ANY OF THE LEASED PREMISES THROUGH OR UNDER TENANT, AND THAT NO MECHANICS' OR OTHER LIENS FOR ANY SUCH LABOR, SERVICES OR MATERIALS SHALL ATTACH TO OR AFFECT THE INTEREST OF LANDLORD IN AND TO ANY OF THE LEASED PREMISES. LANDLORD MAY AT ANY TIME, AND AT LANDLORD'S REQUEST TENANT SHALL PROMPTLY, POST ANY NOTICES ON THE LEASED PREMISES REGARDING SUCH NON-LIABILITY OF LANDLORD.

(b) Tenant shall execute, deliver and record, file or register (collectively, "record") all such instruments as may be required or permitted by any present or future Law in order to evidence the respective interests of Landlord and Tenant in the Leased Premises, and shall cause a memorandum of this Lease (or, if such a memorandum cannot be recorded, this Lease), and any supplement hereto or thereto, to be recorded in such manner and in such places as may be required or permitted by any present or future Law in order to protect the validity and priority of this Lease.

12. Maintenance and Repair.

(a) Tenant shall at all times maintain the Leased Premises in as good condition, repair and appearance as they are in on the date hereof and fit to be used for their intended use in accordance with the better of the practices generally recognized as then acceptable by other companies in its industry or observed by Tenant with respect to the other real properties owned or operated by it, except for ordinary wear and tear and, in the case of the Equipment, in as good mechanical condition as it was on the later of the date hereof or the date of its installation, except for ordinary wear and tear. Tenant shall take every other action reasonably necessary or appropriate for the preservation and safety of the Leased Premises. Tenant shall promptly make all Alterations of every kind and nature, whether foreseen or unforeseen, which may be required to comply with the foregoing requirements of this Paragraph 12(a). Landlord shall not be required to make any Alteration, whether foreseen or unforeseen, or to maintain any of the Leased Premises in any way, and Tenant hereby expressly waives (to the extent permitted by applicable law) any right which may be provided for in any Law now or hereafter in effect to make Alterations at the expense of Landlord or to require Landlord to make Alterations. Any Alteration made by Tenant pursuant to this Paragraph 12 shall be made in conformity with the provisions of Paragraph 13.

(b) If any Improvement, now or hereafter constructed, shall (i) encroach upon any setback or any property, street or right-of-way adjoining the Leased Premises, (ii) violate the provisions of any restrictive covenant affecting the Leased Premises, (iii) hinder or obstruct any easement or right-of-way to which any of the Leased Premises is subject or (iv) impair the rights of others in, to or under any of the foregoing, Tenant shall, promptly after receiving notice or otherwise acquiring knowledge thereof, either (A) obtain from all necessary parties waivers or settlements of all claims, liabilities and damages resulting from each such encroachment,

violation, hindrance, obstruction or impairment, whether the same shall affect Landlord, Tenant or both, or (B) take such action as shall be necessary to remove all such encroachments, hindrances or obstructions and to end all such violations or impairments, including, if necessary, making Alterations.

13. Alterations and Improvements.

(a) Tenant shall have the right, without having obtained the prior written consent of Landlord and Lender, to make (i) Alterations or a series of related Alterations that, as to any such Alterations or series of related Alterations, do not cost in excess of $100,000 in the aggregate, and (ii) to install Equipment in the Improvements or accessions to the Equipment, so long as at the time of construction or installation of any such Equipment or Alterations no Event of Default exists and the value and utility of the Leased Premises is not diminished thereby. If the cost of any Alterations, or series of related Alterations, is in excess of $100,000, or if an Equipment is installed other than in the manner in clause (ii) of the immediately preceding sentence, the prior written approval of Landlord shall be required, such approval not to be unreasonably withheld, delayed or conditioned. Tenant shall not construct upon the Land any additional free standing buildings without having first obtained the prior written consent of Landlord and Lender. The rights granted to Tenant in this paragraph 13 are in addition to rights of Tenant under Paragraph 36.

(b) If Tenant makes any Alterations pursuant to this Paragraph 13 or as required by Paragraph 12 or 17 (such Alterations and actions being hereinafter collectively referred to as "Work"), whether or not Landlord's consent is required, then (i) the market value of the Leased Premises shall not be lessened by any such Work or its usefulness impaired, (ii) all such Work shall be performed by Tenant in a good and workmanlike manner, (iii) all such Work shall be expeditiously completed in compliance with all Legal Requirements, (iv) all such Work shall comply with the Insurance Requirements, (v) if any such Work involves the replacement of Equipment or parts thereto, all replacement Equipment or parts shall have a value and useful life equal to the greater of (A) the value and useful life on the date hereof of the Equipment being replaced or (B) the value and useful life of the Equipment being replaced immediately prior to the occurrence of the event which required its replacement, (vi) Tenant shall promptly discharge or remove all liens filed against any of the Leased Premises arising out of such Work, (vii) Tenant shall procure and pay for all permits and licenses required in connection with any such Work, (viii) all such Work shall be the property of Landlord and shall be subject to this Lease, and Tenant shall execute and deliver to Landlord any document requested by Landlord evidencing the assignment to Landlord of all estate, right, title and interest (other than the leasehold estate created hereby) of Tenant or any other Person thereto or therein, and (ix) Tenant shall comply, to the extent requested by Landlord or required by this Lease, with the provisions of Paragraph 19(a), whether or not such Work involves restoration of the Leased Premises.

14. Permitted Contests. Notwithstanding any other provision of this Lease, Tenant shall not be required to (a) pay any Imposition, (b) discharge or remove any lien referred to in Paragraph 11 or 13 or cure any Environmental Violation, (c) take any action with respect to any encroachment, violation, hindrance, obstruction or impairment referred to in Paragraph 12(b), or (d) comply with any applicable Legal Requirement or Insurance Requirement (such non-compliance with the terms hereof being hereinafter referred to collectively as "Permitted Violations"), so long as no Event of Default then exists and so long as Tenant shall contest, in good faith, the existence, amount or validity thereof, the amount of the damages caused thereby, or the extent of its or Landlord's liability therefor by appropriate proceedings which shall operate during the pendency thereof to prevent or stay (i) the collection of, or other realization upon, the Permitted Violation so contested, (ii) the sale, forfeiture or loss of any of the Leased Premises or any Rent to satisfy or to pay any damages caused by any Permitted Violation, (iii) any interference with the use or occupancy of any of the Leased Premises, (iv) any interference with the payment of any Rent, (v) the cancellation or increase in the rate of any insurance policy or a statement by the carrier that coverage will be denied, (vi) the enforcement or

execution of any injunction, order or Legal Requirement with respect to the Permitted Violation, or (vii) any default (beyond any applicable grace or notice period) under any Mortgage or other document securing any Loan relating to such Permitted Violation, or (viii) with respect to the contest of any Environmental Violation, such contest would not allow any continuing discharge, leakage or release of any Hazardous Substance. Tenant shall (if the cost of correcting the Permitted Violation is reasonably expected to exceed $50,000) provide Landlord security which is satisfactory, in Landlord's reasonable judgment, to assure that such Permitted Violation is corrected, including all Costs, interest and penalties that may be incurred or become due in connection therewith. While any proceedings which comply with the requirements of this Paragraph 14 are pending and the required security is held by Landlord, Landlord shall not have the right to correct any Permitted Violation thereby being contested unless Landlord is required by law to correct such Permitted Violation and Tenant's contest does not prevent or stay such requirement as to Landlord. Each such contest shall be promptly and diligently prosecuted by Tenant to a final conclusion, settlement or compromise, except that Tenant, so long as the conditions of this Paragraph 14 are at all times complied with, has the right to attempt to settle or compromise such contest through negotiations. Tenant shall pay any and all losses, judgments, decrees and Costs in connection with any such contest and shall, promptly after the final determination of such contest, fully pay and discharge the amounts which shall be levied, assessed, charged or imposed or be determined to be payable therein or in connection therewith, together with all penalties, fines, interest and Costs thereof or in connection therewith, and perform all acts the performance of which shall be ordered or decreed as a result thereof. No such contest shall subject Landlord to the risk of any civil or criminal liability.

Landlord shall cooperate with Tenant, at Tenant's expense, in connection with the contest of any Permitted Violation, and Landlord shall execute all documentation reasonably necessary in connection therewith.

15. Indemnification.

(a) Tenant shall pay, protect, indemnify, defend, save and hold harmless Landlord, Lender and the Carey Entities (each an "Indemnitee") from and against any and all liabilities, losses, damages (including punitive damages), penalties, Costs (including attorneys' fees and costs), causes of action, suits, claims, demands or judgments of any nature whatsoever, howsoever caused, without regard to the form of action and whether based on strict liability, negligence or any other theory of recovery at law or in equity (each a "Claim"), arising from (i) any matter pertaining to the acquisition, use, non-use, occupancy, operation, condition, design, construction, maintenance, repair or restoration of the Leased Premises, (ii) any casualty in any manner arising from the Leased Premises, whether or not Indemnitee has or should have knowledge or notice of any defect or condition causing or contributing to said casualty, (iii) any Event of Default, any contract or agreement to which Tenant is a party, any Legal Requirement or any Permitted Encumbrance or (iv) any alleged, threatened or actual Environmental Violation, including (A) liability for response costs and for costs of removal and remedial action incurred by the United States Government, any state or local governmental unit or any other Person, or damages from injury to or destruction or loss of natural resources, including the reasonable costs of assessing such injury, destruction or loss, incurred pursuant to Section 107 of CERCLA, or any successor section or act or provision of any similar state or local Law, (B) liability for costs and expenses of abatement, correction or clean-up, fines, damages, response costs or penalties which arise from the provisions of any of the other Environmental Laws and (C) liability for personal injury or property damage arising under any statutory or common-law tort theory, including damages assessed for the maintenance of a public or private nuisance or for carrying on of a dangerous activity; provided that this indemnification, defense and hold harmless agreement shall not apply to any Claim to the extent arising out of (x) the acts of any Indemnitee constituting gross negligence, breach of this Lease or willful misconduct or (y) any Environmental Violation which occurs due to an act or omission of a party other than Tenant arising or occurring after the date of expiration or termination of this Lease.

(b) In case any action or proceeding is brought against any Indemnitee by reason of any such claim, (i) Tenant may, except in the event of a conflict of interest or a dispute between Tenant and any such Indemnitee or during the continuance of an Event of Default, retain its own counsel and defend such action (it being understood that Landlord may employ counsel of its choice to monitor the defense of any such action) and (ii) such Indemnitee shall notify Tenant to resist or defend such action or proceeding by retaining counsel reasonably satisfactory to such Indemnitee (or to the insurer in the event of, or to the extent of, an insured Claim), and such Indemnitee will cooperate and assist in the defense of such action or proceeding if reasonably requested so to do by Tenant.

