

DICKS SPORTING GOODS INC

Form 10-Q/A

May 20, 2005

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

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**FORM 10-Q/A**

**Amendment No. 1**

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

For the quarterly period ended May 1, 2004

*Commission File No. 001-31463*

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

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**16-1241537**  
*(I.R.S. Employer  
Identification No.)*

**300 Industry Drive, RIDC Park West, Pittsburgh,  
Pennsylvania**  
*(Address of principal executive offices)*

**15275**  
*(Zip Code)*

**(724) 273-3400**  
*(Registrant's telephone number, including area code)*

Indicate by check mark whether the 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 the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes  No

The number of shares of common stock and Class B common stock outstanding at May 17, 2004 was 33,488,162 and 14,107,644, respectively.

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**Explanatory Note**

The purpose of this amendment on Form 10-Q/A to the Quarterly Report on Form 10-Q of Dick's Sporting Goods, Inc. for the quarterly period ended May 1, 2004 is to restate our consolidated financial statements for the quarterly periods ended May 1, 2004 and May 3, 2003 and the Condensed Consolidated Balance Sheets as of May 1, 2004 and January 31, 2004 and related disclosures, as described in Note 3 of the Notes to Condensed Consolidated Financial Statements. Additional information about the decision to restate these financial statements can be found in our Current Report on Form 8-K, filed with the SEC on March 31, 2005.

Except for the foregoing amended information required to reflect the effects of the restatement, this Form 10-Q/A continues to describe conditions as presented in the original report on Form 10-Q, except as required to reflect the effects of the restatement. The Form 10-Q/A generally does not reflect events occurring after the filing of the Form 10-Q, or modify or update those disclosures, including the exhibits to the Form 10-Q affected by subsequent events. Information not affected by the restatement is unchanged and reflects the disclosures made at the time of the original filing of the Form 10-Q on May 19, 2004. Accordingly, this Form 10-Q/A should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the filing of the original Form 10-Q, including any amendments to those filings. The following items have been amended (and conforming changes have been made where indicated as restated) as a result of the restatement:

Part I Item 1 Financial Statements

Part I Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Part I Item 4 Controls and Procedures

In March 2005, the Company concluded that its lease accounting policy and accounting treatment of construction allowances were not consistent with generally accepted accounting standards. The Company corrected its lease accounting policy such that the commencement date of the lease term will be the earlier of the date rent payments begin, the date the Company takes possession of the property for the initial setup of fixtures and merchandise or, in certain circumstances, the date the Company takes possession of the leased space for construction purposes. In those circumstances where the commencement date of the lease term begins when the Company takes possession of the leased space for construction purposes, the rent expense from that commencement date through the earlier of the date rent payments begin or the date the Company takes possession of the property for the initial setup of fixtures and merchandise is capitalized with a corresponding increase in long-term deferred liabilities.

In addition, the Company had historically accounted for construction allowances as reductions of the related leasehold improvement asset on the Condensed Consolidated Balance Sheets and capital expenditures in investing activities on the Condensed Consolidated Statements of Cash Flows. The Company determined that the appropriate interpretation of Financial Accounting Standards Board (FASB) Technical Bulletin No. 88-1, Issues Relating to Accounting for Leases, required these allowances to be recorded as deferred liabilities on the Condensed Consolidated Balance Sheets and as a component of operating activities on the Condensed Consolidated Statements of Cash Flows.

The effect of the restatement on the Company's previously released Condensed Consolidated Statements of Income is a reduction of net income of \$0.3 million and \$0.2 million for the quarterly periods ended May 1, 2004 and May 3, 2003, respectively. We have corrected these errors through our restatement. The effect of the restatement on previously released earnings per share is a reduction in earnings per share of \$0.01 for each of the quarterly periods ended May 1, 2004 and May 3, 2003.

The effect of the restatement on the Company's Condensed Consolidated Balance Sheets is an increase in property and equipment of \$45.1 million as of May 1, 2004, and an increase in long-term deferred liabilities of \$49.0 million as

of May 1, 2004. In addition, there is an increase in the deferred tax asset of \$1.6 million as of May 1, 2004, and a decrease in retained earnings of \$2.4 million as of May 1, 2004.

This restatement of previously issued condensed consolidated financial statements does not have an effect on total net cash flows during any of the periods restated. Certain reclassifications result including the classification of construction allowances and capitalized rent within operating activities with a corresponding increase in capital expenditures.

See Note 3 of the Notes to Condensed Consolidated Financial Statements for additional information.

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**DICK S SPORTING GOODS, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED (as restated, see Note 3)**  
**(Dollars in thousands, except per share data)**

	<b>13 Weeks Ended</b>	
	<b>May 1, 2004</b>	<b>May 3, 2003</b>
Net sales	\$ 364,207	\$ 304,728
Cost of goods sold, including occupancy and distribution costs	261,449	221,815
<b>GROSS PROFIT</b>	<b>102,758</b>	<b>82,913</b>
Selling, general and administrative expenses	82,167	68,802
Pre-opening expenses	3,269	2,815
<b>INCOME FROM OPERATIONS</b>	<b>17,322</b>	<b>11,296</b>
Interest expense, net	642	506
Other income	(1,000)	
<b>INCOME BEFORE INCOME TAXES</b>	<b>17,680</b>	<b>10,790</b>
Provision for income taxes	7,072	4,316
<b>NET INCOME</b>	<b>\$ 10,608</b>	<b>\$ 6,474</b>
<b>EARNINGS PER COMMON SHARE:</b>		
Basic	\$ 0.22	\$ 0.16
Diluted	\$ 0.20	\$ 0.13
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>		
Basic	47,321	41,028
Diluted	52,392	47,961

See accompanying notes to unaudited condensed consolidated financial statements.



