

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended December 1, 2012

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 0-20184

The Finish Line, Inc.

(Exact name of registrant as specified in its charter)

Indiana
(State or other jurisdiction of
incorporation or organization)

35-1537210
(I.R.S. Employer
Identification Number)

3308 North Mitthoeffer Road Indianapolis, Indiana
(Address of principal executive offices)

46235
(zip code)

317-899-1022
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

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

Indicate by check mark whether registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Shares of Class A common stock outstanding at December 21, 2012: 49,707,899

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE FINISH LINE, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 1, 2012 (unaudited)	November 26, 2011 (unaudited)	March 3, 2012
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$168,154	\$ 216,570	\$307,494
Accounts receivable, net	12,025	8,842	9,041
Merchandise inventories, net	301,654	280,409	220,405
Income taxes receivable	10,417	4,097	—
Other	8,462	8,427	15,808
Total current assets	500,712	518,345	552,748
PROPERTY AND EQUIPMENT:			
Land	1,557	1,557	1,557
Building	42,397	41,446	41,745
Leasehold improvements	228,647	223,828	220,532
Furniture, fixtures and equipment	126,418	120,199	115,798
Construction in progress	38,149	5,291	6,987
	437,168	392,321	386,619
Less accumulated depreciation	269,198	263,978	259,622
	167,970	128,343	126,997
Deferred income taxes	18,926	23,337	16,888
Goodwill and other intangible assets	15,313	8,815	9,053
Other assets, net	6,864	5,585	5,810
Total assets	<u>\$709,785</u>	<u>\$ 684,425</u>	<u>\$711,496</u>

See accompanying notes.

THE FINISH LINE, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 1, 2012 (unaudited)	November 26, 2011 (unaudited)	March 3, 2012
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	\$ 92,956	\$ 95,845	\$ 67,246
Employee compensation	15,425	18,923	22,403
Accrued property and sales tax	8,212	8,186	10,312
Income taxes payable	—	—	13,348
Deferred income taxes	8,997	6,407	7,068
Other liabilities and accrued expenses	20,019	18,622	18,306
Total current liabilities	145,609	147,983	138,683
Deferred credits from landlords	28,138	30,035	27,737
Other long-term liabilities	18,463	15,335	15,539
REDEEMABLE NONCONTROLLING INTEREST	4,535	—	—
SHAREHOLDERS' EQUITY:			
Preferred stock, \$.01 par value; 1,000 shares authorized; none issued	—	—	—
Common stock, \$.01 par value			
Class A:			
Shares authorized—(December 1, 2012 – 110,000; November 26, 2011 – 100,000; March 3, 2012 – 100,000)			
Shares issued—(December 1, 2012 – 59,587; November 26, 2011 – 58,811; March 3, 2012 – 58,839)			
Shares outstanding—(December 1, 2012 – 49,262; November 26, 2011 – 50,784; March 3, 2012 – 50,795)	596	588	588
Class B:			
Shares authorized—(December 1, 2012 – 0; November 26, 2011 – 10,000; March 3, 2012 – 10,000)			
Shares issued and outstanding—(December 1, 2012 – 0; November 26, 2011 – 599; March 3, 2012 – 571)	—	6	5
Additional paid-in capital	216,657	209,592	211,271
Retained earnings	473,921	407,071	445,884
Treasury stock—(December 1, 2012 – 10,325; November 26, 2011 – 8,027; March 3, 2012 – 8,044)	(178,134)	(126,185)	(128,211)
Total shareholders' equity	513,040	491,072	529,537
Total liabilities and shareholders' equity	<u>\$ 709,785</u>	<u>\$ 684,425</u>	<u>\$ 711,496</u>

See accompanying notes.

THE FINISH LINE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 1, 2012	November 26, 2011	December 1, 2012	November 26, 2011
Net sales	\$296,623	\$ 282,011	\$1,000,683	\$ 912,999
Cost of sales (including occupancy costs)	206,833	191,002	671,684	602,393
Gross profit	89,790	91,009	328,999	310,606
Selling, general and administrative expenses	91,447	83,067	271,004	241,818
Store closing costs	1	368	421	965
Operating (loss) income	(1,658)	7,574	57,574	67,823
Interest income, net	38	109	167	390
(Loss) income before income taxes	(1,620)	7,683	57,741	68,213
Income tax (benefit) expense	(811)	2,135	22,033	25,329
Net (loss) income	(809)	5,548	35,708	42,884
Net loss attributable to redeemable noncontrolling interest	702	—	1,436	—
Net (loss) income attributable to The Finish Line, Inc.	<u>\$ (107)</u>	<u>\$ 5,548</u>	<u>\$ 37,144</u>	<u>\$ 42,884</u>
Basic earnings per share attributable to The Finish Line, Inc. shareholders	<u>\$ 0.00</u>	<u>\$ 0.11</u>	<u>\$ 0.73</u>	<u>\$ 0.81</u>
Basic weighted average shares	<u>49,949</u>	<u>51,338</u>	<u>50,277</u>	<u>52,267</u>
Diluted earnings per share attributable to The Finish Line, Inc. shareholders	<u>\$ 0.00</u>	<u>\$ 0.11</u>	<u>\$ 0.72</u>	<u>\$ 0.80</u>
Diluted weighted average shares	<u>49,949</u>	<u>52,082</u>	<u>50,977</u>	<u>53,076</u>
Dividends declared per share	<u>\$ 0.06</u>	<u>\$ 0.05</u>	<u>\$ 0.18</u>	<u>\$ 0.15</u>

See accompanying notes.