(c) The obligations of Tenant under this Paragraph 15 shall survive any rejection in bankruptcy of this Lease or any termination of expiration of this Lease.

16. Insurance.

(a) Tenant shall maintain the following insurance on or in connection with the Leased Premises:

(i) Insurance against physical loss or damage to the Improvements and Equipment as provided under a standard fire and extended coverage property policy including but not limited to flood (if the Leased Premises is in a flood zone) in amounts not less than the actual replacement cost of the Improvements and Equipment. Such policies shall contain replacement cost and agreed amount endorsements and shall contain deductibles not more than $10,000 per occurrence.

(ii) Commercial general liability insurance against claims for personal and bodily injury, death or property damage occurring on, in or as a result of the use of the Leased Premises, in an amount not less than $15,000,000 per occurrence/annual aggregate including but not limited to garagekeepers liability, non-owned and hired automobile liability and all other coverage extensions that are usual and customary for properties of this size and type provided, however, that the Landlord shall have the right to require such higher limits as may be reasonable and customary for properties of this size and type in similar locations.

(iii) Workers' compensation insurance covering all persons employed by Tenant in connection with any work done on or about any of the Leased Premises for which claims for death, disease or bodily injury may be asserted against Landlord, Tenant or any of the Leased Premises or, in lieu of such Worker's Compensation Insurance, a program of self-insurance complying with the rules, regulations and requirements of the appropriate agency of the State.

(iv) If there is ever a boiler contained on the Leased Premises, comprehensive boiler and machinery insurance on any of the Equipment or any other equipment on or in the Leased Premises including but not limited to service interruption, expediting expenses, ammonia contamination, hazardous clean-up and comprehensive object definition, in an amount not less than $1,000,000 for damage to property, bodily injury or death resulting from such covered perils as found in a standard comprehensive boiler & machinery policy. Such policies may contain a deductible not in excess of $5,000.

(v) Loss of rents insurance on an actual loss sustained basis with a period of indemnity not less than one year from the time of loss. Such insurance shall name Landlord and Lender as "loss payee" solely with respect to Rent payable to or for the benefit of Landlord under this Lease.

(vi) During any period in which substantial Alterations at the Leased Premises are being undertaken, builder's risk insurance covering the total completed value (on a completed value, non-reporting basis), replacement cost of work performed and equipment, supplies and materials furnished in connection with such construction or

repair of Improvements or Equipment, and general liability, worker's compensation and automobile liability insurance with respect to the Improvements being constructed, altered or repaired.

(vii) Such other insurance (or other terms with respect to any insurance required pursuant to this Paragraph 16, including without limitation amounts of coverage, deductibles, form of mortgagee clause) on or in connection with any of the Leased Premises as Landlord or Lender may reasonably require, which at the time is usual and commonly obtained in connection with properties similar in type of building size, use and location to the Leased Premises.

(b) The insurance required by Paragraph 16(a) shall be written by companies which have a Best's rating of A:X or above and are admitted in, and approved to write insurance policies by, the State Insurance Department for the State. The insurance policies (i) shall be for such terms as Landlord may reasonably approve and (ii) shall be in amounts sufficient at all times to satisfy any coinsurance requirements thereof. The insurance referred to in Paragraphs 16(a)(i), 16(a)(iv) and 16(a)(vi) shall name Landlord as the insured owner and sole loss payee (unless Landlord elects to have Lender designated as sole loss payee). The insurance referred to in Paragraph 16(a)(ii) shall name Landlord and Lender as additional insureds, and the insurance referred to in Paragraph 16(a)(v) shall name Landlord as sole loss payee (unless Landlord elects to have Lender designated as sole loss payee). If said insurance or any part thereof shall expire, be withdrawn, become void or voidable for any reason, including a breach of any condition thereof by Tenant or the failure or impairment of the capital of any insurer, Tenant shall immediately obtain new or additional insurance reasonably satisfactory to Landlord.

(c) Each insurance policy referred to in clauses (i), (iv), (v) and (vi) of Paragraph 16(a) shall contain standard non-contributory mortgagee clauses in favor of and acceptable to Lender. Each policy required by any provision of Paragraph 16(a), except clause (iii) thereof, shall provide that it may not be canceled except after thirty (30) days' prior notice to Landlord and Lender. Each such policy shall also provide that any loss otherwise payable thereunder shall be payable notwithstanding (i) any act or omission of Landlord or Tenant which might, absent such provision, result in a forfeiture of all or a part of such insurance payment, (ii) the occupation or use of any of the Leased Premises for purposes more hazardous than those permitted by the provisions of such policy, (iii) any foreclosure or other action or proceeding taken by Lender pursuant to any provision of the Mortgage, Note, Assignment or other document evidencing or securing the Loan upon the happening of an event of default therein or (iv) any change in title to or ownership of any of the Leased Premises.

(d) Tenant shall pay as they become due all premiums for the insurance required by Paragraph 16(a), shall renew or replace each policy and deliver to Landlord evidence of the payment of the full premium therefor or installment then due at least 30 days prior to the expiration date of such policy, and shall promptly deliver to Landlord duplicate originals of all policies.

(e) Anything in this Paragraph 16 to the contrary notwithstanding, any insurance which Tenant is required to obtain pursuant to Paragraph 16(a) may be carried under a "blanket" or umbrella policy or policies covering other properties or liabilities of Tenant, provided that such "blanket" or umbrella policy or policies otherwise comply with the provisions of this Paragraph 16 and provided further that such policies shall provide for a reserved amount thereunder with respect to the Leased Premises so as to assure that the amount of insurance required by this Paragraph 16 will be available notwithstanding any losses with respect to other property covered by such blanket policies. The amount of the total insurance allocated to the Leased Premises, which amount shall be not less than the amounts required pursuant to this Paragraph 16, shall be specified either (i) in each such "blanket" or umbrella policy or (ii) in a written statement, which Tenant shall deliver to Landlord, from the insurer thereunder. The original or a

certified copy of each such "blanket" or umbrella policy shall promptly be delivered to Landlord.

(f) Tenant shall promptly comply with and conform to (i) all provisions of each insurance policy required by this Paragraph 16 and (ii) all requirements of the insurers thereunder applicable to Landlord, Tenant or any of the Leased Premises or to the use, manner of use, occupancy, possession, operation, maintenance, alteration or repair of any of the Leased Premises, even if such compliance necessitates Alterations or results in interference with the use or enjoyment of any of the Leased Premises.

(g) Tenant shall not carry separate insurance concurrent in form or contributing in the event of a Casualty with that required in this Paragraph 16 unless (i) Landlord and Lender are included therein as named insureds, with loss payable as provided herein, and (ii) such separate insurance complies with the other provisions of this Paragraph 16. Tenant shall immediately notify Landlord of such separate insurance and shall deliver to Landlord duplicate originals of the policies therefor.

(h) All policies shall contain effective waivers by the carrier against all claims for insurance premiums against Landlord and shall contain full waivers of subrogation against the Landlord and Tenant.

(i) Each insurer is hereby authorized and directed to make payment under any insurance described in clauses (i), (iv), (v) and (vi) of Paragraph 16(a), including return of unearned premiums, directly to Landlord or, if required by the Mortgage, to Lender instead of to Landlord and Tenant jointly, and Tenant hereby appoints each of Landlord and Lender as Tenant's attorneys-in-fact to endorse any draft therefor (it being understood, however, that in all cases other than a payment or adjustment under any insurance policy in connection with an insured loss, unearned premiums shall be returned to Tenant).

17. Casualty and Condemnation.

(a) If any Casualty to the Leased Premises occurs, Tenant shall give Landlord and Lender immediate notice thereof. So long as no Event of Default exists and is continuing Tenant is hereby authorized (subject to the next sentence) to adjust, collect and compromise all claims under any of the insurance policies required by Paragraph 16(a) (except public liability insurance claims made by Landlord or Lender) and to execute and deliver all necessary proofs of loss, receipts, vouchers and releases required by the insurers and Landlord shall join with Tenant therein if the insurers so require. Any final adjustment, settlement or compromise of any such claim shall be subject to the prior written approval of Landlord, which shall not be unreasonably withheld, conditioned or delayed, and Landlord shall have the right to prosecute or contest, or to require Tenant to prosecute or contest, any such claim, adjustment, settlement or compromise. If an Event of Default exists and is continuing, Tenant shall not be entitled to adjust, collect or compromise any such claim or to participate with Landlord in any adjustment, collection and compromise of the Net Award payable in connection with a Casualty. Tenant agrees to sign, upon the request of Landlord, all such proofs of loss, receipts, vouchers and releases. Each insurer is hereby authorized and directed to make payment under said policies, including return of unearned premiums, directly to Landlord or, if required by the Mortgage, to Lender instead of to Landlord and Tenant jointly, and Tenant hereby appoints each of Landlord and Lender as Tenant's attorneys-in-fact to endorse any draft therefor. The rights of Landlord under this Paragraph 17(a) shall be extended to Lender if and to the extent that any Mortgage so provides.

(b) Tenant, immediately upon receiving a Condemnation Notice, shall notify Landlord and Lender thereof. So long as no Event of Default exists and is continuing, Tenant is (subject to the next sentence), authorized to collect, settle and compromise the amount of any Net Award and Landlord shall have the right to join with Tenant therein. No agreement with any condemnor in settlement or under threat of any Condemnation shall be made by Tenant without the written consent of Landlord which shall not be unreasonably withheld, conditioned or delayed. If an Event of Default

exists and is continuing, Landlord shall be authorized to collect, settle and compromise the amount of any Net Award and Tenant shall not be entitled to participate with Landlord in any Condemnation proceeding or negotiations under threat thereof or to contest the Condemnation or the amount of the Net Award therefor (but upon request of Tenant, Tenant shall receive information from Landlord concerning the status of any such proceeding or negotiations). Subject to the provisions of this Paragraph 17(b), Tenant hereby irrevocably assigns to Landlord any award or payment to which Tenant is or may be entitled by reason of any Condemnation, whether the same shall be paid or payable for Tenant's leasehold interest hereunder; but nothing in this Lease shall impair Tenant's right to any award or payment on account of Tenant's trade fixtures, equipment or other tangible property which is not part of the Equipment, moving expenses or loss of business, if available, to the extent that and so long as (i) Tenant shall have the right to make, and does make, a separate claim therefor against the condemnor and (ii) such claim does not in any way reduce either the amount of the Net Award or the amount of the award (if any) otherwise payable for the Condemnation of Tenant's leasehold interest hereunder. The rights of Landlord under this Paragraph 17(b) shall also be extended to Lender if and to the extent that any Mortgage so provides.