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**DICK S SPORTING GOODS, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED (as restated, see Note 3)**  
**(Dollars in thousands)**

	<b>May 1, 2004</b>	<b>January 31, 2004</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 172,778	\$ 93,674
Short-term investments	19,933	
Accounts receivable, net	17,603	10,417
Inventories, net	314,599	254,360
Prepaid expenses and other current assets	6,789	5,222
Deferred income taxes	1,585	1,021
<b>Total current assets</b>	<b>533,287</b>	<b>364,694</b>
Property and equipment, net	140,403	144,402
Construction in progress - leased facilities	22,334	10,927
Long-term investments	28,010	
Other assets	29,534	23,337
<b>TOTAL ASSETS</b>	<b>\$ 753,568</b>	<b>\$ 543,360</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 158,747	\$ 118,383
Accrued expenses	66,078	72,090
Deferred revenue and other liabilities	28,954	37,037
Income taxes payable	3,164	
Current portion of other long-term debt and capital leases	505	505
<b>Total current liabilities</b>	<b>257,448</b>	<b>228,015</b>
<b>LONG-TERM LIABILITIES:</b>		
Senior convertible notes	172,500	
Revolving credit borrowings		
Other long-term debt and capital leases	3,288	3,411
Non-cash obligations for construction in progress - leased facilities	22,334	10,927
Deferred revenue and other liabilities	62,357	60,113
<b>Total long-term liabilities</b>	<b>260,479</b>	<b>74,451</b>
<b>STOCKHOLDERS EQUITY:</b>		
Preferred stock		
Common stock	335	331
Class B common stock	141	141

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Additional paid-in capital	159,738	175,748
Retained earnings	71,565	60,957
Accumulated other comprehensive income	3,862	3,717
Total stockholders' equity	235,641	240,894
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 753,568</b>	<b>\$ 543,360</b>

See accompanying notes to unaudited condensed consolidated financial statements.



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**DICK S SPORTING GOODS, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - UNAUDITED (as**  
**restated, see Note 3)**  
**(Dollars in thousands)**

	<b>13 Weeks Ended</b>	
	<b>May 1,</b>	<b>May 3,</b>
	<b>2004</b>	<b>2003</b>
NET INCOME	\$ 10,608	\$ 6,474
OTHER COMPREHENSIVE INCOME:		
Unrealized gain on available-for-sale securities, net of tax	145	143
COMPREHENSIVE INCOME	\$ 10,753	\$ 6,617

See accompanying notes to unaudited condensed consolidated financial statements.

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**DICK S SPORTING GOODS, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY -**  
**UNAUDITED**  
(Dollars in thousands)

	Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Dollars	Shares	Dollars				
BALANCE, January 31, 2004 (as previously reported)	33,052,882	\$ 331	14,107,644	\$ 141	\$ 175,748	\$ 63,044	\$ 3,717	\$ 242,981
Prior period adjustment (Note 3)						(2,087)		(2,087)
BALANCE, January 31, 2004 (as restated, see Note 3)	33,052,882	331	14,107,644	141	175,748	60,957	3,717	240,894
Exercise of stock options, including tax benefit of \$2,895	434,868	4			4,145			4,149
Purchase of bond hedge net of sale of warrant, including tax benefit of \$545					(20,155)			(20,155)
Net income (as restated)						10,608		10,608
Unrealized gain on securities available-for-sale, net of taxes of \$78							145	145
BALANCE, May 1, 2004 (as restated, see Note 3)	33,487,750	\$ 335	14,107,644	\$ 141	\$ 159,738	\$ 71,565	\$ 3,862	\$ 235,641

See accompanying notes to unaudited condensed consolidated financial statements.

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**DICK S SPORTING GOODS, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED (as restated, see Note 3)**  
**(Dollars in thousands)**

	<b>13 Weeks Ended</b>	
	<b>May 1, 2004</b>	<b>May 3, 2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 10,608	\$ 6,474
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	4,296	3,283
Deferred income taxes	(828)	(1,895)
Tax benefit from exercise of stock options	2,895	5,554
Other non-cash items		2,067
Changes in assets and liabilities:		
Accounts receivable	(3,956)	(3,835)
Inventories	(60,239)	(50,274)
Prepaid expenses and other assets	(1,569)	(499)
Accounts payable	33,213	8,718
Accrued expenses	(6,012)	(3,373)
Income taxes payable	3,709	(8,952)
Deferred construction allowances	2,504	4,865
Deferred revenue and other liabilities	(7,173)	(2,748)
Net cash used in operating activities	(22,552)	(40,615)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(13,619)	(15,033)
Proceeds from sale-leaseback transactions	12,152	7,403
Purchase of held-to-maturity securities	(47,943)	
Increase in recoverable costs from developed properties	(3,230)	
Net cash used in investing activities	(52,640)	(7,630)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of convertible notes	172,500	
Revolving credit borrowings, net		45,275
Payments on other long-term debt and capital leases	(123)	(52)
Payment for purchase of bond hedge	(33,120)	
Proceeds from issuance of warrant	12,420	
Transaction costs for convertible notes	(5,786)	
Proceeds from exercise of stock options	1,254	3,606
Increase in bank overdraft	7,151	3,861
Transaction costs related to initial public offering		183

Net cash provided by financing activities	154,296	52,873
NET INCREASE IN CASH AND CASH EQUIVALENTS	79,104	4,628
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	93,674	11,120
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 172,778	\$ 15,748
Supplemental non-cash investing and financing activities:		
Construction in progress - leased facilities	\$ 11,407	\$ 2,000

See accompanying notes to unaudited condensed consolidated financial statements.

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**DICK S SPORTING GOODS, INC. AND SUBSIDIARY  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared by us, in accordance with the requirements for Form 10-Q and do not include all the disclosures normally required in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America. Unless otherwise specified, any reference to year is to our fiscal year and when used in this Form 10-Q/A and unless the context otherwise requires, the terms Dick s, we, us, the Company and our refer to Dick s Sport Goods, Inc. and its subsidiary.

**2. Unaudited Interim Financial Data**

The interim financial information as of May 1, 2004 and for the 13 weeks ended May 1, 2004 and May 3, 2003 is unaudited and has been prepared on the same basis as the audited financial statements. In the opinion of management, such unaudited information includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the interim financial information. This financial information should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K/A for the fiscal year ended January 31, 2004, dated March 31, 2005, as filed with the Securities and Exchange Commission. Operating results for the 13 weeks ended May 1, 2004 are not necessarily indicative of the results that may be expected for the year ending January 29, 2005 or any other period.