THE FINISH LINE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Thirty-Nine Weeks Ended	
	December 1, 2012	November 26, 2011
OPERATING ACTIVITIES:		
Net income	\$ 35,708	\$ 42,884
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	21,160	19,842
Deferred income taxes	(109)	3,696
Share-based compensation	5,391	3,916
Loss on disposal of property and equipment	570	1,225
Excess tax benefits from share-based compensation	(2,372)	(5,451)
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,967)	1,710
Merchandise inventories, net	(80,352)	(83,746)
Other assets	7,927	(1,498)
Accounts payable	23,786	21,087
Employee compensation	(6,997)	407
Income taxes payable/receivable	(24,103)	(8,419)
Other liabilities and accrued expenses	(880)	1,399
Deferred credits from landlords	692	(4,617)
Net cash used in operating activities	(22,546)	(7,565)
INVESTING ACTIVITIES:		
Additions to property and equipment	(62,061)	(21,984)
Payments for intangible assets	—	(550)
Proceeds from disposals of property and equipment	67	40
Acquisitions, net of cash acquired	(2,256)	(8,500)
Cash paid for investment	(1,000)	—
Net cash used in investing activities	(65,250)	(30,994)
FINANCING ACTIVITIES:		
Dividends paid to shareholders	(9,176)	(7,922)
Proceeds from issuance of common stock	2,879	12,731
Excess tax benefits from share-based compensation	2,372	5,451
Purchase of common stock for treasury	(53,619)	(54,454)
Funding of related-party note receivable	(4,000)	—
Proceeds from sale of redeemable noncontrolling interest	10,000	—
Net cash used in financing activities	(51,544)	(44,194)
Net decrease in cash and cash equivalents	(139,340)	(82,753)
Cash and cash equivalents at beginning of period	307,494	299,323
Cash and cash equivalents at end of period	<u>\$ 168,154</u>	<u>\$ 216,570</u>
Supplemental disclosures of cash flow information:		
Capital expenditures incurred but not yet paid	\$ 630	\$ —

See accompanying notes.

THE FINISH LINE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of The Finish Line, Inc., along with its consolidated subsidiaries (individually and collectively referred to as the "Company"), have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. Preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation, have been included. Intercompany accounts and transactions have been eliminated in consolidation.

The Company has experienced, and expects to continue to experience, significant variability in sales, net income and merchandise inventories from reporting period to reporting period. Therefore, the results of the interim periods presented herein are not necessarily indicative of the results to be expected for any other interim period or the full year.

These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended March 3, 2012 ("fiscal 2012"), as filed with the Securities and Exchange Commission ("SEC") on May 2, 2012.

Recent Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment." This update amended the procedures for testing the impairment of indefinite-lived intangible assets by permitting an entity to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible assets are impaired. An entity's assessment of the totality of events and circumstances and their impact on the entity's indefinite-lived intangible assets will then be used as a basis for determining whether it is necessary to perform the quantitative impairment test as described in Accounting Standard Codification ("ASC") 350-30, "Intangibles – Goodwill and Other – General Intangibles Other than Goodwill." This ASU will be effective for the Company on March 3, 2013, with early adoption permitted. The adoption of this guidance is not expected to have a significant effect on the Company's consolidated financial statements.

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

Segment Information

The Company is a premium retailer of athletic shoes, apparel and accessories for men, women and kids, throughout the United States, through three operating segments, "brick and mortar" stores, digital (which includes internet, mobile and tablet), and The Running Specialty Group ("Running Specialty"). Given the similar economic characteristics of both "brick and mortar" stores and digital, which include a similar nature of products sold, type of customer, and method of distribution, and Running Specialty being immaterial, the Company's operating segments are aggregated into one reportable segment. The following table sets forth net sales of the Company by major category for each of the following periods (in thousands):

Category	Thirteen Weeks Ended (Unaudited)			
	December 1, 2012		November 26, 2011	
Footwear	\$240,162	81%	\$232,623	82%
Softgoods	56,461	19%	49,388	18%
Total	<u>\$296,623</u>	<u>100%</u>	<u>\$282,011</u>	<u>100%</u>

Category	Thirty-Nine Weeks Ended (Unaudited)			
	December 1, 2012		November 26, 2011	
Footwear	\$ 860,421	86%	\$788,463	86%
Softgoods	140,262	14%	124,536	14%
Total	<u>\$1,000,683</u>	<u>100%</u>	<u>\$912,999</u>	<u>100%</u>

Reclassification

Certain amounts in the March 3, 2012 financial statements have been reclassified to conform to the fiscal 2013 presentation.

2. Running Specialty

On August 31, 2011, the Company acquired substantially all the assets and assumed certain liabilities of the Running Company for a purchase price of \$8.5 million which was funded through the Company's existing cash. As of the acquisition date, the Running Company operated 18 specialty running shops in Connecticut, District of Columbia, Florida, Maryland, Massachusetts, New Jersey, New York and Texas.

The Company allocated the purchase price based upon the tangible and intangible assets acquired, net of liabilities. The allocation of the purchase price is detailed below (in thousands):

	Allocation of Purchase Price
Goodwill	\$ 8,503
Tangible assets, net of liabilities	1,675
Net unfavorable lease obligation	(1,678)
Total purchase price	<u>\$ 8,500</u>

The Company determined the estimated fair values based on discounted cash flow analyses and estimates made by management. Goodwill from the acquisition is deductible for tax purposes.

On March 29, 2012, GCPI SR LLC (“GCPI”) made a \$10.0 million strategic investment in Running Specialty. The Company will remain majority owner with a 51% ownership. GCPI has the right to “put” and the Company has the right to “call” after March 4, 2017, under certain circumstances, the remaining 49% interest in Running Specialty at an agreed upon price approximating fair value. Also, as part of the transaction, GCPI issued to the Company a \$4.0 million related-party promissory note which is collateralized with GCPI’s interest in Running Specialty due March 31, 2021 or earlier depending on certain stipulated events in the control of GCPI. The promissory note calls for interest payments based in part on a fixed rate and in part on participation in the value of other investments held by GCPI. The balance of the promissory note and related accrued interest is \$4.0 million at December 1, 2012 and has been netted against the “redeemable noncontrolling interest.”

The redeemable noncontrolling interest is classified as mezzanine equity and measured at the greater of estimated fair value at the end of each reporting period or the historical cost basis of the redeemable noncontrolling interest, net of the \$4.0 million promissory note and related accrued interest and adjusted for cumulative earnings or loss allocations. The resulting increases or decreases in the estimated redemption amount are affected by corresponding charges against retained earnings, or in the absence of retained earnings, additional paid in capital.

The redeemable noncontrolling interest is classified at historical cost basis, net of the \$4.0 million promissory note and related accrued interest and adjusted for cumulative earnings or loss allocations as of December 1, 2012.