(c) If any Partial Casualty (whether or not insured against) or Partial Condemnation shall occur, this Lease shall continue, notwithstanding such event, and there shall be no abatement or reduction of any Monetary Obligations. Promptly after such Partial Casualty or Partial Condemnation, Tenant, as required in Paragraph 12(a), shall commence and diligently continue to restore the Leased Premises as nearly as possible to their value, condition and character immediately prior to such event (assuming the Leased Premises to have been in condition required by this Lease). So long as no Event of Default exists and is continuing, any Net Award up to and including $100,000 shall be paid by Landlord to Tenant and Tenant shall restore the Leased Premises in accordance with the requirements of Paragraph 13(b) of this Lease. Any Net Award in excess of $100,000 shall (unless such Casualty or Condemnation resulting in the Net Award is a Termination Event) be made available by Landlord (or Lender, if required by the terms of any Mortgage) to Tenant for the restoration of any of the Leased Premises pursuant to and in accordance with the provisions of Paragraph 19 hereof. If any Casualty or Condemnation which is not a Partial Casualty or Partial Condemnation shall occur, Tenant shall comply with the terms and conditions of Paragraph 18. So long as Tenant has maintained the insurance required by this Lease and the insurer does not refuse to pay insurance proceeds due to any act or omission of Tenant, Tenant shall not be obligated to commence restoration of the Leased Premises following an insured Casualty unless the Net Award is made available to Landlord, and Landlord makes such Net Award available to Tenant, pursuant to Paragraph 19.

18. Termination Events.

(a) If (i) the entire Leased Premises shall be taken by a Taking or (ii) any substantial portion of the Leased Premises shall be taken by a Taking or all or any substantial portion of the Leased Premises shall be damaged or destroyed by a Casualty and, in such case, Tenant certifies and covenants to Landlord that it will forever abandon operations at the Leased Premises as Tenant's primary office and distribution center (each of the events described in the above clauses (i) and (ii) shall hereinafter be referred to as a "Termination Event"), then (x) in the case of (i) above, Tenant shall be obligated, within thirty (30) days after Tenant receives a Condemnation Notice and (y) in the case of (ii) above, Tenant shall have the option, within thirty (30) days after Tenant receives a Condemnation Notice or thirty (30) days after the Casualty, as the case may be, to give to Landlord written notice of the Tenant's option to terminate this Lease (a "Termination Notice") in the form described in Paragraph 18(b).

(b) A Termination Notice shall contain (i) notice of Tenant's intention to terminate this Lease on the first Basic Rent Payment Date which occurs on a date selected by Tenant which is at least thirty (30) days, but no more than 180 days, after the Fair Market Value Date (the "Termination Date"), (ii) a binding and irrevocable offer of Tenant to pay to Landlord the Termination Amount on the Termination Date and (iii) if the

Termination Event is an event described in Paragraph 18(a)(ii), the certification and covenants described therein and a certified resolution of the Board of Directors of Tenant authorizing the same. Promptly upon the delivery to Landlord of a Termination Notice, Landlord and Tenant shall commence to determine the Fair Market Value in accordance with Paragraph 29 below.

(c) If Landlord shall reject such offer to terminate this Lease by written notice to Tenant (a "Rejection"), which Rejection shall contain the written consent of Lender, not later than thirty (30) days following the Fair Market Value Date, then this Lease shall terminate on the Termination Date; provided that, if Tenant has not satisfied all Monetary Obligations and all other obligations and liabilities under this Lease which have arisen on or prior to the Termination Date (collectively, "Remaining Obligations") on the Termination Date, then Landlord may, at its option, extend the date on which this Lease may terminate to a date which is no later than the first Basic Rent Payment Date after the Termination Date on which Tenant has satisfied all Remaining Obligations. Upon such termination (i) all obligations of Tenant hereunder shall terminate except for any Surviving Obligations, (ii) Tenant shall immediately vacate and shall have no further right, title or interest in or to any of the Leased Premises and (iii) the Net Award shall be retained by Landlord. Notwithstanding anything to the contrary hereinabove contained, if Tenant shall have received a Rejection and, on the date when this Lease would otherwise terminate as provided above, Landlord shall not have received the full amount of the Net Award payable by reason of the applicable Termination Event, then the date on which this Lease is to terminate automatically shall be extended to the first Basic Rent Payment Date after the receipt by Landlord of the full amount of the Net Award provided that, if Tenant has not satisfied all Remaining Obligations on such date, then Landlord may, at its option, extend the date on which this Lease may terminate to a date which is no later than the first Basic Rent Payment Date after such date on which Tenant has satisfied all such Remaining Obligations.

(d) Unless Tenant shall have received a Rejection not later than the thirtieth (30th) day following the Fair Market Value Date, Landlord shall be conclusively presumed to have accepted such offer. If such offer is accepted by Landlord then, on the Termination Date, Tenant shall pay to Landlord the Termination Amount and all Remaining Obligations and, if requested by Tenant, Landlord shall (i) convey to Tenant or its designee the Leased Premises or the remaining portion thereof, if any, and (ii) pay to or assign to Tenant Landlord's entire interest in and to the Net Award, all in accordance with Paragraph 20.

19. Restoration.

(a) In the event of a Casualty or Condemnation described in Paragraph 18(a)(ii) with respect to which Tenant does not deliver to Landlord a Termination Notice, Landlord (or Lender if required by any Mortgage) shall hold any Net Award in excess of $100,000 in a fund (the "Restoration Fund") and shall make the Restoration Fund available for restoration only in accordance with the following conditions:

(i) prior to commencement of restoration, (A) the architects, contracts, contractors, plans and specifications for the restoration shall have been approved by Landlord, and (B) Landlord and Lender shall be provided with mechanics' lien insurance (if available) and acceptable performance and payment bonds which insure satisfactory completion of and payment for the restoration, are in an amount and form and have a surety acceptable to Landlord, and name Landlord and Lender as additional dual obligees;

(ii) at the time of any disbursement, no Event of Default shall exist and be continuing and no mechanics' or materialmen's liens shall have been filed against any of the Leased Premises and remain undischarged;

(iii) disbursements shall be made from time to time in an amount not exceeding the cost of the work completed since the last

disbursement, upon receipt of (A) satisfactory evidence, including architects' certificates, of the stage of completion, the estimated total cost of completion and performance of the work to date in a good and workmanlike manner in accordance with the contracts, plans and specifications, (B) waivers of liens, (C) contractors' and subcontractors' disbursement request forms setting forth the completed work and the cost thereof for which payment is requested, (D) a satisfactory bringdown of title insurance and (E) other evidence of cost and payment so that Landlord can verify that the amounts disbursed from time to time are represented by work that is completed, in place and free and clear of mechanics' and materialmen's lien claims;

(iv) each request for disbursement shall be accompanied by a certificate of Tenant, signed by the president or a vice president of Tenant, describing the work for which payment is requested, stating the cost incurred in connection therewith, stating that Tenant has not previously received payment for such work and, upon completion of the work, also stating that the work has been fully completed and complies with the applicable requirements of this Lease;

(v) Landlord may retain ten percent (10%) of the restoration fund until 50% of the restoration is fully completed, at which time retention shall be reduced to 5%;

(vi) the Restoration Fund shall not be commingled with Landlord's other funds and shall bear interest at a rate agreed to by Landlord and Tenant; and

(vii) such other reasonable conditions as Landlord or Lender may impose.

(b) Prior to commencement of restoration and at any time during restoration, if the estimated cost of completing the restoration work free and clear of all liens, as determined by Landlord, exceeds the amount of the Net Award available for such restoration, the amount of such excess shall, upon demand by Landlord, be paid by Tenant to Landlord to be added to the Restoration Fund (or Tenant shall provide Landlord with a letter of credit in the amount of such excess which can be drawn at any time if Tenant fails to pay such excess costs within 10 days following notice to Tenant or if Tenant fails to renew or replace such letter of credit at least 45 days prior to expiration thereof). An amount equal to any sum so added by Tenant (or any amount drawn under any letter of credit provided by Tenant), plus an amount equal to any unearned premium comprising the Net Award which was deposited into the Restoration Fund, plus the amount of any deductible paid by Tenant into the Restoration fund or for reconstruction costs, which remains in the Restoration Fund upon completion of restoration shall be refunded to Tenant. For purposes of determining the source of funds with respect to the disposition of funds remaining after the completion of restoration, the Net Award shall be deemed to be disbursed prior to any amount added by Tenant.

(c) If any sum remains in the Restoration Fund after completion of the restoration and any refund to Tenant pursuant to Paragraph 19(b), such sum (the "Remaining Sum") shall be retained by Landlord (in which event monthly payments of Basic Rent shall be reduced by the quotient obtained by dividing such amount by the number of months remaining in the Term) or, if required by a Note or Mortgage, paid by Landlord to a Lender (in which event payments of Basic Rent shall be reduced at such times and in such amounts as Landlord receives a corresponding reduction in payments due to such Lender).

20. Procedures Upon Purchase.

(a) If the Leased Premises is purchased by Tenant pursuant to any provision of this Lease, Landlord need not convey any better title thereto than that which was conveyed to Landlord, and Tenant shall accept such title, subject, however, to the Permitted Encumbrances and to all other liens, exceptions and restrictions on, against or relating to any of the Leased Premises consented to by Tenant and to all applicable Laws, but free of the lien of and security interest created by any Mortgage or Assignment and liens, exceptions and restrictions on, against or relating to the Leased

Premises which have been created by or resulted solely from acts of Landlord after the date of this Lease, unless the same are Permitted Encumbrances or customary utility easements benefiting the Leased Premises or were created with the concurrence of Tenant or as a result of a default by Tenant under this Lease.

(b) Upon the date fixed for any such purchase of the Leased Premises pursuant to any provision of this Lease (any such date the "Purchase Date"), Tenant shall pay to Landlord, or to any Person to whom Landlord directs payment, the Relevant Amount therefor specified herein, in Federal Funds, less any credit of the Net Award received and retained by Landlord or a Lender allowed against the Relevant Amount, and Landlord shall deliver to Tenant (i) a statutory warranty deed which describes the premises being conveyed and conveys the title thereto as provided in Paragraph 20(a), (ii) such other instruments as shall be necessary to transfer to Tenant or its designee any other property (or rights to any Net Award not yet received by Landlord or a Lender) then required to be sold by Landlord to Tenant pursuant to this Lease and (iii) any Net Award received by Landlord, not credited to Tenant against the Relevant Amount and required to be delivered by Landlord to Tenant pursuant to this Lease; provided, that if any Monetary Obligations remain outstanding on such date, then Landlord may deduct from the Net Award the amount of such Monetary Obligations; and further provided, that if any event has occurred prior to the Purchase Date which has subjected any Indemnitee to any liability related to environmental matters which Tenant is required to indemnify against pursuant to Paragraph 15 and which is not covered by insurance, then an amount shall be deducted from the Net Award which, in Landlord's reasonable judgment, based upon professional advice, is sufficient to satisfy such liability, which amount shall be deposited in an escrow account with a financial institution reasonably satisfactory to Landlord and Tenant pending resolution of such matter. If on the Purchase Date any Monetary Obligations remain outstanding and no Net Award is payable to Tenant by Landlord or the amount of such Net Award is less than the amount of the Monetary Obligations, then Tenant shall pay to Landlord on the Purchase Date the amount of such Monetary Obligations. Upon the completion of such purchase, this Lease and all obligations and liabilities of Tenant hereunder shall terminate, except any Surviving Obligations.