**3. Restatement of Previously Issued Financial Statements**

In March 2005, the Company concluded that its lease accounting policy and accounting treatment of construction allowances were not consistent with generally accepted accounting standards. The Company corrected its lease accounting policy such that the commencement date of the lease term will be the earlier of the date rent payments begin, the date the Company takes possession of the property for the initial setup of fixtures and merchandise or, in certain circumstances, the date the Company takes possession of the leased space for construction purposes. In those circumstances where the commencement date of the lease term begins when the Company takes possession of the leased space for construction purposes, the rent expense from that commencement date through the earlier of the date rent payments begin or the date the Company takes possession of the property for the initial setup of fixtures and merchandise is capitalized with a corresponding increase in long-term deferred liabilities.

In addition, the Company had historically accounted for construction allowances as reductions of the related leasehold improvement asset on the Condensed Consolidated Balance Sheets and capital expenditures in investing activities on the Condensed Consolidated Statements of Cash Flows. The Company determined that the appropriate interpretation of Financial Accounting Standards Board ( FASB ) Technical Bulletin No. 88-1, Issues Relating to Accounting for Leases, required these allowances to be recorded as deferred liabilities on the Condensed Consolidated Balance Sheets and as a component of operating activities on the Condensed Consolidated Statements of Cash Flows.

The effect of the restatement on the Company s previously released Condensed Consolidated Statements of Income is a reduction of net income of \$0.3 million and \$0.2 million for the quarterly periods ended May 1, 2004 and May 3, 2003, respectively. We have corrected these errors through our restatement. The effect of the restatement on previously released earnings per share is a reduction in earnings per share of \$0.01 for each of the quarterly periods ended May 1, 2004 and May 3, 2003.

The effect of the restatement on the Company's Condensed Consolidated Balance Sheets is an increase in property and equipment of \$45.1 million as of May 1, 2004, and an increase in long-term deferred liabilities of \$49.0 million as of May 1, 2004. In addition, there is an increase in the deferred tax asset of \$1.6 million as of May 1, 2004, and a decrease in retained earnings of \$2.4 million as of May 1, 2004.

This restatement of previously issued condensed consolidated financial statements does not have an effect on total net cash flows during any of the periods restated. Certain reclassifications result including the classification of construction allowances and capitalized rent within operating activities with a corresponding increase in capital expenditures.

The impacts of these restatements on the consolidated financial statements are summarized below (in thousands, except per share data):

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	May 1, 2004			
	As		As	
	Previously Reported	As Restated	Previously Reported	As Restated
<b>Consolidated Balance Sheets:</b>				
Property and equipment, net	\$ 95,281		\$ 140,403	
Other assets	27,963		29,534	
Total assets	706,875		753,568	
Long-term deferred revenue and other liabilities	13,308		62,357	
Total long-term liabilities	211,430		260,479	
Retained earnings	73,921		71,565	
Total stockholders' equity	237,997		235,641	
Total liabilities and stockholders' equity	706,875		753,568	
	13 Weeks Ended May 1, 2004		13 Weeks Ended May 3, 2003	
	As		As	
	Previously Reported	As Restated	Previously Reported	As Restated
<b>Consolidated Statements of Income:</b>				
Cost of goods sold, including occupancy and distribution costs	\$ 261,528	\$ 261,449	\$ 221,880	\$ 221,815
Gross profit	102,679	102,758	82,848	82,913
Pre-opening expenses	2,742	3,269	2,456	2,815
Income from operations	17,770	17,322	11,590	11,296
Income before income taxes	18,128	17,680	11,084	10,790
Provision for income taxes	7,251	7,072	4,434	4,316
Net income	10,877	10,608	6,650	6,474
Earnings per common share:				
Basic	0.23	0.22	0.16	0.16
Diluted	0.21	0.20	0.14	0.13
<b>Consolidated Statements of Cash Flows:</b>				
Net income	10,877	10,608	6,650	6,474
Deferred income taxes	(649)	(828)	(1,777)	(1,895)
Deferred construction allowances		2,504		4,865
Deferred revenue and other liabilities	(7,916)	(7,173)	(3,823)	(2,748)
Net cash used in operating activities	(25,351)	(22,552)	(46,261)	(40,615)
Capital expenditures	(10,820)	(13,619)	(9,387)	(15,033)
Net cash used in investing activities	(49,841)	(52,640)	(1,984)	(7,630)
<b>Consolidated Statements of Comprehensive Income:</b>				
Comprehensive income	11,022	10,753	6,793	6,617
<b>4. Earnings Per Share</b>				

Basic earnings per share are based upon the weighted average number of shares outstanding. Diluted earnings per share are based upon the weighted average number of shares outstanding plus the incremental shares that would be

outstanding assuming exercise of dilutive stock options. The number of incremental shares from the assumed exercise of stock options is calculated by applying the treasury stock method. The aggregate number of shares, totaling 4,388,024, that the Company could be obligated to issue upon conversion of our \$172.5 million issue price of senior convertible notes was excluded from the 13 weeks ended May 1, 2004 calculation as they were anti-dilutive.

The computations for basic and diluted earnings per share are as follows:



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	<b>13 Weeks Ended</b>	
	<b>May 1, 2004</b>	<b>May 3, 2003</b>
	<b>(In thousands, except per share data)</b>	
Earnings per common share - Basic:		
Net income	\$ 10,608	\$ 6,474
Weighted average common shares outstanding	47,321	41,028
Earnings per common share	\$ 0.22	\$ 0.16
Earnings per common share - Diluted:		
Net income	\$ 10,608	\$ 6,474
Weighted average common shares outstanding - basic	47,321	41,028
Stock options	5,071	6,933
Weighted average common shares outstanding	52,392	47,961
Earnings per common share	\$ 0.20	\$ 0.13

**5. Stock-Based Compensation**

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion ( APB ) No. 25, Accounting for Stock Issued to Employees and related Interpretations. Accordingly, no compensation expense has been recognized where the exercise price of the option was equal to or greater than the market value of the underlying common stock on the date of grant. The pro-forma net income and earnings per share in the following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	<b>13 Weeks Ended</b>	
	<b>May 1, 2004</b>	<b>May 3, 2003</b>
	<b>(In thousands, except per share data)</b>	
Net income	\$ 10,608	\$ 6,474
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(2,646)	(621)
Pro-forma net income	\$ 7,962	\$ 5,853
Earnings per share:		
Basic - as reported	\$ 0.22	\$ 0.16
Basic - pro-forma	\$ 0.17	\$ 0.14
Diluted - as reported	\$ 0.20	\$ 0.13
Diluted - pro-forma	\$ 0.15	\$ 0.12

## 6. Senior Convertible Notes

On February 18, 2004, the Company completed a private offering of \$172.5 million issue price of senior unsecured convertible notes due 2024 ( senior convertible notes ) in transactions pursuant to Rule 144A under the Securities Act of 1933, as amended. Net proceeds of \$146.0 million to the Company are net of estimated transaction costs associated with the offering of \$5.8 million, and the net cost of a convertible bond hedge and a separate warrant transaction. The hedge and warrant transactions effectively increase the conversion premium associated with the senior convertible notes during the term

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of these transactions from 40% to 100%, or from \$39.31 to \$56.16 per share, thereby reducing the potential dilutive effect upon conversion.