On October 6, 2012, Running Specialty acquired substantially all the assets and assumed certain liabilities of Run On, Inc., for a purchase price of \$2.3 million, net of cash acquired, which was funded through the Company’s existing cash. As of the acquisition date, Run On, Inc. operated five specialty running shops in Texas. In addition to the cash consideration, the transaction includes contingent consideration which is included within other long-term liabilities. The Company determined the estimated fair values based on discounted cash flow analyses and estimates made by management. The purchase price allocation is considered preliminary. Goodwill from the acquisition is deductible for tax purposes.

3. Fair Value Measurements

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

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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

The Company has a liability that is measured at fair value on a non-recurring basis related to the contingent consideration disclosed in Note 2. The liability is adjusted to fair value only when the carrying value exceeds the fair value. The categorization of the framework used to price the liability is considered a Level 3, due to the subjective nature of the unobservable inputs used to determine the fair value.

There were no transfers into or out of Level 1, Level 2, or Level 3 assets for any of the periods presented.

4. Debt Agreement

On November 30, 2012, the Company entered into an unsecured \$100 million Amended and Restated Revolving Credit Facility Credit Agreement (the “Amended Credit Agreement”) with certain Lenders, which expires on November 30, 2017. The Amended Credit Agreement provides that, under certain circumstances, the Company may increase the maximum amount of the credit facility in an aggregate principal amount not to exceed \$200 million. The Amended Credit Agreement will be used by the Company, among other things, to issue letters of credit, support working capital needs, fund capital expenditures and other general corporate purposes.

The Amended Credit Agreement and related loan documents replace the Company’s prior \$50 million Revolving Credit Facility (the “Prior Credit Agreement”). All commitments under the Prior Credit Agreement were terminated effective November 30, 2012. No advances were outstanding under the Prior Credit Agreement as of November 30, 2012.

Approximately \$4.1 million in stand-by letters of credit was outstanding as of December 1, 2012 under the Amended Credit Agreement. No advances were outstanding under the Amended Credit Agreement as of December 1, 2012. Accordingly, the total revolving credit availability under the Amended Credit Agreement was \$95.9 million as of December 1, 2012.

The Company’s ability to borrow monies in the future under the Amended Credit Agreement is subject to certain conditions, including compliance with certain

covenants and making certain representations and warranties. The Amended Credit Agreement contains restrictive covenants that limit, among other things, mergers and acquisitions. In addition, the Company must maintain a maximum leverage ratio (as defined in the Amended Credit Agreement) and minimum consolidated tangible net worth (as defined in the Amended Credit Agreement). The Company was in compliance with all such covenants as of December 1, 2012.

The Amended Credit Agreement pricing grid is adjusted quarterly and is based on the Company's leverage ratio (as defined in the Amended Credit Agreement). The minimum pricing is LIBOR plus 0.90% or Base Rate (as defined in the Amended Credit Agreement) and the maximum pricing is LIBOR plus 1.75% or Base Rate (as defined in the Amended Credit Agreement) plus 0.75%. The Company is subject to an unused commitment fee based on the Company's leverage ratio with minimum pricing of 0.10% and maximum pricing of 0.25%. In addition, the Company is subject to a letter of credit fee based on the Company's leverage ratio with minimum pricing of 0.40% and maximum pricing of 1.25%.

5. Earnings Per Share

Basic earnings per share is calculated by dividing net income attributable to the Company's common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share attributable to the Company's common shareholders assumes the issuance of additional shares of common stock by the Company upon exercise of all outstanding stock options and contingently issuable securities if the effect is dilutive, in accordance with the treasury stock method or two class method (whichever is more dilutive) discussed in ASC 260-10, "Earnings Per Share".

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

The following is a reconciliation of the numerators and denominators used in computing earnings per share attributable to the Company's common shareholders (in thousands, except per share amounts):

	Thirteen Weeks Ended (unaudited)		Thirty-Nine Weeks Ended (unaudited)	
	December 1, 2012	November 26, 2011	December 1, 2012	November 26, 2011
Net (loss) income attributable to The Finish Line, Inc.	\$ (107)	\$ 5,548	\$ 37,144	\$ 42,884
Net income attributable to participating securities	—	45	312	343
Net (loss) income available to The Finish Line, Inc. shareholders	\$ (107)	\$ 5,503	\$ 36,832	\$ 42,541
Basic earnings per share:				
Weighted-average number of common shares outstanding	49,949	51,338	50,277	52,267
Basic earnings per share	\$ —	\$ 0.11	\$ 0.73	\$ 0.81
Diluted earnings per share:				
Weighted-average number of common shares outstanding	49,949	51,338	50,277	52,267
Stock options(a)	—	744	700	809
Diluted weighted-average number of common shares outstanding	49,949	52,082	50,977	53,076
Diluted earnings per share	\$ —	\$ 0.11	\$ 0.72	\$ 0.80

- (a) The computation of diluted earnings per share excludes options to purchase approximately 0.5 million shares of common stock in the thirteen weeks ended November 26, 2011 and 0.8 million and 0.4 million shares of common stock in the thirty-nine weeks ended December 1, 2012 and November 26, 2011, respectively, because the impact of such options would have been anti-dilutive.

6. Common Stock

On July 21, 2011, the Company's Board of Directors authorized a stock repurchase program (the "Plan") to repurchase up to 5,000,000 shares of the Company's common stock outstanding through December 31, 2014. On January 3, 2013, the Company's Board of Directors amended the Plan (the "Amended Plan") and authorized an additional 5,000,000 shares of the Company's common stock, which authorization shall expire on December 31, 2017. The Company purchased 1,038,285 shares at an average price of \$20.46 per share for an aggregate amount of \$21.2 million for the thirteen weeks ended December 1, 2012. The Company purchased 2,549,404 shares at an average price of \$21.03 per share for an aggregate amount of \$53.6 million for the thirty-nine weeks ended December 1, 2012. The remaining shares available for repurchase under the Amended Plan are 5,923,457 shares as of January 3, 2013.

The Company's treasury shares may be issued upon the exercise of employee stock options, issuance of shares for the Employee Stock Purchase Plan, issuance of restricted stock, or for other corporate purposes. Further purchases by the Company will occur from time to time as market conditions warrant and as the Company deems appropriate when judged against other alternative uses of cash.