(c) If the completion of such purchase shall be delayed for more than one year beyond the Applicable Initial Date for reasons other than acts or omissions of Landlord or its agents or employees (x) Rent shall continue to be due and payable until completion of such purchase and (y) at Landlord's sole option, Fair Market Value shall be redetermined and the Relevant Amount payable by Tenant pursuant to the applicable provision of this Lease shall be adjusted to reflect such redetermination.

(d) Any prepaid Monetary Obligations paid to Landlord shall be prorated as of the Purchase Date, and the prorated unapplied balance shall be deducted from the Relevant Amount due to Landlord; provided, that no apportionment of any Impositions required to be paid by Tenant under this Lease shall be made upon any such purchase.

(e) In connection with any purchase by Tenant under this Lease, Tenant may request Lender to allow Tenant to assume the Loan and Landlord will consent to such assumption so long as Landlord and any Carey Entity are released from all liability under the Loan. Upon any such assumption, Tenant shall pay any assumption fee and the purchase price payable by Tenant shall be credited with the amount of the obligations (principal and interest) under the Loan assumed by Tenant.

21. Assignment and Subletting; Prohibition Against Leasehold Financing.

(a) Tenant may not assign this Lease, voluntarily or involuntarily, whether by operation of law or otherwise, or sublet any of the Leased Premises at any time to any other Person without the prior written consent of Landlord, which consent, in the event of an assignment, may be withheld by Landlord for any or no reason.

Notwithstanding the foregoing, Tenant shall have the right to sublet all or any part of the Leased Premises to Hibbett Sporting Goods, Inc. or any wholly-owned subsidiary of Hibbett without obtaining Landlord's consent so long as a copy of the sublease is forwarded to Landlord within 5 business days prior to execution thereof.

If Tenant desires to assign this Lease to a Person and Landlord does not consent to such assignment, then Tenant shall, not less than 60 days prior to the date on which Tenant desires to assign the Lease, provide to Landlord the following information with respect to the proposed assignee: (a) credit data, including audited income statements and balance sheets for the most recent three years, (b) capital and debt structure, (c) management, (d) operating history, (e) proposed use of the Leased Premises, and (f) risk factors associated with the proposed use of the Leased Premises by the assignee, taking into account factors such as environmental concerns, product liability and the like. Upon receipt of all of such information, Landlord shall review the information and Landlord agrees not to unreasonably withhold its consent to the assignment of the Lease to the proposed assignee if no Event of Default has occurred and is continuing and if all of the factors above, when taken into consideration, result in a stronger tenant credit after such assignment, there will be no violation of any Covenants (after giving effect to the proposed assignment) and the proposed assignee is any one or more of the following: an entity which at the time of the proposed assignment is the record holder of all or at least 75% of the voting stock of Tenant; an entity which at the time of the proposed assignment is a wholly owned subsidiary of Tenant or Guarantor; or an entity to whom Tenant shall have sold all or substantially all of its assets in connection with a sale of assets which does not otherwise constitute an Event of Default under this Lease.

(b) If Tenant assigns all its rights and interest under this Lease, the assignee under such assignment shall expressly assume all the obligations of Tenant hereunder, actual or contingent, including obligations of Tenant which may have arisen on or prior to the date of such assignment, by a written instrument delivered to Landlord at the time of such assignment. Each sublease of any of the Leased Premises shall be subject and subordinate to the provisions of this Lease. No assignment or sublease made as permitted by this Paragraph 21 shall affect or reduce any of the obligations of Tenant hereunder or of Guarantor under the Guaranty or Purchase Agreement, and all such obligations shall continue in full force and effect as obligations of a principal and not as obligations of a guarantor, as if no assignment or sublease had been made. No assignment or sublease shall impose any additional obligations on Landlord under this Lease.

(c) Tenant shall, within ten (10) days after the execution and delivery of any assignment or sublease consented to by Landlord or otherwise permitted hereunder, deliver a duplicate original copy thereof to Landlord which, in the event of an assignment, shall be in recordable form.

(d) As security for performance of its obligations under this Lease, Tenant hereby collaterally grants, conveys and assigns to Landlord all right, title and interest of Tenant in and to all subleases now in existence or hereinafter entered into for any or all of the Leased Premises, any and all extensions, modifications and renewals thereof and all rents, issues and profits therefrom. Landlord hereby grants to Tenant a license to collect and enjoy all rents and other sums of money payable under any sublease of any of the Leased Premises, provided, however, that Landlord shall have the absolute right at any time following occurrence of and during the continuance of an Event of Default upon notice to Tenant and any subtenants or at any time to revoke said license and to collect such rents and sums of money and to apply the same to reduction of Monetary Obligations. Tenant shall not (with respect to subleases requiring Landlord's consent) consent to, cause or allow any modification or alteration of any of the terms, conditions or covenants of any of the subleases or the termination thereof, without the prior written approval of Landlord, which consent shall not be unreasonably withheld. Tenant shall not accept any rents under any subleases more than six (6) months in advance of the accrual thereof nor do nor permit anything to be done, the doing of which, nor omit or refrain from doing anything, the omission of which, will or could be a breach of or default in

the terms of any of the subleases.

(e) Tenant shall not have the power to mortgage, pledge or otherwise encumber its interest under this Lease or any sublease of the Leased Premises, and any such mortgage, pledge or encumbrance made in violation of this Paragraph 21 shall be void.

(f) Subject to Paragraph 35, Landlord may sell or transfer the Leased Premises at any time without Tenant's consent to any third party (each a "Third Party Purchaser"). In the event of any such transfer, Tenant shall attorn to any Third Party Purchaser as Landlord so long as such Third Party Purchaser and Landlord notify Tenant in writing of such transfer. At the request of Landlord, Tenant will execute such documents confirming the agreement referred to above.

(g) Notwithstanding anything in this Paragraph 21 to the contrary, this Lease may be assigned by Tenant without Landlord's written consent (i) to the surviving corporation in connection with a merger or consolidation of Tenant, or (ii) to the purchaser of all or substantially all of the assets of Tenant or Guarantor, in each case only if the merger or sale of assets is a Permitted Transfer. Notwithstanding anything in this Paragraph 21 to the contrary, this Lease may also be assigned without landlord's prior written consent to Guarantor.

22. Events of Default.

(a) The occurrence of any one or more of the following (after expiration of any applicable cure period as provided in Paragraph 22(b)) shall, at the sole option of Landlord, constitute an "Event of Default" under this Lease:

(i) a failure by Tenant to make any payment of any Monetary Obligation when due, regardless of the reason for such failure;

(ii) a failure by Tenant duly to perform and observe, or a violation or breach of, any other provision hereof not otherwise specifically mentioned in this Paragraph 22(a);

(iii) any representation or warranty made by Tenant herein or in any certificate, demand or request made pursuant hereto was incorrect in any material respect when made;

(iv) a default continues for 60 days beyond any applicable cure period or at maturity by Tenant in any payment of principal or interest on any obligations for borrowed money having an outstanding principal balance of $250,000 or more in the aggregate, or in the performance of any other provision contained in any instrument under which any such obligation is created or secured (including the breach of any covenant thereunder), and either (x) such payment is a payment at maturity or a final payment, or (y) the effect of such default is to cause such obligation to become due or accelerated prior to its stated maturity;

(v) a default by Tenant beyond any applicable cure period in the payment of rent under, or in the performance of any other material provision of, any other lease or leases that have, in the aggregate, rental obligations over the terms thereof of $250,000 or more less any amounts payable from the proceeds of insurance which is not cured within sixty (60) days following the date of entry of judgment against Tenant;

(vi) a final, non-appealable judgment or judgments for the payment of money in excess of $250,000 in the aggregate (and which is not covered by insurance) shall be rendered against Tenant and the same shall remain undischarged for a period of sixty (60) consecutive days or such longer period for payment set forth in any such judgment;

(vii) the breach of any Covenant shall occur;

(viii) Tenant shall (A) voluntarily be

adjudicated a bankrupt or insolvent, (B) seek or consent to the appointment of a receiver or trustee for itself or for the Leased Premises, (C) file a petition seeking relief under the bankruptcy or other similar laws of the United States, any state or any jurisdiction, (D) make a general assignment for the benefit of creditors, or (E) be unable to pay its debts as they mature;

(ix) a court shall enter an order, judgment or decree appointing, without the consent of Tenant, a receiver or trustee for it or for any of the Leased Premises or approving a petition filed against Tenant which seeks relief under the bankruptcy or other similar laws of the United States, any state or any jurisdiction, and such order, judgment or decree shall remain undischarged or unstayed sixty (60) days after it is entered;

(x) the Leased Premises shall have been vacated or abandoned;

(xi) Tenant shall be liquidated or dissolved or shall begin proceedings towards its liquidation or dissolution;

(xii) the estate or interest of Tenant in any of the Leased Premises shall be levied upon or attached in any proceeding and such estate or interest is about to be sold or transferred or such process shall not be vacated or discharged within sixty (60) days after it is made;

(xiii) a failure by Tenant to perform or observe, or a violation or breach of, or a misrepresentation by Tenant under any document between Tenant and Lender, if such failure, violation, breach or misrepresentation gives rise to a default beyond any applicable cure period with respect to any Loan;

(xiv) Tenant shall sell or transfer or enter into an agreement to sell or transfer all or substantially all of its assets, or Tenant shall merge with or into another entity, or Tenant shall consolidate with another entity, or Guarantor shall cease to own 100% of the voting stock of Tenant, unless in each case such event occurs in connection with a Permitted Transfer; or

(xv) a default by Guarantor (beyond any applicable grace or notice period) shall occur under the Guaranty or Purchase Agreement.