The senior convertible notes bear interest at an annual rate of 2.375% of the issue price payable semi-annually on August 18<sup>th</sup> and February 18<sup>th</sup> of each year until February 18, 2009, with the first interest payment to be made on August 18, 2004. After February 18, 2009, the senior convertible notes will not pay cash interest but the initial principal amount of the notes will accrete daily at an original issue discount rate of 2.625%, until maturity on February 18, 2024, when a holder will receive \$1,000 per note. The senior convertible notes are convertible into the Company's common stock (the common stock) at an initial conversion price in each of the first 20 fiscal quarters following issuance of the notes of \$39.31 per share, upon the occurrence of certain events. Thereafter, the conversion price per share of common stock increases each fiscal quarter by the accreted original issue discount for the quarter. Upon conversion of a note, unless the Company is in default, the Company is obligated to pay cash in lieu of issuing some or all of the shares of common stock, in an amount up to the accreted principal amount of the note, and whether any shares of common stock are issuable in addition to this cash payment would depend upon the then market price of the Company's common stock. The senior convertible notes will mature on February 18, 2024, unless earlier converted or repurchased. The Company may redeem the notes at any time on or after February 18, 2009, at its option, at a redemption price equal to the sum of the issue price, accrued original discount and any accrued cash interest, if any. The total face amount of the senior convertible notes was \$255.1 million prior to the original discount of \$82.6 million.

Concurrently with the sale of the senior convertible notes, the Company purchased a bond hedge designed to mitigate the potential dilution from the conversion of the senior convertible notes. Under the five year terms of the bond hedge, one of the initial purchasers (the counterparty) will deliver to the Company upon a conversion of the bonds a number of shares of common stock based on the extent to which the then market price exceeds \$39.31 per share. The aggregate number of shares that the Company could be obligated to issue upon conversion of the senior convertible notes is 4,388,024 shares.

The cost of the purchased bond hedge was partially offset by the sale of warrants (the warrants) to acquire up to 8,775,948 shares of the common stock to the counterparty with whom the Company entered into the bond hedge. The warrants are exercisable in year five at a price of \$56.16 per share. The warrants may be settled at the Company's option through a net share settlement or a net cash settlement, either of which would be based on the extent to which the then market price exceeds \$56.16 per share.

The net effect of the purchased bond hedge and the warrants is to either reduce the potential dilution from the conversion of the senior convertible notes if the Company elects a net share settlement or to increase the net cash proceeds of the offering if a net cash settlement is elected if the senior convertible notes are converted at a time when the market price of the common stock exceeds \$39.31 per share. There would be dilution from the conversion of the senior convertible notes to the extent that the then-market price per share of the common stock exceeds \$56.16 at the time of conversion.

## **7. Short-term and Long-term Investments**

The Company's short-term and long-term investments consist of investment-grade marketable debt securities, all of which are classified as held-to-maturity as the Company has the positive intent and ability to hold the securities to maturity. These securities are recorded at amortized cost. Long-term investments mature between one and two years.

## **8. Stock Split**

On February 10, 2004, the Company's Board of Directors declared a two-for-one stock split, in the form of a stock dividend, of the Company's common shares for stockholders of record on March 19, 2004. The split became effective on April 5, 2004 by issuing our stockholders of record one additional share of common stock for every share of common stock held, and one additional share of Class B common stock for every share of Class B common stock held. The applicable share and per-share data for all periods included herein have been restated to give effect to this stock split.

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

**FORWARD-LOOKING STATEMENTS**

We caution that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Quarterly Report on Form 10-Q/A or made by our management involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond our control. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. You can identify these statements as those that may predict, forecast, indicate or imply future results, performance or advancements and by forward-looking words such as *believe, anticipate, expect, estimate, predict, intend, plan, project, will, will be, will continue, might* or any variations of such words or other words with similar meanings. Forward-looking statements address, among other things, our expectations, our growth strategies, including our plans to open new stores, our efforts to increase profit margins and return on invested capital, plans to grow our private label business, projections of our future profitability, results of operations, capital expenditures or our financial condition or other forward-looking information and includes statements about revenues, earnings, spending, margins, liquidity, store openings and operations, inventory, private label products, our actions, plans or strategies.

The following factors, among others, in some cases have affected and in the future could affect our financial performance and actual results and could cause actual results for 2004 and beyond to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by our management: the intense competition in the sporting goods industry and actions by our competitors; our inability to manage our growth, open new stores on a timely basis and expand successfully in new and existing markets; the availability of retail store sites on terms acceptable to us; the cost of real estate and other items related to our stores; our ability to access adequate capital; changes in consumer demand; risks relating to product liability claims and the availability of sufficient insurance coverage relating to those claims; our relationships with our suppliers, distributors or manufacturers and their ability to provide us with sufficient quantities of products; any serious disruption at our distribution or return facility; the seasonality of our business; the potential impact of natural disasters or national and international security concerns on us or the retail environment; risks related to the economic impact or the effect on the U.S. retail environment relating to instability and conflict in the Middle East or elsewhere; risks relating to the regulation of the products we sell, such as hunting rifles; risks associated with relying on foreign sources of production; risks relating to implementation of new management information systems; risks relating to operational and financial restrictions imposed by our senior secured revolving credit facility; factors associated with our pursuit of strategic acquisitions; the loss of our key executives, especially Edward W. Stack, our Chairman and Chief Executive Officer; our ability to meet our labor needs; changes in general economic and business conditions and in the specialty retail or sporting goods industry in particular; our ability to repay or make the cash payments under our senior convertible notes due 2024; our expansion plans at our distribution facility; changes in our business strategies and other factors discussed in other reports or filings filed by us with the Securities and Exchange Commission.