On October 17, 2012, the Company announced a quarterly cash dividend of \$0.06 per share of the Company's Class A common shares. The Company declared dividends of \$3.0 million during the thirteen weeks ended December 1, 2012. The cash dividends of \$3.0 million were paid on December 17, 2012 to shareholders of record on November 30, 2012 and was included as of December 1, 2012 in "Other liabilities and accrued expenses" on the Company's consolidated balance sheet. Further declarations of dividends remain at the discretion of the Company's Board of Directors.

On July 20, 2012, all of the Company's shares of Class B common stock were converted on a one-for-one basis into an equal number of shares of Class A common stock in accordance with the terms of the Company's Restated Articles of Incorporation, and the Company eliminated its dual class stock structure. The Company did not receive any proceeds from the conversion of the Class B shares, and the Company will not receive any proceeds from the sale of any Class A shares issued as a result of the conversion. Per the Company's Restated Articles of Incorporation, as of the conversion, all Class B shares are no longer authorized.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This quarterly report on Form 10-Q may contain certain statements that we believe are, or may be considered to be, "forward-looking" statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally can be identified by use of statements that include phrases such as "believe", "expect", "future", "anticipate", "intend", "plan", "foresee", "may", "should", "will", "estimates", "potential", "continue" or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. All of these forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statement. The principal risk factors that could cause actual performance and future actions to differ materially from the forward-looking statements include, but are not limited to, the Company's reliance on a few key vendors for a majority of its merchandise purchases (including a significant portion from one key vendor); the availability and timely receipt of products; the ability to timely fulfill and ship products to customers; fluctuations in oil prices causing changes in gasoline and energy prices, resulting in changes in consumer spending as well as increases in utility, freight, and product costs; product demand and market acceptance risks; deterioration of macro-economic and business conditions; the inability to locate and obtain or retain acceptable lease terms for the Company's stores; the effect of competitive products and pricing; loss of key employees; execution of strategic growth initiatives (including actual and potential mergers and acquisitions and other components of our capital allocation strategy); and the other risks detailed in the Company's Securities and Exchange Commission filings. Readers are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included in this Form 10-Q are made only as of the date of this report and we undertake no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

General

The following discussion and analysis should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, including Critical Accounting Policies, contained in the Company's Annual Report on Form 10-K for the year ended March 3, 2012.

The following table sets forth store and square feet information of the Company by brand for each of the following periods:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 1, 2012	November 26, 2011	December 1, 2012	November 26, 2011
Number of Stores:				
Finish Line				
Beginning of period	638	647	637	664
Opened	14	4	27	4
Closed	(1)	(3)	(13)	(20)
End of period	651	648	651	648
Running Specialty				
Beginning of period	19	—	19	—
Acquired	5	18	5	18
Opened	1	1	1	1
Closed	—	—	—	—
End of period	25	19	25	19
Total				
Beginning of period	657	647	656	664
Acquired	5	18	5	18
Opened	15	5	28	5
Closed	(1)	(3)	(13)	(20)
End of period	676	667	676	667
Square feet information as of:				
Finish Line				
Square feet			3,531,426	3,491,396
Average store size			5,425	5,388
Running Specialty				
Square feet			78,120	57,302
Average store size			3,125	3,016
Total				
Square feet			3,609,546	3,548,698

Results of Operations

The following tables set forth net sales of the Company by major category for each of the following periods (in thousands):

Category	Thirteen Weeks Ended (Unaudited)			
	December 1, 2012		November 26, 2011	
Footwear	\$ 240,162	81%	\$232,623	82%
Softgoods	56,461	19%	49,388	18%
Total	<u>\$ 296,623</u>	<u>100%</u>	<u>\$282,011</u>	<u>100%</u>

Category	Thirty-Nine Weeks Ended (Unaudited)			
	December 1, 2012		November 26, 2011	
Footwear	\$ 860,421	86%	\$788,463	86%
Softgoods	140,262	14%	124,536	14%
Total	<u>\$1,000,683</u>	<u>100%</u>	<u>\$912,999</u>	<u>100%</u>

The following table and subsequent discussion sets forth operating data of the Company as a percentage of net sales for the periods indicated below.

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 1, 2012	November 26, 2011	December 1, 2012	November 26, 2011
	(Unaudited)		(Unaudited)	
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales (including occupancy costs)	<u>69.7</u>	<u>67.7</u>	<u>67.1</u>	<u>66.0</u>
Gross profit	30.3	32.3	32.9	34.0
Selling, general and administrative expenses	30.8	29.5	27.1	26.5
Store closing costs	<u>—</u>	<u>0.1</u>	<u>—</u>	<u>0.1</u>
Operating (loss) income	(0.5)	2.7	5.8	7.4
Interest income, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>0.1</u>
(Loss) income before income tax	(0.5)	2.7	5.8	7.5
Income tax (benefit) expense	<u>(0.3)</u>	<u>0.7</u>	<u>2.2</u>	<u>2.8</u>
Net (loss) income	(0.2)	2.0	3.6	4.7
Net loss attributable to redeemable noncontrolling interest	<u>0.2</u>	<u>—</u>	<u>0.1</u>	<u>—</u>
Net (loss) income attributable to The Finish Line, Inc.	<u>— %</u>	<u>2.0%</u>	<u>3.7%</u>	<u>4.7%</u>

THIRTEEN AND THIRTY-NINE WEEKS ENDED DECEMBER 1, 2012 COMPARED TO THE THIRTEEN AND THIRTY-NINE WEEKS ENDED NOVEMBER 26, 2011

Net Sales

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 1, 2012	November 26, 2011	December 1, 2012	November 26, 2011
	(dollars in thousands)		(dollars in thousands)	
	(Unaudited)		(Unaudited)	
Net sales	\$296,623	\$ 282,011	\$1,000,683	\$ 912,999
Comparable store sales increase:				
Finish Line	3.6%	7.7%	8.3%	8.5%
Running Specialty	19.9%	N/A	N/A	N/A

Net sales increased 5.2% for the thirteen weeks ended December 1, 2012 compared to the thirteen weeks ended November 26, 2011. The increase was attributable to a comparable store sales increase for Finish Line of 3.6% for the thirteen weeks ended December 1, 2012 resulting primarily from a 3.9% increase in store average dollar per transaction, a 0.3% increase in store traffic, and a 25.0% increase in digital sales. Comparable store footwear sales for the thirteen weeks ended December 1, 2012 increased 3.1% while comparable store softgoods sales increased 6.1%. Also, Running Specialty had a comparable store sales increase of 19.9% for the thirteen weeks ended December 1, 2012. The remainder of the increase in total net sales is a result of new store openings and stores acquired. The total net store count increased by nine as compared to the corresponding prior-year period.