(b) No notice or cure period shall be required in any one or more of the following events: (A) the occurrence of an Event of Default under clause (i) (except as otherwise set forth below), (iii), (iv), (v), (vi), (vii) (viii), (ix), (x), (xi), (xii), (xiii), or (xiv) of Paragraph 22(a); (B) the default consists of a failure to provide any insurance required by Paragraph 16 or an assignment or sublease entered into in violation of Paragraph 21; or (C) the default is such that any delay in the exercise of a remedy by Landlord could reasonably be expected to cause irreparable harm to Landlord. If the default consists of the failure to pay any Monetary Obligation under clause (i) of Paragraph 22(a) other than Basic Rent, the applicable cure period shall be five (5) days from the date on which notice is received by Tenant, but Landlord shall not be obligated to give notice of, or allow any cure period for, any such default more than twice within any Lease Year. If the default consists of a failure to pay Basic Rent, the applicable cure period shall be five (5) days from the date on which notice is received by Tenant, but Landlord shall not be required to give such written notice more than three times during the Term. If the default consists of a default under clause (ii) of Paragraph 22(a), other than the events specified in clauses (B) and (C) of the first sentence of this Paragraph 22(b), the applicable cure period shall be thirty (30) days from the date on which notice is given or, if the default cannot be cured within such thirty (30) day period and delay in the exercise of a remedy would not (in Landlord's reasonable judgment) cause any material adverse harm to Landlord or any of the Leased Premises, the cure period shall be extended for the period required to cure the default (but such cure period, including any extension, shall not in the aggregate exceed 120 days), provided that Tenant shall commence to cure the default within the said

thirty-day period and shall actively, diligently and in good faith proceed with and continue the curing of the default until it shall be fully cured.

A copy of any notice of an Event of Default required to be given to Tenant under this paragraph 22(b) shall also be given to Guarantor.

23. Remedies and Damages Upon Default.

(a) If an Event of Default shall have occurred and is continuing, Landlord shall have the right, at its sole option, then or at any time thereafter, to exercise its remedies and to collect damages from Tenant in accordance with this Paragraph 23, subject in all events to applicable Law, without demand upon or notice to Tenant except as otherwise provided by applicable Law or in Paragraph 22(b) and this Paragraph 23.

(i) Landlord may give Tenant notice of Landlord's intention to terminate this Lease on a date specified in such notice. Upon such date, this Lease, the estate hereby granted and all rights of Tenant hereunder shall expire and terminate. Upon such termination, Tenant shall immediately surrender and deliver possession of the Leased Premises to Landlord in accordance with Paragraph 26. If Tenant does not so surrender and deliver possession of the Leased Premises, Landlord may re-enter and repossess the Leased Premises, with or without legal process, by peaceably entering the Leased Premises and changing locks or by summary proceedings, ejectment or any other lawful means or procedure. Upon or at any time after taking possession of the Leased Premises, Landlord may, by peaceable means or legal process, remove any Persons or property therefrom. Landlord shall be under no liability for or by reason of any such entry, repossession or removal. Notwithstanding such entry or repossession, Landlord may (A) exercise the remedy set forth in and collect the damages permitted by Paragraph 23(a)(iii) or (B) collect the damages set forth in Paragraph 23(b)(i) or 23(b)(ii).

(ii) After repossession of the Leased Premises pursuant to clause (i) above, Landlord shall have the right to relet any of the Leased Premises to such tenant or tenants, for such term or terms, for such rent, on such conditions and for such uses as Landlord in its sole discretion may determine, and collect and receive any rents payable by reason of such reletting. Landlord may make such Alterations in connection with such reletting as it may deem advisable in its reasonable discretion. Notwithstanding any such reletting, Landlord may collect the damages set forth in Paragraph 23(b)(ii).

(iii) Landlord may, upon notice to Tenant, require Tenant to make an irrevocable offer to terminate this Lease upon payment to Landlord of an amount (the "Default Termination Amount") specified in the next sentence. The "Default Termination Amount" shall be the greatest of (A) the Fair Market Value of the Leased Premises, (B) the sum of the Acquisition Cost and Prepayment Premium which Landlord will be required to pay in prepaying any Loan with proceeds of the Default Termination Amount or (C) an amount equal to the Present Value of the entire Basic Rent from the date of such purchase to the date on which the Term would expire. Upon such notice to Tenant, Tenant shall be deemed to have made such offer and shall, if requested by Landlord, within ten (10) days following such request deposit with Landlord as payment against the Default Termination Amount the amount described in (B) above, and Landlord and Tenant shall promptly commence to determine Fair Market Value. Within thirty (30) days after the Fair Market Value Date, Landlord shall accept or reject such offer. If Landlord accepts such offer then, on the tenth (10th) business day after such acceptance, Tenant shall pay to Landlord the Default Termination Amount and, at the request of Tenant, Landlord will convey the Leased Premises to Tenant or its designee in accordance with Paragraph 20. Any rejection by Landlord of such offer shall have no effect on any other remedy Landlord may have under this Lease.

(iv) Landlord may declare by notice to Tenant the entire Basic Rent (in the amount of Basic Rent then in effect) for the remainder of the then current Term to be immediately due and payable. Tenant shall immediately pay to Landlord all such Basic Rent discounted to its

Present Value, all accrued Rent then due and unpaid, all other Monetary Obligations which are then due and unpaid and all Monetary Obligations which arise or become due by reason of such Event of Default (including any Costs of Landlord). Upon receipt by Landlord of all such accelerated Basic Rent and Monetary Obligations, this Lease shall remain in full force and effect and Tenant shall have the right to possession of the Leased Premises from the date of such receipt by Landlord to the end of the Term, and subject to all the provisions of this Lease, including the obligation to pay all increases in Basic Rent and all Monetary Obligations that subsequently become due, except that no Basic Rent which has been prepaid hereunder shall be due thereafter during the said Term.

(v) Landlord may exercise all other remedies available to Landlord at law or equity, including but not limited to the right to bring an action against Tenant for Monetary Obligations as and when such Monetary Obligations become due.

(b) The following constitute damages to which Landlord shall be entitled if Landlord exercises its remedies under Paragraph 23(a)(i) or 23(a)(ii):

(i) If Landlord exercises its remedy under Paragraph 23(a)(i) but not its remedy under Paragraph 23(a)(ii) (or attempts to exercise such remedy and is unsuccessful in reletting the Leased Premises) then, upon written demand from Landlord, Tenant shall pay to Landlord, as liquidated and agreed final damages for Tenant's default and in lieu of all current damages beyond the date of such demand (it being agreed that it would be impracticable or extremely difficult to fix the actual damages), an amount equal to the present value of the excess, if any, of (A) all Basic Rent from the date of such demand to the date on which the Term is scheduled to expire hereunder in the absence of any earlier termination, re-entry or repossession over (B) the then fair market rental value of the Leased Premises for the same period. Tenant shall also pay to Landlord all of Landlord's Costs in connection with the repossession of the Leased Premises and any attempted reletting thereof, including all brokerage commissions, legal expenses attorneys' fees, employees' expenses, costs of Alterations and expenses and preparation for reletting.

(ii) If Landlord exercises its remedy under Paragraph 23(a)(i) or its remedies under Paragraph 23(a)(i) and 23(a)(ii), then Tenant shall, until the end of what would have been the Term in the absence of the termination of the Lease, and whether or not any of the Leased Premises shall have been relet, be liable to Landlord for, and shall pay to Landlord, as liquidated and agreed current damages, the Present Value of all Monetary Obligations which would be payable under this Lease by Tenant in the absence of such termination less the Present Value of the net proceeds, if any, of any reletting pursuant to Paragraph 23(a)(ii), after deducting from such proceeds all of Landlord's Costs (including the items listed in the last sentence of Paragraph 23(b)(i) hereof) incurred in connection with such repossessing and reletting; provided, that if Landlord has not relet the Leased Premises, such Costs of Landlord shall be considered to be Monetary Obligations payable by Tenant. Tenant shall be and remain liable for all sums aforesaid, and Landlord may recover such damages from Tenant and institute and maintain successive actions or legal proceedings against Tenant for the recovery of such damages. Nothing herein contained shall be deemed to require Landlord to wait to begin such action or other legal proceedings until the date when the Term would have expired by its own terms had there been no such Event of Default.

(c) Notwithstanding anything to the contrary herein contained, in lieu of or in addition to any of the foregoing remedies and damages, Landlord may exercise any remedies and collect any damages available to it at law or in equity. If Landlord is unable to obtain full satisfaction pursuant to the exercise of any remedy, it may pursue any other remedy which it has hereunder or at law or in equity.

(d) Landlord shall not be required to mitigate any

of its damages under Paragraph 23(b) unless required to by applicable Law. If any Law shall validly limit the amount of any damages provided for herein to an amount which is less than the amount agreed to herein, Landlord shall be entitled to the maximum amount available under such Law.

(e) No termination of this Lease, repossession or reletting of the Leased Premises, exercise of any remedy or collection of any damages pursuant to this Paragraph 23 shall relieve Tenant of any Surviving Obligations.

(f) WITH RESPECT TO ANY REMEDY OR PROCEEDING OF LANDLORD HEREUNDER, LANDLORD AND TENANT WAIVES ANY RIGHT TO A TRIAL BY JURY.

(g) Upon the occurrence of any Event of Default, Landlord shall have the right (but no obligation) to perform any act required of Tenant hereunder and, if performance of such act requires that Landlord enter the Leased Premises, Landlord may enter the Leased Premises for such purpose.

(h) No failure of Landlord (i) to insist at any time upon the strict performance of any provision of this Lease or (ii) to exercise any option, right, power or remedy contained in this Lease shall be construed as a waiver, modification or relinquishment thereof. A receipt by Landlord of any sum in satisfaction of any Monetary Obligation with knowledge of the breach of any provision hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision hereof shall be deemed to have been made unless expressed in a writing signed by Landlord.

(i) To the extent permitted by applicable law, Tenant hereby waives and surrenders, for itself and all those claiming under it, including creditors of all kinds, (i) any right and privilege which it or any of them may have under any present or future Law to redeem any of the Leased Premises or to have a continuance of this Lease after termination of this Lease or of Tenant's right of occupancy or possession pursuant to any court order or any provision hereof, and (ii) the benefits of any present or future Law which exempts property from liability for debt or for distress for rent.

(j) Except as otherwise provided herein, all remedies are cumulative and concurrent and no remedy is exclusive of any other remedy. Each remedy may be exercised at any time an Event of Default has occurred and is continuing and may be exercised from time to time. No remedy shall be exhausted by any exercise thereof.

24. Notices. All notices, demands, requests, consents, approvals, offers, statements and other instruments or communications required or permitted to be given pursuant to the provisions of this Lease shall be in writing and shall be deemed to have been given for all purposes when delivered in person or by Federal Express next-day delivery or other reliable 24-hour delivery service or five (5) business days after being deposited in the United States mail, by registered or certified mail, return receipt requested, postage prepaid, addressed to the other party at its address stated above. For the purposes of this Paragraph, any party may substitute another address stated above (or substituted by a previous notice) for its address by giving fifteen (15) days' notice of the new address to the other party, in the manner provided above.