In addition, we operate in a highly competitive and rapidly changing environment; therefore, new risk factors can arise, and it is not possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on our business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. We do not assume any obligation and do not intend to update any forward-looking statements.

**OVERVIEW (restated)**

The Company is an authentic full-line sporting goods retailer offering a broad assortment of brand-name sporting goods equipment, apparel and footwear in a specialty store environment. As of May 1, 2004, the Company operated 169 stores in 27 states throughout the Eastern half of the United States.

In March 2005, the Company concluded that its lease accounting policy and accounting treatment of construction allowances were not consistent with generally accepted accounting standards. The Company corrected its lease accounting policy such that the commencement date of the lease term will be the earlier of the date rent payments begin, the date the Company takes possession of the property for the initial setup of fixtures and merchandise or, in certain circumstances, the date the Company takes possession of the leased space for construction purposes. In those circumstances where the commencement date of the lease term begins when the Company takes possession of the leased space for construction purposes, the rent expense from that commencement date through the earlier of the date rent payments begin or the date the

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Company takes possession of the property for the initial setup of fixtures and merchandise is capitalized with a corresponding increase in long-term deferred liabilities.

In addition, the Company had historically accounted for construction allowances as reductions of the related leasehold improvement asset on the Condensed Consolidated Balance Sheets and capital expenditures in investing activities on the Condensed Consolidated Statements of Cash Flows. The Company determined that the appropriate interpretation of Financial Accounting Standards Board ( FASB ) Technical Bulletin No. 88-1, Issues Relating to Accounting for Leases, required these allowances to be recorded as deferred liabilities on the Condensed Consolidated Balance Sheets and as a component of operating activities on the Condensed Consolidated Statements of Cash Flows.

The effect of the restatement on the Company's previously released Condensed Consolidated Statements of Income is a reduction of net income of \$0.3 million and \$0.2 million for the quarterly periods ended May 1, 2004 and May 3, 2003, respectively. We have corrected these errors through our restatement. The effect of the restatement on previously released earnings per share is a reduction in earnings per share of \$0.01 for each of the quarterly periods ended May 1, 2004 and May 3, 2003.

The effect of the restatement on the Company's Condensed Consolidated Balance Sheets is an increase in property and equipment of \$45.1 million as of May 1, 2004, and an increase in long-term deferred liabilities of \$49.0 million as of May 1, 2004. In addition, there is an increase in the deferred tax asset of \$1.6 million as of May 1, 2004, and a decrease in retained earnings of \$2.4 million as of May 1, 2004.

This restatement of previously issued condensed consolidated financial statements does not have an effect on total net cash flows during any of the periods restated. Certain reclassifications result including the classification of construction allowances and capitalized rent within operating activities with a corresponding increase in capital expenditures.

See Note 3 of the Notes to Condensed Consolidated Financial Statements for additional information. The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to such restatement.

**RESULTS OF OPERATIONS**

The following table presents for the periods indicated selected items in the Condensed Consolidated Statements of Income as a percentage of the Company's net sales:

	<b>13 Weeks Ended</b>	
	<b>May</b>	
	<b>1,</b>	<b>May 3,</b>
	<b>2004</b> <sup>/1</sup>	<b>2003</b>
Net sales	100.0%	100.0%
Cost of goods sold, including occupancy and distribution costs	71.8	72.8
Gross profit	28.2	27.2
Selling, general and administrative expenses	22.6	22.6
Pre-opening expenses	0.9	0.9
Income from operations	4.8	3.7
Interest expense, net	0.2	0.2

Other income	0.3	
Income before income taxes	4.9	3.5
Provision for income taxes	1.9	1.4
Net income	2.9%	2.1%

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/1 Column does not add due to rounding

Cost of goods sold includes the cost of merchandise, inventory shrinkage, freight, distribution and store occupancy costs. Store occupancy costs include rent, common area maintenance charges, real estate and other asset based taxes, store maintenance, utilities, depreciation, fixture lease expenses and certain insurance expenses.

Selling, general and administrative expenses include store and field support payroll and fringe benefits, advertising,



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bank card charges, information systems, marketing, legal, accounting, other store expenses and all expenses associated with operating the Company's corporate headquarters.

Pre-opening expenses consist primarily of rent, marketing, payroll and recruiting costs incurred prior to a new store opening.

Interest expense, net results primarily from interest on our senior convertible notes and senior secured revolving credit facility partially offset by interest income from the Company's investments in marketable securities and held-to-maturity investments.

## **13 Weeks Ended May 1, 2004 Compared to the 13 Weeks Ended May 3, 2003**

### **Net Income**

Our net income increased by \$4.1 million, or 63.1%, to \$10.6 million for the 13 weeks ended May 1, 2004, from \$6.5 million for the 13 weeks ended May 3, 2003. This represented an increase in diluted earnings per share of \$.07, or 54%, to \$0.20 from \$0.13.

### **Net Sales**

Net sales increased by \$59.5 million, or 19.5%, to \$364.2 million for the 13 weeks ended May 1, 2004, from \$304.7 million for the 13 weeks ended May 3, 2003. This increase resulted from a comparable store sales increase of 4.6%, or \$13.5 million, and \$46.0 million in new store sales, which reflected the opening of six new stores for the 13 weeks ended May 1, 2004 compared to the opening of eight new stores and one relocated store for the 13 weeks ended May 3, 2003. The increase in comparable store sales is mostly attributable to sales increases in men's, women's and kid's athletic footwear and apparel, golf, team sports and paintball, partly offset by lower sales of in-line skates, hunting, bikes and camping.

### **Income from Operations**

Income from operations increased by \$6.0 million, or 53.1%, to \$17.3 million for the 13 weeks ended May 1, 2004, from \$11.3 million for the 13 weeks ended May 3, 2003. The increase in income from operations is primarily a result of increased gross profit.