Net sales increased 9.6% for the thirty-nine weeks ended December 1, 2012 compared to the thirty-nine weeks ended November 26, 2011. The increase was attributable to a comparable store sales increase for Finish Line of 8.3% for the thirty-nine weeks ended December 1, 2012 resulting primarily from a 5.8% increase in store average dollar per transaction, a 2.4% increase in store traffic, and a 27.5% increase in digital sales. Comparable store footwear sales for the thirty-nine weeks ended December 1, 2012 increased 8.8% while comparable store softgoods sales increased 4.8%. The remainder of the increase in total net sales is a result of new store openings and stores acquired. The total net store count increased by nine as compared to the corresponding prior-year period.

Cost of Sales (Including Occupancy Costs) and Gross Profit

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 1, 2012	November 26, 2011	December 1, 2012	November 26, 2011
	(dollars in thousands)		(dollars in thousands)	
	(Unaudited)		(Unaudited)	
Cost of sales (including occupancy costs)	\$206,833	\$ 191,002	\$671,684	\$ 602,393
Gross profit	\$ 89,790	\$ 91,009	\$328,999	\$ 310,606
Gross profit as a percentage of net sales	30.3%	32.3%	32.9%	34.0%

The 2.0% decrease in gross profit, as a percentage of net sales, for the thirteen weeks ended December 1, 2012 as compared to the thirteen weeks ended November 26, 2011 was due to a 1.1% decrease in product margin, net of shrink, as a percentage of net sales, and a 0.9% increase in occupancy costs, as a percentage of net sales. The 1.1% decrease in product margin, as a percentage of net sales, was primarily due to getting more aggressive with markdowns to improve our inventory position ahead of the holiday season due to a category shift by consumers within athletic footwear, and digital sales, which typically have a lower overall product margin than stores, increasing as a percentage of total net sales as compared to the prior period. The 0.9% increase in occupancy costs, as a percentage of net sales, reflects more store openings than closings and rent increases as a result of longer lease term agreements entered into for some of our best performing stores.

The 1.1% decrease in gross profit, as a percentage of net sales, for the thirty-nine weeks ended December 1, 2012 as compared to the thirty-nine weeks ended November 26, 2011 was primarily due to a 0.6% decrease in product margin, net of shrink, as a percentage of net sales, and a 0.5% increase in occupancy costs, as a percentage of net sales. The 0.6% decrease in product margin, as a percentage of net sales, was primarily due to selling a lower proportion of full price product compared to the strong performance in the thirty-nine weeks ended November 26, 2011, as well as, digital sales increasing as a percentage of total net sales as compared to the prior period. The 0.5% increase in occupancy costs, as a percentage of net sales, reflects more store openings than closings, percentage rent increases due to comparable store sales increases, as well as, longer lease term agreements entered into for some of our best performing stores.

Selling, General and Administrative Expenses

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 1, 2012	November 26, 2011	December 1, 2012	November 26, 2011
	(dollars in thousands)		(dollars in thousands)	
	(Unaudited)		(Unaudited)	
Selling, general and administrative expenses	\$ 91,447	\$ 83,067	\$271,004	\$ 241,818
Selling, general and administrative expenses as a percentage of net sales	30.8%	29.5%	27.1%	26.5%

The \$8.4 million increase in selling, general and administrative expenses for the thirteen weeks ended December 1, 2012 as compared to the thirteen weeks ended November 26, 2011 was primarily due to the following: 1.) variable costs in fulfillment, freight, and payroll in conjunction with the 25.0% increase in comparable digital sales; 2.) a 0.6% increase in marketing expense, as a percentage of net sales, to drive traffic to our website and our stores; 3.) \$1.6 million of excess variable costs associated with not reacting soon enough to lower than planned sales; and 4.) investments to support the Company's store technology and the replacement of our core merchandising, supply chain and CRM systems.

The \$29.2 million increase in selling, general and administrative expenses for the thirty-nine weeks ended December 1, 2012 as compared to the thirty-nine weeks ended November 26, 2011 was primarily due to the following: 1.) variable costs in fulfillment, freight, and payroll in conjunction with the 27.5% increase in comparable digital sales as well as the increase in store sales; 2.) a 0.3% increase in marketing expense, as a percentage of net sales, to drive traffic to our website and our stores; and 3.) investments to support the Company's technology upgrades, web-site relaunch, and omni-channel strategy.

Store Closing Costs

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 1, 2012	November 26, 2011	December 1, 2012	November 26, 2011
	(dollars in thousands) (Unaudited)		(dollars in thousands) (Unaudited)	
Store closing costs	\$ 1	\$ 368	\$ 421	\$ 965
Store closing costs as a percentage of net sales	— %	0.1%	— %	0.1%
Number of stores closed	1	3	13	20

Store closing costs represent the non-cash write-off of any property and equipment upon a store closing.

Interest Income, Net

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 1, 2012	November 26, 2011	December 1, 2012	November 26, 2011
	(dollars in thousands) (Unaudited)		(dollars in thousands) (Unaudited)	
Interest income, net	\$ 38	\$ 109	\$ 167	\$ 390
Interest income, net as a percentage of net sales	— %	— %	— %	0.1%

The decrease of \$0.1 million and \$0.2 million during the thirteen and thirty-nine weeks ended December 1, 2012 compared to thirteen and thirty-nine weeks ended November 26, 2011, respectively, was due to lower interest rates on lower invested balances.