25. Estoppel Certificate. At any time upon not less than twenty (20) days' prior written request by either Landlord or Tenant (the "Requesting Party") to the other party (the "Responding Party"), the Responding Party shall delivery to the Requesting Party a statement in writing, executed by an authorized officer of the Responding Party, certifying (a) that, except as otherwise specified, this Lease is unmodified and in full force and effect, (b) the dates to which Basic Rent, Additional Rent and all other Monetary Obligations have been paid, (c) that, to the knowledge of the signer of such certificate and except as otherwise specified, no default by either Landlord or Tenant exists hereunder, (d) such other information as the Requesting Party may reasonably request, and (e) if Tenant is the Responding

Party that, except as otherwise specified, there are no proceedings pending or, to the knowledge of the signer, threatened, against Tenant before or by an court or administrative agency which, if adversely decided, would materially and adversely affect the financial condition and operations of Tenant. Any such statements by the Responding Party may be relied upon by the Requesting Party, any Person whom the Requesting Party notifies the Responding Party in its request for the Certificate is an intended recipient or beneficiary of the Certificate, any Lender or their assignees and by any prospective purchase or mortgagee of any of the Leased Premises.

26. Surrender. Upon the expiration or earlier termination of this Lease, Tenant shall peaceably leave and surrender the Leased Premises to Landlord in the same condition in which the Leased Premises was at the commencement of this Lease, except as repaired, rebuilt, restored, altered, replaced or added to as permitted or required by any provision of this Lease, and except for ordinary wear and tear (and except for damage due to a Casualty or Condemnation where the Lease terminates as a result of the purchase by Tenant of the Leased Premises). Upon such surrender, Tenant shall (a) remove from the Leased Premises all property which is owned by Tenant or third parties other than Landlord and (b) repair any damage caused by such removal. Property not so removed shall become the property of Landlord, and Landlord may thereafter cause such property to be removed from the Leased Premises. The reasonable cost of removing and disposing of such property and repairing any damage to any of the Leased Premises caused by such removal shall be paid by Tenant to Landlord upon demand. Landlord shall not in any manner or to any extent be obligated to reimburse Tenant for any such property which becomes the property of Landlord pursuant to this Paragraph 26.

27. No Merger of Title. There shall be no merger of the leasehold estate created by this Lease with the fee estate in any of the Leased Premises by reason of the fact that the same Person may acquire or hold or own, directly or indirectly, (a) the leasehold estate created hereby or any part thereof or interest therein and (b) the fee estate in any of the Leased Premises or any part thereof or interest therein, unless and until all Persons having any interest in the interests described in (a) and (b) above which are sought to be merged shall join in a written instrument effecting such merger and shall duly record the same.

28. Books and Records.

(a) Tenant shall keep adequate records and books of account with respect to the finances and business of Tenant generally and with respect to the Leased Premises, in accordance with generally accepted accounting principles ("GAAP") consistently applied, and shall permit Landlord and Lender by their respective agents, accountants and attorneys (at Landlord's expense, unless an Event of Default had occurred and is continuing, in which event it shall be at Tenant's expense) upon reasonable notice to Tenant and at reasonable intervals, to visit and inspect the Leased Premises and examine (and make copies of) the records and books of account and to discuss the finances and business with the officers of Tenant, at such reasonable times as may be requested by Landlord. Upon the request of Lender or Landlord (either telephonically or in writing), Tenant shall provide the requesting party with copies of any information to which such party would be entitled in the course of a personal visit.

(b) Tenant shall deliver to Landlord and to Lender within 120 days of the close of each fiscal year, annual audited financial statements of Tenant prepared by nationally recognized independent certified public accountants. Tenant shall also furnish to Landlord within forty-five (45) days after the end of each of the three remaining quarters unaudited financial statements of Tenant, certified by Tenant's chief financial officer or other senior officer of Tenant, and all filings, if any, of Form 10-K, Form 10-Q and other required filings with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934, as amended, or any other Law. All financial statements of Tenant shall be prepared in accordance with GAAP consistently applied. All annual financial statements shall include balance sheets, income and expense statements and comparisons to

prior year's performance for the same period, and shall be accompanied (i) by an opinion of said accountants stating that (A) there are no qualifications as to the scope of the audit and (B) the audit was performed in accordance with GAAP and (ii) by the affidavit of the president or a vice president of Tenant, dated within five (5) days of the delivery of such statement, stating that (C) the affiant knows of no Event of Default, or other material event which, upon notice or the passage of time or both, would become an Event of Default, which has occurred and is continuing hereunder or, if any such material event has occurred and is continuing, specifying the nature and period of existence thereof and what action Tenant has taken or proposes to take with respect thereto and (D) except as otherwise specified in such affidavit, that Tenant has fulfilled all of its obligations under this Lease which are required to be fulfilled on or prior to the date of such affidavit.

29. Determination of Value.

(a) Whenever a determination of Fair Market Value is required pursuant to any provision of this Lease, such Fair Market Value shall be determined in accordance with the following procedure:

(i) Landlord and Tenant shall endeavor to agree upon such Fair Market Value within fifteen (15) days after the date (the "Applicable Initial Date") on which (A) Tenant provides Landlord with notice of its intention to terminate this Lease and purchase the Leased Premises pursuant to Paragraph 18, (B) Landlord provides Tenant with notice of its intention to redetermine Fair Market Value pursuant to Paragraph 20(c), (C) Landlord provides Tenant with notice of Landlord's intention to require Tenant to make an offer to terminate this Lease pursuant to Paragraph 23(a)(iii). Upon reaching such agreement, the parties shall execute an agreement setting forth the amount of such Fair Market Value.

If the parties shall not have signed such agreement within fifteen (15) days after the Applicable Initial Date, Landlord and Tenant shall endeavor to agree upon and appoint a single appraiser. Any such appraiser's determination of Fair Market Value shall be binding and conclusive.

(ii) If the parties shall not have reached agreement on Fair Market Value or appointed a single appraiser within thirty (30) days after the Applicable Initial Date, Tenant shall within fifty (50) days after the Applicable Initial Date select an appraiser and notify Landlord in writing of the name, address and qualifications of such appraiser. Within twenty (20) days following Landlord's receipt of Tenant's notice of the appraiser selected by Tenant, Landlord shall select an appraiser and notify Tenant of the name, address and qualifications of such appraiser. Such two appraisers shall endeavor to agree upon Fair Market Value based on a written appraisal made by each of them (and given to Landlord by Tenant) as of the Relevant Date. If such two appraisers shall agree upon a Fair Market Value, the amount of such Fair Market Value as so agreed shall be binding and conclusive.

(iii) If such two appraisers shall be unable to agree upon a Fair Market Value within twenty (20) days after the selection of an appraiser by Landlord, then such appraisers shall advise Landlord and Tenant of their respective determination of Fair Market Value and shall select a third appraiser to make the determination of Fair Market Value. The selection of the third appraiser shall be binding and conclusive upon Landlord and Tenant.

(iv) If such two appraisers shall be unable to agree upon the designation of a third appraiser within ten (10) days after the expiration of the twenty (20) day period referred to in clause (iii) above, or if such third appraiser does not make a determination of Fair Market Value within twenty (20) days after his selection, then such third appraiser or a substituted third appraiser, as applicable, shall, at the request of either party hereto, be appointed by the President or Chairman of the American Arbitration Association in New York, New York. The determination of Fair Market Value made by the third appraiser appointed pursuant hereto shall be made within twenty (20) days after such appointment.

(v) If a third appraiser is selected, Fair Market Value shall be the average of the determination of Fair Market Value made by the third appraiser and the determination of Fair Market Value made by the appraiser (selected pursuant to Paragraph 29(a)(ii) hereof) whose determination of Fair Market Value is nearest to that of the third appraiser. Such average shall be binding and conclusive upon Landlord and Tenant.

(vi) All appraisers selected or appointed pursuant to this Paragraph 29(a) shall (A) be independent qualified MAI appraisers (B) have no right, power or authority to alter or modify the provisions of this Lease, (C) utilize the definition of Fair Market Value hereinabove set forth above, and (D) be registered in the State if the State provides for or requires such registration. The Cost of the procedure described in this Paragraph 29(a) above shall be borne entirely by Tenant.

(b) If, by virtue of any delay by Tenant or its agents or employees, Fair Market Value is not determined by the expiration or termination of the then current Term, then the date on which the Term would otherwise expire or terminate shall be extended to the date specified for termination in the particular provision of this Lease pursuant to which the determination of Fair Market Value is being made.

(c) In determining Fair Market Value, the appraisers shall add (a) the Present Value of the Rent for the remaining Term (with assumed increases in the CPI to be determined by the appraisers) and (b) the Present Value of the Leased Premises as of the end of such Term (assuming that the fair market value of the Leased Premises as of the end of the Term would be $4,700,000). The appraisers shall further assume that no default then exists under the Lease, the Guaranty or the Purchase Agreement; that Tenant has complied (and will comply) with all provisions of the Lease; that Guarantor has not violated (and will not violate) any of the Covenants; and that Guarantor will comply with all other covenants in the Guaranty and Purchase Agreement.

30. Non-Recourse as to Landlord. Anything contained herein to the contrary notwithstanding, any claim based on or in respect of any liability of Landlord under this Lease shall be enforced only against the Leased Premises and not against any other assets, properties or funds of (i) Landlord, (ii) any director, officer, general partner, shareholder, limited partner, beneficiary, employee or agent of Landlord or any general partner of Landlord or any of its general partners (or any legal representative, heir, estate, successor or assign of any thereof), (iii) any predecessor or successor partnership or corporation (or other entity) of Landlord or any of its general partners, shareholders, officers, directors, employees or agents, either directly or through Landlord or its general partners, shareholders, officers, directors, employees or agents or any predecessor or successor partnership or corporation (or other entity), or (iv) any Person affiliated with any of the foregoing, or any director, officer, employee or agent of any thereof; provided, however, that Landlord shall be personally liable to Tenant for failure by Landlord to apply hazard insurance proceeds as required to be applied by Landlord pursuant to Paragraph 19 of this Lease.

31. Financing.

(a) Tenant agrees to pay, within three (3) business days of written demand therefor, attorneys' fees and costs of counsel for Lender in connection with obtaining the initial Loan (except that when such attorneys' fees paid by Tenant, when added to attorneys' fees of Landlord's counsel incurred in connection with negotiation of this Lease paid by Tenant, exceed $30,000, then Tenant will be responsible only for 60% of such attorneys' fees). Tenant shall not be obligated to pay any points or other costs of obtaining the initial Loan, nor shall Tenant be obligated to pay any cost of obtaining any Loan which refinances the initial Loan. The foregoing $30,000 limit shall not apply, however, to attorneys' fees and costs incurred by counsel to the Landlord, Lender or the City which are in any way related to the Transfer Agreement, 100% of which shall be paid by Tenant and shall be excluded from the $30,000 in fees referenced above.