Gross profit increased by \$19.9 million, or 24.0%, to \$102.8 million for the 13 weeks ended May 1, 2004, from \$82.9 million for the 13 weeks ended May 3, 2003. As a percentage of net sales, gross profit increased to 28.2% for the 13 weeks ended May 1, 2004, from 27.2% for the 13 weeks ended May 3, 2003. The increase in gross profit percentage was primarily due to improved selling margins in the majority of the Company's product categories. In addition, the gross profit percentage improved due to improved productivity at the Company's distribution center and the leverage obtained on store occupancy costs from the increase in sales.

Selling, general and administrative expenses increased by \$13.4 million to \$82.2 million for the 13 weeks ended May 1, 2004, from \$68.8 million for the 13 weeks ended May 3, 2003. As a percentage of net sales, selling, general and administrative expenses was unchanged at 22.6% for the 13 weeks ended May 1, 2004, as compared to 22.6% for the 13 weeks ended May 3, 2003. Although unchanged from the 13 weeks ended May 3, 2003, the Company saw increases in net advertising expenditures and incentive compensation expense, which was offset by the leverage obtained on payroll expenses from the increase in sales and last year's first quarter containing higher information systems costs.

Pre-opening expenses increased by \$0.5 million to \$3.3 million for the 13 weeks ended May 1, 2004, from \$2.8 million for the 13 weeks ended May 3, 2003. Pre-opening expenses were for the addition of six new stores for the 13 weeks ended May 1, 2004 compared to the opening of eight new stores and one relocated store for the 13 weeks ended May 3, 2003.

**Interest Expense, Net**

Interest expense, net increased by \$0.1 million to \$0.6 million for the 13 weeks ended May 1, 2004, from \$0.5 million for the 13 weeks ended May 3, 2003 due primarily to \$0.9 million of interest expense on our senior convertible notes issued on February 18, 2004 partially offset by interest income of \$0.6 million from our investments in marketable securities and held-to-maturity investments.

**Other Income**

Other income included a \$1.0 million award arising out of a court order related to our unsuccessful effort to acquire the assets of Bob's Stores, Inc.

**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES**

Our primary capital requirements are for inventory, capital improvements, and pre-opening expenses to support expansion plans, as well as for various investments in store remodeling, store fixtures and ongoing infrastructure improvements. The Company's main sources of liquidity for the 13 weeks ended May 1, 2004 have been the net proceeds from the issuance of the senior convertible notes and proceeds from sale-leaseback transactions.

The change in cash and cash equivalents is as follows:

	13 Weeks Ended	
	May 1, 2004	May 3, 2003
Net cash used in operating activities	\$ (22,552)	\$ (40,615)
Net cash used in investing activities	(52,640)	(7,630)
Net cash provided by financing activities	154,296	52,873
Net increase in cash and cash equivalents	\$ 79,104	\$ 4,628

**Operating Activities**

Cash used in operating activities for the 13 weeks ended May 1, 2004 decreased by \$18.0 million, or 44.3%, to \$22.6 million reflecting higher net income and adjustments for non-cash items. The decrease in the use of working capital is primarily due to an increase in the change in accounts payable and an increase in the change in income taxes payable partially offset by an increase in the change in inventory. The increase in the change in accounts payable was primarily due to the timing of spring merchandise receipts in the first quarter of fiscal 2004 compared to the first quarter of fiscal 2003. Accordingly, the accounts payable balance was lower at January 31, 2004 due to an increase in receipts in February 2004 as opposed to December and January of the previous year. The increase in the change in income taxes payable is partly related to the fiscal 2003 tax benefit from the exercise of stock options which in part provided for an \$8.5 million decrease in tax payments during the 13 weeks ended May 1, 2004 as compared to the 13 weeks ended May 3, 2003 and an increase of \$2.8 million related to the higher pre-tax income for the 13 weeks ended May 1, 2004. The increase in the change in inventory was primarily due to the increase in receipts in fiscal 2004 compared to fiscal 2003 due to the timing of new store openings, and an increase in in-transit import inventory. The cash flow from operating the Company's stores is a significant source of liquidity, and will continue to be used in 2004 primarily to purchase inventory, make capital improvements and open new stores. All of the Company's revenues are realized at the point-of-sale in the stores. Thus, net sales are essentially on a cash basis.

**Investing Activities**

Cash used in investing activities for the 13 weeks ended May 1, 2004 increased by \$45.0 million, to \$52.6 million primarily reflecting the purchase of \$47.9 million of held-to-maturity securities, partially offset by a decrease in net capital expenditures as proceeds from sale-leaseback transactions increased \$4.8 million. We use cash in investing activities to build new stores and remodel or relocate existing stores. Furthermore, net cash used in investing activities includes purchases of information technology assets and expenditures for distribution facilities and corporate headquarters.

We opened six new stores during the 13 weeks ended May 1, 2004 compared to opening eight new stores and relocating one store during the 13 weeks ended May 3, 2003. Sale-leaseback transactions covering store fixtures,

buildings and information technology assets also have the effect of returning to the Company cash previously invested in these assets. During the 13 weeks ended May 1, 2004 we completed two building sale-leasebacks that generated proceeds of \$9.1 million, of which \$8.8 million of the capital expenditures were incurred in fiscal 2003.

In accordance with Emerging Issues Task Force No. 97-10 ( Issue 97-10 ), The Effect of Lessee Involvement in Asset Construction, the Company is considered to be the owner of certain buildings during the construction period, for accounting purposes only. Accordingly, the Company has recognized a non-cash asset and related non-cash obligation of \$22.3 million and \$10.9 million as of May 1, 2004 and January 31, 2004, respectively. At the conclusion of the construction period, the asset and related liability will be removed from the balance sheet in a manner similar to a sale-leaseback transaction if certain conditions are met. The application of Issue 97-10 has no impact to cash balances, net cash flow, the statement of operations or cash obligations.

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**Financing Activities**

Cash provided by financing activities for the 13 weeks ended May 1, 2004 increased by \$101.4 million, or 191.8%, to \$154.3 million primarily reflecting the net proceeds from the senior convertible notes and the decrease in the change in the balance of the senior secured revolving credit facility. Financing activities consisted primarily of the issuance of the senior convertible notes, borrowings and repayments under the senior secured revolving credit facility and proceeds from transactions in the Company's common stock. The Company received proceeds of \$1.3 million and \$3.6 million from the exercise of employee stock options during the 13 weeks ended May 1, 2004 and the 13 weeks ended May 3, 2003, respectively. Future stock option activity cannot be predicted.