Income Tax (Benefit) Expense

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 1, 2012	November 26, 2011	December 1, 2012	November 26, 2011
	(dollars in thousands) (Unaudited)		(dollars in thousands) (Unaudited)	
Income tax (benefit) expense	\$ (811)	\$ 2,135	\$ 22,033	\$ 25,329
Income tax (benefit) expense as a percentage of net sales	(0.3)%	0.7%	2.2%	2.8%
Effective income tax rate	50.0%	27.8%	38.2%	37.1%

The increase in the effective tax rate for the thirteen weeks ended December 1, 2012 compared to the thirteen weeks ended November 26, 2011 relates to the relative impact of discrete items, which included, the release of a reserve for uncertain positions of \$0.3 million related to the resolution of a U.S. income tax audit during the thirteen weeks ended December 1, 2012. The increase in the effective tax rate for the thirty-nine weeks ended December 1, 2012 compared to the thirty-nine weeks ended November 26, 2011 exists due to the Company only recording a tax benefit on the Company's percentage share of the Running Specialty loss. In addition, the release of a reserve for uncertain positions of approximately \$0.9 million related to the resolution of a state income tax audit during the thirty-nine weeks ended November 26, 2011 that was only partially offset by the release of a reserve for uncertain positions of \$0.3 million related to the resolution of a U.S. income tax audit for the thirty-nine weeks ended December 1, 2012.

Redeemable Noncontrolling Interest

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 1, 2012	November 26, 2011	December 1, 2012	November 26, 2011
	(dollars in thousands) (Unaudited)		(dollars in thousands) (Unaudited)	
Net loss attributable to redeemable noncontrolling interest	\$ 702	\$ —	\$ 1,436	\$ —
Net loss attributable to redeemable noncontrolling interest as a percentage of net sales	0.2%	— %	0.1%	— %

Net losses attributable to the redeemable noncontrolling interest for the thirteen weeks ended December 1, 2012 represents 49% of the net loss generated by Running Specialty.

Net losses attributable to the redeemable noncontrolling interest for the thirty-nine weeks ended December 1, 2012, represents 49% of the net loss generated by Running Specialty since March 29, 2012, which was the date of the investment by GCPI.

Net (loss) income attributable to The Finish Line, Inc.

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	December 1, 2012	November 26, 2011	December 1, 2012	November 26, 2011
	(dollars in thousands) (Unaudited)		(dollars in thousands) (Unaudited)	
Net (loss) income attributable to The Finish Line, Inc. shareholders	\$ (107)	\$ 5,548	\$ 37,144	\$ 42,884
Net (loss) income attributable to The Finish Line, Inc. shareholders as a percentage of net sales	— %	2.0%	3.7%	4.7%
Net (loss) income attributable to The Finish Line, Inc. shareholders per diluted share	\$ 0.00	\$ 0.11	\$ 0.72	\$ 0.80

The \$5.7 million decrease in net income attributable to The Finish Line, Inc. shareholders for the thirteen weeks ended December 1, 2012 compared to the thirteen weeks ended November 26, 2011 was primarily due to the decrease in product margin and an increase in occupancy costs, as a percentage of net sales, along with the investments to support the Company's omni-channel strategy and excess variable costs within selling, general and administrative expenses, partially offset by net sales improvement.

The \$5.7 million decrease in net income attributable to The Finish Line, Inc. for the thirty-nine weeks ended December 1, 2012 compared to the thirty-nine weeks ended November 26, 2011 was primarily due to the decrease in product margin and an increase in occupancy costs, as a percentage of net sales, along with the investments to support the Company's omni-channel strategy within selling, general and administrative expenses, partially offset by net sales improvement.

Liquidity and Capital Resources

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

	December 1, 2012	November 26, 2011	March 3, 2012
	(Unaudited)	(Unaudited)	
Cash and cash equivalents	\$168,154	\$ 216,570	\$307,494
Merchandise inventories, net	\$301,654	\$ 280,409	\$220,405
Interest-bearing debt	\$ —	\$ —	\$ —
Working capital	\$355,103	\$ 370,362	\$414,065

Operating Activities

The Company had cash flows used in operating activities during the thirty-nine weeks ended December 1, 2012 of \$22.5 million compared to \$7.6 million for the thirty-nine weeks ended November 26, 2011. The increase in net cash used in operating activities was primarily the result of an increase in the cash outflow related to a decrease in net income and a net increase in working capital balances as compared to the same period in the prior year.

Consolidated inventories increased 7.6% at December 1, 2012 compared to November 26, 2011, and were 36.9% higher than at March 3, 2012. Finish Line inventories increased 6.3% at December 1, 2012 compared to November 26, 2011 and increased 35.9% from March 3, 2012. The increase over the prior year is to support the positive comparable store sales as well as an increase in store openings, net of closings. The increase from fiscal 2012 year end is due to seasonality around building inventory for the holiday season, positive comparable store sales, and an increase in store openings, net of closings.

Investing Activities

Net cash used in investing activities for the thirty-nine weeks ended December 1, 2012 was \$65.3 million compared to \$31.0 million for the thirty-nine weeks ended November 26, 2011. The increase in cash used in investing activities was primarily a result of an increase in capital expenditures over the thirty-nine weeks ended November 26, 2011 of \$40.1 million related to 28 new stores, the remodeling of existing stores, digital investments, store technology and core merchandising, supply chain and CRM system investments.

For the fiscal year ending March 2, 2013, the Company anticipates opening approximately 30 new stores (28 were opened during the thirty-nine weeks ended December 1, 2012), remodeling 30 to 35 existing stores (29 were remodeled during the thirty-nine weeks ended December 1, 2012), and closing 15 to 20 stores (13 were closed during the thirty-nine weeks ended December 1, 2012). The Company expects capital expenditures for the current fiscal year to approximate \$85 to \$90 million (\$62.7 million (including capital expenditures incurred but not yet paid) during the thirty-nine weeks ended December 1, 2012). The source of funds for these capital expenditures is expected to be the Company's cash and cash equivalents on-hand.

The Company converted back to its legacy website on December 6, 2012 from its new platform that was launched on November 19, 2012 as it became apparent that the customer experience was negatively impacted evidenced by a decline in several key performance indicators. The specific plans for the future of the website will be determined in the coming months. As of December 1, 2012, the Company had \$2.3 million recorded within "construction in progress" on the Company's consolidated balance sheet related to the new platform.

Financing Activities

Net cash used in financing activities for the thirty-nine weeks ended December 1, 2012 was \$51.5 million compared to \$44.2 million for the thirty-nine weeks ended November 26, 2011. The \$7.3 million increase in cash used in financing activities is due to a \$9.9 million decrease in proceeds received from the issuance of common stock in connection with employee stock programs and funding of a related-party note receivable for \$4.0 million, offset by proceeds from the sale of redeemable noncontrolling interest of \$10.0 million related to Running Specialty.