(b) If Landlord desires to obtain or refinance any Loan, Tenant shall agree, upon request of Landlord, to supply any such Lender with such notices and information as Tenant is required to give to Landlord hereunder and to extend the rights of Landlord hereunder to any such Lender and to consent to such financing if such consent is requested by such Lender. Tenant shall provide any other consent or statement and shall execute any and all other documents that such Lender reasonably requires in connection with such financing, including any environmental indemnity agreement not more onerous than the environmental indemnity set forth in this Lease and subordination, non-disturbance and attornment agreement, so long as the same do not materially adversely affect any right, benefit or privilege of Tenant under this Lease or materially increase Tenant's obligations under this Lease. Such subordination, nondisturbance and attornment agreement may require Tenant to confirm that (a) Lender and its assigns will not be liable for any misrepresentation, act or omission of Landlord and (b) Lender and its assigns will not be subject to any counterclaim, demand of offset which Tenant may have against Landlord, and shall require Lender to recognize all of Tenant's rights under the Lease, including but not limited to all Tenant's rights to receive advances of the Net Award pursuant to Paragraph 19.

(c) Landlord will request Lender to waive any requirement (i) for tax and insurance escrows so long as no Event of Default occurs and is continuing and (ii) that Landlord or Tenant escrow with Lender any costs of rebuilding the Leased Premises following a Casualty which are in excess of the Net Award.

32. [Intentionally Omitted].

32. [Intentionally Omitted].

33. Tax Treatment; Reporting. Landlord and Tenant each acknowledge that each shall treat this transaction as a true lease for state law purposes and shall report this transaction as a lease for Federal income tax purposes. For Federal income tax purposes each shall report this Lease as a true lease with Landlord as the owner of the Leased Premises and Equipment and Tenant as the lessee of such Leased Premises and Equipment including: (1) treating Landlord as the owner of the property eligible to claim depreciation deductions under Section 167 or 168 of the Internal Revenue Code of 1986 (the "Code") with respect to the Leased Premises and Equipment, (2) Tenant reporting its Rent payments as rent expense under Section 162 of the Code, and (3) Landlord reporting the Rent payments as rental income.

35. Right of First Refusal.

(a) Except as otherwise provided in clause (e) of this Paragraph 35, and provided an Event of Default does not then exist, if Landlord shall enter into a contract for the sale (the "Sale Contract") of the Leased Premises with a Third Party Purchaser, Landlord shall give written notice to Tenant of the Sale Contract, together with a copy of the executed Sale Contract and the name and business address of the Third Party Purchaser.

For a period of thirty (30) days following receipt of such notice, Tenant shall have the right and option, exercisable by written notice to Landlord given within said thirty (30) day period, to elect to purchase the Leased Premises at the purchase price and upon all the terms and conditions set forth in such Sale Contract except that no contingencies contained in such Sale Contract as to environmental assessments, engineering studies, inspection of the Leased Premises, sale of other property, state of the title to or encumbrances on the Leased Premises (but subject to Landlord's obligation to convey title as required by Paragraph 20(a)), or any other condition or contingency to the Third Party Purchaser's obligation to purchase the Leased Premises which pertains to the condition of the Leased Premises, the Third Party Purchaser's ability to take certain action or any other factor beyond the control of Landlord, shall apply to Tenant's obligation to purchase the Leased Premises under this Paragraph 35, and Tenant shall be obligated to purchase the Leased Premises without any such condition or contingency.

If at the expiration of the aforesaid thirty (30) day period Tenant shall have failed to exercise the aforesaid option, Landlord may sell the Leased Premises to such Third Party Purchaser upon the terms set forth in such contract.

(b) Except as otherwise specifically provided herein, the closing date for any purchase of the Leased Premises by Tenant pursuant to this Paragraph 35 shall be the earlier to occur of (i) ninety (90) days after the date of Tenant's notice to Landlord of its intention to purchase the Leased Premises upon the terms of a contract for sale with a Third Party Purchaser or (ii) the closing date provided in such Sale Contract. At such closing Landlord shall convey the Leased Premises to Tenant in accordance with, and Tenant shall pay to Landlord the purchase price and other consideration set forth in, the applicable contract.

(c) Tenant shall have the right during the Term to exercise the foregoing right of first refusal only one time upon each proposed sale of the Leased Premises prior to the tenth (10th) anniversary of this Lease; provided, that if, following compliance with the procedure described in Paragraph 35(a), a Third Party Purchaser does not purchase the Leased Premises, such event shall not count as an exercise of Tenant's right of first refusal. Notwithstanding anything to the contrary, if Tenant fails to exercise the right of first refusal granted pursuant to this Paragraph 35 and the sale to the Third Party Purchaser is consummated or if this Lease terminates or the Term expires, such right of first refusal shall terminate and be null and void and of no further force and effect.

(d) If Tenant does not exercise its right of first refusal to purchase the Leased Premises and the Leased Premises are transferred to a Third Party Purchaser, Tenant will attorn to any Third Party Purchaser as landlord so long as such Third Party Purchaser and landlord notify Tenant in writing of such transfer. At the request of Landlord, Tenant will execute such documents confirming the agreement referred to above.

(e) The provisions of this Paragraph 35(a) shall not apply to or prohibit (i) any mortgaging, subjection to deed of trust or other hypothecation of Landlord's interest in the Leased Premises, (ii) any sale of the Leased Premises pursuant to a private power of sale under or judicial foreclosure of any Mortgage or other security instrument or device to which Landlord's interest in the Leased Premises is now or hereafter subject, (iii) any transfer of Landlord's interest in the Leased Premises to a Lender, beneficiary under deed of trust or other holder of a security interest therein by deed in lieu of foreclosure, (iv) any transfer of the Leased Premises to any governmental or quasi-governmental agency with power of condemnation, (v) any transfer of the Leased Premises to any affiliate of Landlord or to Corporate Property Associates 12 Incorporated, (vi) any Person to whom Corporate Property Associates 12 Incorporated sells all or substantially all of its assets, or (vii) any transfer of the Leased Premises to any of the successors or assigns of Corporate Property Associates 12 Incorporated any of the Persons referred to in the foregoing clauses (i) through (iv).

36. Financing Major Alterations.

(a) Should Tenant, during the Term of this Lease, desire to make Alterations to any of the Leased Premises which are not readily removable without causing material damage to the Leased Premises and which will cost in excess of $100,000 ("Major Alterations"), Tenant may, prior to the commencement of construction of such Major Alterations, request Landlord to reimburse the costs thereof to Landlord (the "Alteration Cost") to Tenant, to wit: cost of labor and materials, financing fees, legal fees, survey, title insurance and other normal and customary loan or construction costs. Such request shall be accompanied by detailed plans and specifications for the proposed Major Alterations.

(b) Should Landlord agree to reimburse such costs, Landlord and Tenant shall enter into good faith negotiations regarding the execution and delivery of a written agreement of modification of this Lease, which agreement shall provide for the following:

(i) payment by Landlord to Tenant of the Alteration Cost within one hundred twenty (120) days of the date of Landlord's agreement to pay the Alteration Cost, or in installment payments as agreed, or on the date of completion of the Major Alterations, whichever shall be the later;

(ii) an increase in the annual Basic Rent payable during the Amortization Period (as hereinafter defined) to an amount sufficient to amortize the Alteration Cost ("Total Financing") over a period (the "Amortization Period") which shall be the remainder of the then current Term and, if Tenant so elects, any additional extension periods provided for herein (so long as Tenant shall confirm any such extension periods included in the Amortization Period by a written waiver of its right to give notice of its intention not to renew this Lease prior to the expiration of such extension periods), at such rate of interest and upon such other terms as shall be agreed upon between Landlord and Tenant, but which interest rate shall be at the actual rate obtained by Landlord, and shall be no higher than the prevailing interest rate and terms (the "Landlord Rate") for an unsecured loan in a principal amount equal to the Total Financings obtainable by Landlord; and

(iii) such other changes and amendments to this Lease as may be necessary and appropriate in view of such payment of the Alteration Cost by Landlord to Tenant.

Tenant shall pay all Costs incurred by Landlord in connection with any such modification to this Lease and such financing, including closing costs, brokerage fees, taxes, recording charges and legal fees and expenses.

(c) To the extent that the terms of the Mortgage or any other document encumbering any of the Leased Premises shall require the consent of Lender and/or the holder or holders of any encumbrance on any of the Leased Premises (the "Encumbrancers") to the addition or construction of any Major Alterations or to the financing thereof by Landlord, the rights and obligations of Landlord and Tenant under Paragraph 13 and this Paragraph 36 are expressly conditioned upon Tenant's obtaining, prior to the commencement of any construction, the Encumbrancers' written consent to such construction and to Landlords obtaining, in the event Landlord has accepted Tenant's offer to accept payment for the Major Alterations, the Encumbrancers' written consent to such financing.

(d) If Landlord and Tenant do not reach agreement on Tenant's request to have Landlord finance the Alteration Costs, Tenant shall, subject to the provisions of Paragraph 13 of this Lease, have the right to construct the Major Alterations at Tenant's sole cost and expense. In any event, the construction of the Major Alterations shall be performed in accordance with the provisions of Paragraph 13 hereof and the Major Alterations shall be the property of Landlord and part of the Leased Premises subject to this Lease.

(e) Nothing contained in this Paragraph 36 shall be construed to modify Paragraph 13 hereof, and the provisions of Paragraph 12 and subparagraphs (i) and (ii) of Paragraph 13(a) shall apply to all Major Alterations made or constructed hereunder, including the requirement for Landlord's consent to Alterations.

(f) If Tenant desires to construct Major Alterations consisting of an addition or an expansion to the Leased Premises and the cost thereof exceeds $1,000,000, Tenant may, prior to the commencement of construction of such Major Alterations, request Landlord to reimburse the cost thereof to Tenant pursuant to Paragraphs 36(a) and 36(b). If, within 90 days following receipt by Landlord of the detailed plans and specifications for the proposed Major Alterations described in this subparagraph (f), Landlord is unable to commit to provide funds for such Major Alterations in excess of $1,000,000 to be amortized (through increases in Basic Rent) in accordance with Paragraph 36(b) over the Amortization Period with interest at the Landlord Rate, and if no Event of Default has occurred and is then continuing, then the Tenant may, by written notice to Landlord within 10 days after expiration of said 90 day period, elect to repurchase the Leased Premises for

a purchase price (the "Purchase Price") equal to the sum of the Acquisition Cost and any Prepayment Premium which Landlord will be required to pay in prepaying any Loan with proceeds of the Purchase Price. Within 60 days after receipt of such notice by Landlord, Tenant shall pay to Landlord the Purchase Price and Landlord will convey the Leased Premises to Tenant in accordance with paragraph 20. If requested by Tenant, Landlord will borrow funds from Guarantor on an unsecured basis to pay for Major Alterations in excess of $1,000,000 if Guarantor is able to arrange such borrowing for Major Alterations in excess of $1,000,000 at such terms and conditions more favorable to Landlord than those obtainable by Landlord from other lenders so long as Guarantor has no right to exercise remedies or increase the interest rate if an Event of Default occurs and Landlord has the right to set-off against sums borrowed from Guarantor any unpaid Monetary Obligations due to Landlord under this Lease. Such sums borrowed by Landlord will be amortized (through increases in Basic Rent) over the Amortization Period in accordance with Paragraph 36(b) with interest at the interest rate payable to Guarantor.