On February 18, 2004, the Company completed a private offering of \$172.5 million issue price of convertible notes in transactions pursuant to Rule 144A under the Securities Act of 1933, as amended. Net proceeds to the Company of \$146.0 million are after the net cost of a convertible bond hedge and a separate warrant transaction as well as estimated transaction costs associated with the offering of \$5.8 million. The hedge and warrant transactions effectively increase the conversion premium associated with the senior convertible notes during the term of these transactions from 40% to 100%, or from \$39.31 to \$56.16 per share, thereby reducing the potential dilutive effect upon conversion.

The Company's liquidity and capital needs have generally been met by cash from operating activities and borrowings under the senior secured revolving credit facility. This senior secured revolving credit facility provides for borrowings in an aggregate outstanding principal amount of up to \$180 million, including up to \$50 million in the form of letters of credit. The actual availability under the senior secured revolving credit facility is limited to the lesser of 70% of the Company's eligible inventory or 85% of the Company's inventory's liquidation value, in each case net of specified reserves and less any letters of credit outstanding. There were no outstanding borrowings on the senior secured revolving credit facility as of May 1, 2004 and January 31, 2004. Total remaining borrowing capacity, after subtracting letters of credit as of May 1, 2004 and January 31, 2004 was \$167.5 million and \$154.3 million, respectively. Interest on outstanding indebtedness under the senior secured revolving credit facility currently accrues at the lender's prime commercial lending rate or, if the Company elects, at the one month LIBOR plus 1.25% based on the Company's current interest coverage ratio. The Company's obligations under the senior secured revolving credit facility are secured by interests in substantially all of the Company's personal property excluding store and distribution center equipment and fixtures. The senior secured revolving credit facility matures on May 30, 2006. The Company has used the senior secured revolving credit facility to meet seasonal working capital requirements and to support the Company's growth.

The senior secured revolving credit facility contains restrictions regarding the Company's and related subsidiary's ability, among other things, to merge, consolidate or acquire non-subsubsidiary entities, to incur indebtedness or liens, to pay dividends or make distributions on the Company's stock, to make investments or loans, or to engage in transactions with affiliates. The Company is obligated to maintain a fixed charge coverage ratio of not less than 1.0 to 1.0. Obligations under the senior secured revolving credit facility are secured under various collateral documents (including a security agreement, pledge agreement, blocked account agreements, concentration account agreement, disbursement account agreements, and a trademark security agreement) by interests in substantially all of the Company's personal property excluding store and distribution center equipment and fixtures. As of May 1, 2004, the Company was in compliance with the terms of the senior secured revolving credit facility.

Cash requirements in 2004, other than normal operating expenses, are expected to consist primarily of capital expenditures related to the addition of new stores. The Company plans to open 25 new stores during 2004. The Company also anticipates incurring additional expenditures for remodeling or relocating certain existing stores and enhancing its information technology assets as well as other infrastructure improvements. While there can be no assurance that current expectations will be realized, the Company expects net capital expenditures in 2004 to be approximately \$30.0 million.

The Company believes that existing cash flows generated from operations, funds available under our credit facility and proceeds from our convertible notes will be sufficient to satisfy our capital requirements through 2004. Other new business opportunities or store expansion rates substantially in excess of those presently planned may require additional funding.

**Contractual Obligations and Other Commercial Commitments**

The only off-balance sheet contractual obligations and commercial commitments as of May 1, 2004 relate to operating lease obligations and letters of credit. The Company has excluded these items from the balance sheet in accordance with generally accepted accounting principles.

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On February 18, 2004, the Company completed a private offering of \$172.5 million issue price of convertible notes in transactions pursuant to Rule 144A under the Securities Act of 1933, as amended. Net proceeds to the Company of \$146.0 million are after the net cost of a convertible bond hedge and a separate warrant transaction as well as estimated transaction costs associated with the offering of \$5.8 million. The hedge and warrant transactions effectively increase the conversion premium associated with the senior convertible notes during the term of these transactions from 40% to 100%, or from \$39.31 to \$56.16 per share, thereby reducing the potential dilutive effect upon conversion.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Interest Rate Risk**

The Company's net exposure to interest rate risk will consist primarily of borrowings under the senior secured revolving credit facility. The Company's senior secured revolving credit facility bears interest at rates that are benchmarked either to U.S. short-term floating rate interest rates or one-month LIBOR rates, at the Company's election. There were no borrowings outstanding under the senior secured revolving credit facility as of May 1, 2004 and January 31, 2004. The impact on the Company's annual net income of a hypothetical one percentage point interest rate change on the average outstanding balances under the senior secured revolving credit facility would be approximately \$0.2 million based upon fiscal 2003 average borrowings.

The Company's short and long-term investment portfolio consists of fixed income instruments. The primary objectives of these investments are to preserve capital. A hypothetical 10% change in the underlying interest rate of our interest bearing financial instruments held as of May 1, 2004 was determined to not have a material effect on the Company's net income.

### **Credit Risk**

In February 2004, the Company sold \$172.5 million issue price of senior unsecured convertible notes due 2024. In conjunction with the issuance of these senior convertible notes, we also entered into a five year convertible bond hedge and a five year separate warrant transaction with one of the initial purchasers (the counterparty) and/or certain of its affiliates. Subject to the movement in our common stock price, we could be exposed to credit risk arising out of net settlement of the convertible bond hedge and separate warrant transaction in our favor. Based on our review of the possible net settlements and the credit strength of the counterparty and its affiliates, we believe that we do not have a material exposure to credit risk as a result of these share option transactions.

### **Tax Matters**

Presently, the Company does not believe that there are any tax matters that could materially affect the consolidated financial statements.

### **Seasonality and Quarterly Results**

The Company's business is subject to seasonal fluctuations. Significant portions of the Company's net sales and profits are realized during the fourth quarter of the Company's fiscal year, which is due, in part, to the holiday selling season and, in part, to our sales of cold weather sporting goods and apparel. Any decrease in fiscal fourth quarter sales, whether because of a slow holiday selling season, unseasonable weather conditions, or otherwise, could have a material adverse effect on our business, financial condition and operating results for the entire fiscal year.