On July 21, 2011, the Company's Board of Directors authorized a stock repurchase program (the "Plan") to repurchase up to 5,000,000 shares of the Company's common stock outstanding through December 31, 2014. On January 3, 2013, the Company's Board of Directors amended the Plan (the "Amended Plan") and authorized an additional 5,000,000 shares of the Company's common stock, which authorization shall expire on December 31, 2017. The Company purchased 1,038,285 shares at an average price of \$20.46 per share for an aggregate amount of \$21.2 million for the thirteen weeks ended December 1, 2012. The Company purchased 2,549,404 shares at an average price of \$21.03 per share for an aggregate amount of \$53.6 million for the thirty-nine weeks ended December 1, 2012. The remaining shares available for repurchase under the Amended Plan are 5,923,457 shares as of January 3, 2013.

The Company's treasury shares may be issued upon the exercise of employee stock options, issuance of shares for the Employee Stock Purchase Plan, issuance of restricted stock, or for other corporate purposes. Further purchases will occur from time to time as market conditions warrant and as the Company deems appropriate when judged against other alternative uses of cash.

On October 17, 2012, the Company announced a quarterly cash dividend of \$0.06 per share of the Company's Class A common shares. The Company declared dividends of \$3.0 million during the thirteen weeks ended December 1, 2012. The cash dividends of \$3.0 million were paid on December 17, 2012 to shareholders of record on November 30, 2012 and was included as of December 1, 2012 in "Other liabilities and accrued expenses" on the Company's consolidated balance sheet. Further declarations of dividends remain at the discretion of the Company's Board of Directors.

On July 20, 2012, all of the Company's shares of Class B common stock were converted on a one-for-one basis into an equal number of shares of Class A common stock in accordance with the terms of the Company's Restated Articles of Incorporation, and the Company eliminated its dual class stock structure. The Company did not receive any proceeds from the conversion of the Class B shares, and the Company will not receive any proceeds from the sale of any Class A shares issued as a result of the conversion. Per the Company's Restated Articles of Incorporation, as of the conversion, all Class B shares are no longer authorized.

On November 30, 2012, the Company entered into an unsecured \$100 million Amended and Restated Revolving Credit Facility Credit Agreement (the "Amended Credit Agreement") with certain Lenders, which expires on November 30, 2017. The Amended Credit Agreement provides that, under certain circumstances, the Company may increase the maximum amount of the credit facility in an aggregate principal amount not to exceed \$200 million. The Amended Credit Agreement will be used by the Company, among other things, to issue letters of credit, support working capital needs, fund capital expenditures and other general corporate purposes.

The Amended Credit Agreement documented in the investing section above and related loan documents replace the Company's prior \$50 million Revolving Credit Facility (the "Prior Credit Agreement"). All commitments under the Prior Credit Agreement were terminated effective November 30, 2012. No advances were outstanding under the Prior Credit Agreement as of November 30, 2012.

Approximately \$4.1 million in stand-by letters of credit was outstanding as of December 1, 2012 under the Amended Credit Agreement. No advances were outstanding under the Amended Credit Agreement as of December 1, 2012. Accordingly, the total revolving credit availability under the Amended Credit Agreement was \$95.9 million as of December 1, 2012.

The Company's ability to borrow monies in the future under the Amended Credit Agreement is subject to certain conditions, including compliance with certain covenants and making certain representations and warranties. The Amended Credit Agreement contains restrictive covenants that limit, among other things, mergers and acquisitions. In addition, the Company must maintain a maximum leverage ratio (as defined in the Amended Credit Agreement) and minimum consolidated tangible net worth (as defined in the Amended Credit Agreement). The Company was in compliance with all such covenants as of December 1, 2012.

The Amended Credit Agreement pricing grid is adjusted quarterly and is based on the Company's leverage ratio (as defined in the Amended Credit Agreement). The minimum pricing is LIBOR plus 0.90% or Base Rate (as defined in the Amended Credit Agreement) and the maximum pricing is LIBOR plus 1.75% or Base Rate (as defined in the Amended Credit Agreement) plus 0.75%. In addition, the Company is subject to an unused commitment fee based on the Company's leverage ratio with minimum pricing of 0.10% and maximum pricing of 0.25%. In addition, the Company is subject to a letter of credit fee based on the Company's leverage ratio with minimum pricing of 0.40% and maximum pricing of 1.25%.

Recent Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2012-02, "*Testing Indefinite-Lived Intangible Assets for Impairment*." This update amended the procedures for testing the impairment of indefinite-lived intangible assets by permitting an entity to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible assets are impaired. An entity's assessment of the totality of events and circumstances and their impact on the entity's indefinite-lived intangible assets will then be used as a basis for determining whether it is necessary to perform the quantitative impairment test as described in Accounting Standard Codification 350-30, "*Intangibles – Goodwill and Other – General Intangibles Other than Goodwill*." This ASU will be effective for the Company on March 3, 2013, with early adoption permitted. The adoption of this guidance is not expected to have a significant effect on the Company's consolidated financial statements.

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

Contractual Obligations

The Company's contractual obligations primarily consist of operating leases and purchase orders for merchandise inventory. For the thirty-nine weeks ended December 1, 2012, there were no significant changes to the Company's contractual obligations from those identified in the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2012, other than those which occur in the normal course of business (primarily changes in the Company's merchandise inventory related to purchase obligations, which fluctuate throughout the year as a result of the seasonal nature of the Company's operations, and changes to operating leases due to store openings and closings), and those mentioned below.

The Company announced in a Form 8-K filed with the SEC on September 28, 2012 that it had entered into an agreement with Macy's, Inc., to operate Finish Line-branded athletic footwear shops in more than 450 Macy's department stores in the U.S. In addition, the Company will manage the athletic footwear assortment and inventory for approximately 225 other Macy's stores in the U.S. that carry footwear. As part of the agreement with Macy's, the Company will purchase inventory of athletic footwear on hand as of April 7, 2013. With respect to the portion of the inventory on hand by Macy's with a receipt date on or before December 31, 2012, the Company will purchase up to \$12.0 million at cost. Also, with respect to the inventory on hand with a receipt date on or after January 1, 2013, the Company will purchase 100% of the inventory at cost.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to adopt accounting policies related to estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management evaluates its accounting policies, estimates and judgments, including those related to inventories, long-lived assets and contingencies. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of the Company's market risk associated with interest rates as of March 3, 2012, see "Quantitative and Qualitative Disclosures about Market Risk" in Item 7A of Part II of the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2012. For the thirty-nine weeks ended December 1, 2012, there has been no significant change in related market risk factors.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. With the participation of our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Report. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective in ensuring that (i) information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities Exchange Commission's rules and forms and (ii) information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting. There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this Report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is subject, from time to time, to certain legal proceedings and claims in the ordinary course of conducting its business. Although it is not possible to predict with certainty the eventual outcome of any litigation, in the opinion of management, the Company's legal proceedings are not expected to have a material adverse effect on the Company's financial position or results of operations.

ITEM 1A. RISK FACTORS

Risk factors that affect the Company's business and financial results are discussed in "Item 1A: Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended March 3, 2012. There has been no significant change to identified risk factors for the thirty-nine weeks ended December 1, 2012.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On July 21, 2011, the Company's Board of Directors authorized a stock repurchase program (the "Plan") to repurchase up to 5,000,000 shares of the Company's Class A common stock outstanding through December 31, 2014. On January 3, 2013, the Company's Board of Directors amended the Plan and authorized an additional 5,000,000 shares of the Company's common stock, which authorization shall expire on December 31, 2017. Information on the shares repurchased under the Plan during the thirteen weeks ended December 1, 2012 is as follows:

Month	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Program (2)
September (9/2/12 – 10/6/12)	—	\$ —	—	2,288,981
October (10/7/12 – 11/3/12)	447,437	\$ 20.82	447,437	1,841,544
November (11/4/12 – 12/1/12)	590,848	\$ 20.19	590,848	1,250,696
	<u>1,038,285</u>	<u>\$ 20.46</u>	<u>1,038,285</u>	

- (1) The average price paid per share includes any brokerage commissions.
- (2) The 2011 stock repurchase plan was announced on July 21, 2011, whereby the Company is authorized to repurchase up to 5,000,000 shares of the Company's Class A common stock outstanding through December 31, 2014. On January 3, 2013, the Company's Board of Directors amended the Plan (the "Amended Plan") and authorized an additional 5,000,000 shares of the Company's common stock, which authorization shall expire on December 31, 2017. The remaining shares available for repurchase under the Amended Plan are 5,923,457 shares as of January 3, 2013.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits

- 10.1 Amended and Restated Revolving Credit Facility Credit Agreement, dated as of November 30, 2012, by and among The Finish Line, Inc., The Finish Line USA, Inc., The Finish Line Distribution, Inc., Finish Line Transportation Co., Inc., and Spike's Holdings, LLC, as Borrowers, The Finish Line MA, Inc., as Guarantor, certain Lenders named therein, Bank of America, N.A., as Syndication Agent, and PNC Bank, National Association, as Administrative Agent, Lead Arranger, and Sole Book Runner (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed by the Company on December 6, 2012).
- 10.2 Amended and Restated Continuing Agreement of Guaranty and Suretyship – Subsidiaries, dated as of November 30, 2012, by The Finish Line MA, Inc. (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed by the Company on December 6, 2012).
- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended.
- 31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended.

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- 32 Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following materials from The Finish Line, Inc.'s Form 10-Q for the quarterly period ended December 1, 2012, formatted in an XBRL Interactive Data File: (i) Consolidated Balance Sheets-unaudited; (ii) Consolidated Statements of Operations-unaudited; (iii) Consolidated Statements of Cash Flows-unaudited; and (iv) Notes to Consolidated Financial Statements-unaudited, with detailed tagging of notes and financial statement schedules.*

* Users of the XBRL-related information in Exhibit 101 of this Quarterly Report on Form 10-Q are advised, in accordance with Regulation S-T Rule 406T, that this Interactive Data File is deemed not filed or as a part of a registration statement for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is otherwise not subject to liability under these sections. The financial information contained in the XBRL-related documents is unaudited and unreviewed.

Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
10.1	Amended and Restated Revolving Credit Facility Credit Agreement, dated as of November 30, 2012, by and among The Finish Line, Inc., The Finish Line USA, Inc., The Finish Line Distribution, Inc., Finish Line Transportation Co., Inc., and Spike's Holdings, LLC, as Borrowers, The Finish Line MA, Inc., as Guarantor, certain Lenders named therein, Bank of America, N.A., as Syndication Agent, and PNC Bank, National Association, as Administrative Agent, Lead Arranger, and Sole Book Runner (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed by the Company on December 6, 2012).
10.2	Amended and Restated Continuing Agreement of Guaranty and Suretyship – Subsidiaries, dated as of November 30, 2012, by The Finish Line MA, Inc. (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K filed by the Company on December 6, 2012).
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended.
32	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from The Finish Line, Inc.'s Form 10-Q for the quarterly period ended December 1, 2012, formatted in an XBRL Interactive Data File: (i) Consolidated Balance Sheets-unaudited; (ii) Consolidated Statements of Operations-unaudited; (iii) Consolidated Statements of Cash Flows-unaudited; and (iv) Notes to Consolidated Financial Statements-unaudited, with detailed tagging of notes and financial statement schedules.*

* Users of the XBRL-related information in Exhibit 101 of this Quarterly Report on Form 10-Q are advised, in accordance with Regulation S-T Rule 406T, that this Interactive Data File is deemed not filed or as a part of a registration statement for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is otherwise not subject to liability under these sections. The financial information contained in the XBRL-related documents is unaudited and unreviewed.

CERTIFICATION

I, Glenn S. Lyon, certify that:

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

Date: January 7, 2013

By: /s/ Glenn S. Lyon

Glenn S. Lyon

Chairman and Chief Executive Officer

CERTIFICATION

I, Edward W. Wilhelm, certify that:

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

Date: January 7, 2013

By: /s/ Edward W. Wilhelm

Edward W. Wilhelm

Executive Vice President, Chief Financial Officer

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

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

- The Quarterly Report of the Company on Form 10-Q for the thirteen and thirty-nine weeks ended December 1, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78); and
- The information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: January 7, 2013

By: /s/ Glenn S. Lyon
Glenn S. Lyon
Chairman and Chief Executive Officer

By: /s/ Edward W. Wilhelm
Edward W. Wilhelm
Executive Vice President, Chief Financial Officer

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