37. Miscellaneous.

(a) The paragraph headings in this Lease are used only for convenience in finding the subject matters and are not part of this Lease or to be used in determining the intent of the parties or otherwise interpreting this Lease.

(b) As used in this Lease, the singular shall include the plural and any gender shall include all genders as the context requires and the following words and phrases shall have the following meanings: (i) "including" shall mean "including without limitation"; (ii) "provisions" shall mean "provisions, terms, agreements, covenants and/or conditions"; (iii) "lien" shall mean "lien, charge, encumbrance, title retention agreement, pledge, security interest, mortgage and/or deed of trust"; (iv) "obligation" shall mean "obligation, duty, agreement, liability, covenant and/or condition"; (v) "any of the Leased Premises" shall mean "the Leased Premises or any part thereof or interest therein"; (vi) "any of the Land" shall mean "the Land or any part thereof or interest therein"; (vii) "any of the Improvements" shall mean "the Improvements or any part thereof or interest therein"; and (viii) "any of the Equipment" shall mean "the Equipment or any part thereof or interest therein".

(c) Any act which Landlord is permitted to perform under this Lease may be performed at any time and from time to time by Landlord or any person or entity designated by Landlord. Each appointment of Landlord as attorney-in-fact for Tenant hereunder is irrevocable and coupled with an interest. Time is of the essence with respect to the performance by Tenant of its obligations under this Lease.

(d) Landlord shall in no event be construed for any purpose to be a partner, joint venturer or associate of Tenant or of any subtenant, operator, concessionaire or licensee of Tenant with respect to any of the Leased Premises or otherwise in the conduct of their respective businesses.

(e) This Lease and any documents which may be executed by Tenant on or about the effective date hereof at Landlord's request constitute the entire agreement between the parties and supersede all prior understandings and agreements, whether written or oral, between the parties hereto relating to the Leased Premises and the transactions provided for herein. Landlord and Tenant are business entities having substantial experience with the subject matter of this Lease and have each fully participated in the negotiation and drafting of this Lease. Accordingly, this Lease shall be construed without regard to the rule that ambiguities in a document are to be construed against the drafter.

(f) This Lease may be modified, amended, discharged or waived only by an agreement in writing signed by the party against whom enforcement of any such modification, amendment, discharge or waiver is sought. If requested by Tenant, and if no Event of Default has occurred and is continuing, Landlord will enter into an amendment of this Lease on or prior

to December 31, 1997 in the form attached hereto as Exhibit E, provided that all conditions to the effectiveness of the amendment which are set forth in the amendment are satisfied by the Tenant (i) prior to December 31, 1997 and (ii) prior to Landlord's execution of the Amendment.

(g) The covenants of this Lease shall run with the land and bind Tenant, its successors and assigns and all present and subsequent encumbrancers and subtenants of any of the Leased Premises, and shall inure to the benefit of Landlord, its successors and assigns. If there is more than one Tenant, the obligations of each shall be joint and several.

(h) If any one or more of the provisions contained in this Lease shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Lease, but this Lease shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

(i) This Lease shall be governed by and construed and enforced in accordance with the Laws of the State.

(j) Any actions taken by or on behalf of the Landlord relating to inspection of the Leased Premises or inspection of Tenant's books and records shall be performed or conducted at such times and in such manner as to minimize interference with Tenant's business operations from and within the Leased Premises.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be duly executed under seal as of the day and year first above written.

LANDLORD:

QRS 12-14 (AL), INC.

Attest:

By: /s/ Gordon J. Whiting
Vice President

_____

Title: _____
[Corporate Seal]
Title:

ATTEST:

TENANT:

SPORTS WHOLESALE, INC.,
an Alabama corporation

By: /s/ Maxine B. Martin

Title:

Title: Secretary

[Corporate Seal]

EXHIBIT B

EQUIPMENT

All fixtures, machinery, apparatus, equipment, fittings and appliances of every kind and nature whatsoever now or hereafter affixed or attached to or

installed in any of the Leased Premises (except as hereafter provided), including all electrical, anti-pollution, heating, lighting (including hanging fluorescent lighting), incinerating, power, air cooling, air conditioning, humidification, sprinkling, plumbing, lifting, cleaning, fire prevention, fire extinguishing and ventilating systems, devices and machinery and all engines, pipes, pumps, tanks (including exchange tanks and fuel storage tanks), motors, conduits, ducts, steam circulation coils, blowers, steam lines, compressors, oil burners, boilers, doors, windows, loading platforms, lavatory facilities, stairwells, fencing (including cyclone fencing), passenger and freight elevators, overhead cranes and garage units, together with all additions thereto, substitutions therefor and replacements thereof required or permitted by this Lease, but excluding all personal property and all trade fixtures, equipment, machinery, office, manufacturing and warehouse equipment which are not necessary to the operation, as buildings, of the buildings which constitute part of the Leased Premises.

EXHIBIT C

PERMITTED ENCUMBRANCES

1. All conditions, restrictions and easements of record as of the date hereof.

2. The conditions and restrictions set forth in the Contract (as defined in the Transfer Agreement).

3. All rights and claims of parties in possession as of the date hereof.

4. All rights and claims of any contractors, suppliers, or any other person having a right to file a lien with respect to any work done prior to the date hereof or done after the date hereof at the request of Tenant.

5. Real estate taxes and assessments not yet due or payable.

EXHIBIT D

BASIC RENT PAYMENTS

1. Basic Rent. Subject to the adjustments provided for in Paragraphs 2, 3 and 4 below, Basic Rent payable in respect of the Term shall be $475,784 per annum, payable quarterly in advance on each Basic Rent Payment Date, in equal installments of $118,946 each.

2. CPI Adjustments to Basic Rent. The Basic Rent shall be subject to adjustment, in the manner hereinafter set forth, for increases in the index known as United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers, United States City Average, All Items, (1982-84=100) ("CPI") or the successor index that most closely approximates the CPI. If the CPI shall be discontinued with no successor or comparable successor index, Landlord and Tenant shall attempt to agree upon a substitute index or formula, but if they are unable to so agree, then the matter shall be determined by arbitration in accordance with the rules of the American Arbitration Association then prevailing in New York City. Any decision or award resulting from such arbitration shall be final and binding upon Landlord and Tenant and judgment thereon may be entered in any court of competent jurisdiction. In no event will the Basic Rent as adjusted by the CPI adjustment be less than the Basic Rent in effect for the one year period immediately preceding such adjustment.

3. Effective Dates of CPI Adjustments. Basic Rent shall

not be adjusted to reflect changes in the CPI until the third anniversary of the Basic Rent Payment Date on which the first full monthly installment of Basic Rent shall be due and payable (the "First Full Basic Rent Payment Date"). As of the third anniversary of the First Full Basic Rent Payment Date and thereafter on the sixth, ninth, twelfth and, if the Initial Term is extended, the fifteenth, eighteenth, twenty-first, twenty-fourth, and twenty-seventh anniversary of the First Full Basic Rent Payment Date, Basic Rent shall be adjusted to reflect increases in the CPI during the most recent three year period immediately preceding each of the foregoing dates (each such date being hereinafter referred to as the "Basic Rent Adjustment Date").

4. Method of Adjustment for CPI Adjustment.

(a) As of each Basic Rent Adjustment Date when the average CPI determined in clause (i) below (the "Ending CPI") exceeds the Beginning CPI (as defined in this Paragraph 4(a)), the Basic Rent in effect immediately prior to the applicable Basic Rent Adjustment Date shall be multiplied by a fraction, the numerator of which shall be the difference between (i) the average CPI for the three (3) most recent calendar months (the "Prior Months") ending prior to such Basic Rent Adjustment Date for which the CPI has been published on or before the forty-fifth (45th) day preceding such Basic Rent Adjustment Date and (ii) the Beginning CPI, and the denominator of which shall be the Beginning CPI. (Solely for purposes of the foregoing calculation, the Ending CPI cannot exceed 109% of the Beginning CPI.) 75% of the product of such multiplication shall be added to the Basic Rent in effect immediately prior to such Basic Rent Adjustment Date. As used herein, "Beginning CPI" shall mean the average CPI for the three (3) calendar months corresponding to the Prior Months, but occurring three years earlier. If the Ending CPI is the same or less than the Beginning CPI, the Basic Rent will remain the same for the ensuing three-year period.

(b) Effective as of a given Basic Rent Adjustment Date, Basic Rent payable under this Lease until the next succeeding Basic Rent Adjustment Date shall be the Basic Rent in effect after the adjustment provided for as of such Basic Rent Adjustment Date.

(c) Notice of the new annual Basic Rent shall be delivered to Tenant on or before the tenth (10th) day preceding each Basic Rent Adjustment Date.

Exhibit 11

Hibbett Sporting Goods, Inc.
Statement of Computation of
Net Income Per Share

	Fiscal Year Ended			Thirteen-Week Period Ended	
	January 29, 1994 (52 Weeks)	January 28, 1995 (52 Weeks)	February 3, 1996 (52 Weeks)	April 29, 1995	May 4, 1996
Net income	$ 1,469,000	$ 2,389,000	$ 2,443,000	$ 799,000	$ 935,000
Weighted average number of common and common equivalent shares outstanding:					
Weighted averages shares, excluding effect of stock options	39,677,581	39,677,581	35,506,651	39,677,581	23,389,000
Effect of stock options(1)	0	0	106,777	0	379,133
	39,677,581	39,677,581	35,613,428	39,677,501	23,768,133
Net income per share	$.04	$.06	$.07	$.02	$.04

- ---------
(1) Stock options have been included in the above computation utilizing the treasury stock method.

Exhibit 21

List of Registrant's Subsidiaries

1. Hibbett Team Sales, Inc.
(incorporated under the Alabama Business Corporation Act)

2. Sports Wholesale, Inc.
(incorporated under the Alabama Business Corporation Act)

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated April 2, 1996 included in or made a part of this Registration Statement of Hibbett Sporting Goods, Inc. on Form S-1 and to the reference to our Firm under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

Arthur Andersen LLP

Birmingham, Alabama
June 24, 1996

<ARTICLE> 5
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This schedule contains summary information extracted from the financial statements of Hibbett Sporting Goods, Inc. for the fiscal year ended Febrary 3, 1996 and for the thirteen week period ended May 4, 1996 and is qualified in its entirety by reference to such financial statements.
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