#### **ITEM 4. CONTROLS AND PROCEDURES**

As required by SEC Rule 13a-15(b), an evaluation was performed of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by the report. This evaluation was conducted under the supervision and with the participation of the Company's management, including its Chief Executive Officer and its Chief Financial Officer. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including cost limitations, judgments used in decision making, assumptions regarding the likelihood of future events, soundness of internal controls, fraud, the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can provide only reasonable, and not absolute, assurance of achieving their control objectives. Based on the evaluation, the Company's Chief Executive Officer and its Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in all material respects at a reasonable assurance level with respect to the recordings, processing, summarizing and reporting, within the time periods



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specified in the SEC's rules and forms, of information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

In connection with the restatement and the filing of this Form 10-Q/A, the Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, re-evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective as of the end of the period covered by this report.

There have been no changes in the Company's internal controls over financial reporting that occurred during our most recent quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS**

On February 18, 2004, the Company completed a private offering of \$172.5 million issue price of senior unsecured convertible notes due 2024 in transactions pursuant to Rule 144A under the Securities Act of 1933, as amended to qualified institutional buyers (as defined in Rule 144A). Net proceeds to the Company of \$146.0 million are after the net cost of a convertible bond hedge and a separate warrant transaction as well as estimated transaction costs associated with the offering of \$5.8 million, which includes a commission of \$5.2 million to the initial purchasers of the senior convertible notes. The aggregate number of shares that the Company could be obligated to issue upon conversion of the convertible notes is 4,388,024 shares.

The senior convertible notes are convertible into the Company's common stock (the "common stock") at an initial conversion price in each of the first 20 fiscal quarters following issuance of the notes of \$39.31 per share, upon the occurrence of certain events. Thereafter, the conversion price per share of common stock increases each fiscal quarter by the accreted original issue discount for the quarter. Upon conversion of a note, unless the Company is in default, the Company is obligated to pay cash in lieu of issuing some or all of the shares of common stock, in an amount up to the accreted principal amount of the note, and whether any shares of common stock are issuable in addition to this cash payment would depend upon the then market price of the Company's common stock. The senior convertible notes will mature on February 18, 2024, unless earlier converted or repurchased. The Company may redeem the notes at any time on or after February 18, 2009, at its option, at a redemption price equal to the sum of the issue price, accrued original discount and any accrued cash interest, if any.

Concurrently with the sale of the senior convertible notes, the Company purchased a bond hedge designed to mitigate the potential dilution from the conversion of the convertible notes. Under the five year terms of the bond hedge, one of the initial purchasers (the "counterparty") will deliver to the Company upon a conversion of the bonds a number of shares of common stock based on the extent to which the then market price exceeds \$39.31 per share.

The cost of the purchased bond hedge was partially offset by the sale of warrants by the Company (the "warrants") to acquire up to 8,775,948 shares of the common stock to the counterparty with whom the Company entered into the bond hedge. The warrants are exercisable in year five at a price of \$56.16 per share. The warrants may be settled at the Company's option through a net share settlement or a net cash settlement, either of which would be based on the extent to which the then market price exceeds \$56.16 per share. These warrants were issued pursuant to Section 4(2) of the

Securities Act.

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

a. Exhibits:

Exhibit Number	Description of Exhibit	Method of Filing
4.1	Indenture dated as of February 18, 2004 between the Registrant and Wachovia Bank, National Association, as Trustee	Incorporated by reference to Exhibit 10.3 to the Registrant's Form 8-K, File No. 001-31463, filed on February 23, 2004
4.2	Registration Rights Agreement among the Registrant, Merrill Lynch, Pierce, Fenner, Smith Incorporated, Banc of America Securities LLC and	Incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K, File No. 001-31463, filed on February 23, 2004

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Exhibit Number	Description of Exhibit	Method of Filing
	UBS Securities LLC dated as of February 18, 2004	
4.3	Form of Confirmation of OTC Warrant Transaction, Amended and Restated as of February 13, 2004	Incorporated by reference to Exhibit 10.7 to the Registrant's Form 8-K, File No. 001-31463, filed on February 23, 2004
10.1	Form of Confirmation of OTC Convertible Note Hedge, Amended and Restated as of February 13, 2004	Incorporated by reference to Exhibit 10.6 to the Registrant's Form 8-K, File No. 001-31463, filed on February 23, 2004
31.1	Certification of Edward W. Stack, Chairman and Chief Executive Officer, dated as of May 19, 2005 and made pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Michael F. Hines, Executive Vice President and Chief Financial Officer, dated as of May 19, 2005 and made pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Edward W. Stack, Chairman and Chief Executive Officer, dated as of May 19, 2005 and made pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Certification of Michael F. Hines, Executive Vice President and Chief Financial Officer, dated as of May 19, 2005 and made pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith

## b. Reports on Form 8-K:

During the first quarter of 2004, we furnished the following to the Securities and Exchange Commission on Form 8-K:

Report dated February 10, 2004 announcing our sales for the fiscal quarter ended January 31, 2004, increasing earnings per share guidance for the fourth quarter 2003 and full year 2003 results, and a two-for-one common stock split.

Report dated February 18, 2004 announcing our closing of the private placement pursuant to Rule 144A under the Securities Act of 1933, as amended, of \$172.5 million issue price of 2.375% senior convertible notes, due 2024.

Report dated March 11, 2004, announcing our fourth quarter 2003 financial results.

Report dated March 25, 2004, providing portions of electronic slides presented at the Merrill Lynch Retailing Leaders & Consumer Products Conference along with the reconciliations of the non-GAAP measures used therein.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on May 19, 2005 on its behalf by the undersigned, thereunto duly authorized.

DICKS SPORTING GOODS, INC.

By: /s/ EDWARD W. STACK

Edward W. Stack  
Chairman of the Board, Chief Executive Officer and  
Director

By: /s/ MICHAEL F. HINES

Michael F. Hines  
Chief Financial Officer (principal financial and  
accounting officer)

**Table of Contents****EXHIBIT INDEX**

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31.2	Certification of Michael F. Hines, Executive Vice President and Chief Financial Officer, dated as of May 19, 2005 and made pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Edward W. Stack, Chairman and Chief Executive Officer, dated as of May 19, 2005 and made pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Certification of Michael F. Hines, Executive Vice President and Chief Financial Officer, dated as of May 19, 2005 and made pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith