ANIKA THERAPEUTICS INC
Form DEF 14A
April 25, 2008

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

ANIKA THERAPEUTICS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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ANIKA THERAPEUTICS, INC.

32 Wiggins Avenue
Bedford, MASSACHUSETTS 01730

Notice of Annual Meeting of Stockholders to be Held on June 3, 2008

The 2008 Annual Meeting of Stockholders of Anika Therapeutics, Inc., a Massachusetts corporation, will be held at the offices of Goodwin Procter LLP, 53 State Street, Boston, Massachusetts 02109 on Tuesday, June 3, 2008, at 10:00 a.m. local time for the following purposes:

1. To elect two (2) Class III directors, each to serve until the 2011 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified; and

2. To consider and act upon any other matters that may properly come before the Annual Meeting or any adjournment or postponement thereof.

Any action may be taken on the foregoing proposals at the Annual Meeting on the date specified above, or on any date or dates to which the Annual Meeting may be adjourned or postponed.

The Board of Directors has fixed the close of business on April 18, 2008 as the record date for determining the stockholders entitled to receive notice of and to vote at the Annual Meeting and any adjournments or postponements thereof. Only stockholders of record of our common stock, par value $.01 per share, at the close of business on that date will be entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement thereof.

You are requested to fill in and sign the enclosed form of proxy, which is being solicited by the Board of Directors, and to mail it promptly in the enclosed postage prepaid envelope. **Regardless of the number of shares you own, your vote is important**. Any proxy may be revoked by delivery of a later dated proxy. Stockholders of record who attend the Annual Meeting may vote in person, even if they have delivered a signed proxy.

By Order of the Board of Directors,

Kevin W. Quinlan,
Secretary

Bedford, Massachusetts
April 25, 2008

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ENSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY.

2008 Proxy

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ANIKA THERAPEUTICS, INC.

32 Wiggins Avenue
Bedford, MASSACHUSETTS 01730

Proxy Statement for
The Annual Meeting of Stockholders
To Be Held on Tuesday, June 3, 2008

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors (the "Board of Directors," or the "Board") of Anika Therapeutics, Inc. ("Anika Therapeutics," the "Company," "we," "us," or "our"), a Massachusetts corporation, for use at the 2008 Annual Meeting of Stockholders (the "Annual Meeting") to be held at the offices of Goodwin Procter LLP, 53 State Street, Boston, Massachusetts 02109 on Tuesday, June 3, 2008, at 10:00 a.m. local time and at any adjournment or postponement thereof. At the Annual Meeting, the stockholders will be asked to consider and vote upon the following matters:

1. The election of two (2) Class III directors, each to serve until the 2011 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified; and

2. Such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

This proxy statement, the accompanying notice of Annual Meeting, the form of proxy and Anika Therapeutics' Annual Report are first being sent to stockholders on or about April 28, 2008. Our Annual Report, however, is not a part of the proxy solicitation material. The Board of Directors has fixed the close of business on April 18, 2008 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting. Only stockholders of record of our common stock, par value $.01 per share, at the close of business on the record date will be entitled to notice of and to vote at the Annual Meeting. As of the record date, there were 11,327,923 shares of common stock outstanding and entitled to vote at the Annual Meeting. Holders of common stock as of the close of business on the record date will be entitled to one vote per share.

All properly authorized proxies received and not revoked prior to or at the Annual Meeting will be voted in accordance with the stockholders' instructions by the persons named as proxies. If no voting instructions are specified, properly executed proxies will be voted "FOR" the election of the nominees for director listed in this proxy statement. If other matters are presented, proxies will be voted in accordance with the discretion of the persons named as proxies. A stockholder may revoke a proxy at any time before its exercise by delivery of written revocation or a subsequently dated proxy to the Secretary of Anika Therapeutics or by voting in person at the Annual Meeting. Attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy.

The presence, in person or by proxy, of holders of at least a majority of the total number of outstanding shares of common stock entitled to vote is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Shares held of record by stockholders or their nominees who do not return a signed and dated proxy or attend the Annual Meeting in person will not be considered present or represented at the Annual Meeting and will not be counted in determining the presence of a quorum. Proxies withholding authority or marked as abstaining from a particular matter will be treated as present for purposes of determining whether a quorum is present for the Annual Meeting, but will not be counted as voting on any proposal for which authority is withheld or an abstention is indicated. If your common stock is held by a broker, bank or other nominee (i.e., in "street name") and you fail to give instructions as to how you want your shares voted (a "non-vote"), the broker, bank or other nominee may in certain circumstances, but is not required to, vote the shares in their own discretion; however, in certain circumstances a broker will not be permitted to vote such shares in its own discretion. Proxies returned by brokers as "non-votes" on behalf of shares held in

street name will be counted only for the purpose of determining the presence or absence of a quorum for the transaction of business. Any shares not voted (whether by abstention, broker non-vote or otherwise) will have no impact on the proposal to approve the election of directors except to the extent that the failure to vote for an individual in the election of directors results in another individual receiving a larger percentage of votes.

The election of directors will be determined by a plurality of the votes cast if a quorum is present. In a plurality election, votes may only be cast in favor of or withheld from each proposal; votes that are withheld will be excluded entirely from the vote and will have no effect. This means that the two persons receiving the highest number of "FOR" votes will be elected as directors.

PROPOSAL 1

ELECTION OF DIRECTORS

Our Board of Directors is currently comprised of six directors and is divided into three classes: Class I, Class II and Class III. Each class of directors serves for a three-year term with one class of directors being elected by our stockholders at each annual meeting.

Drs. Bower and Davidson serve as Class I Directors with a term of office expiring at the 2009 Annual Meeting. Messrs. Land and Moran serve as Class II Directors with a term of office expiring at the 2010 Annual Meeting. Mr. Wheeler and Dr. Sherwood serve as Class III Directors with a term of office expiring at the 2008 Annual Meeting.

Dr. Sherwood and Mr. Wheeler are our Board of Directors' nominees for election to the Board of Directors at the Annual Meeting. The Class III Directors will be elected to hold office until the 2011 Annual Meeting and until their successors are duly elected and qualified. Unless otherwise instructed, the persons named in the accompanying proxy will vote, as permitted by the Amended and Restated By-laws of Anika Therapeutics, to elect Dr. Sherwood and Mr. Wheeler as Class III Directors.

The election of a director requires the affirmative vote of a plurality of votes cast by the holders of common stock entitled to vote on the matter. In a plurality election, votes may only be cast in favor of or withheld from each proposal; votes that are withheld will be excluded entirely from the vote and will have no effect. This means that the two persons receiving the highest number of "FOR" votes will be elected as directors.

If any of the Class III Directors becomes unavailable or declines to serve, the persons acting under the accompanying proxy may vote the proxy for the election of a substitute in their discretion. The Board of Directors has no reason to believe that either of the nominees will be unable or unwilling to serve if elected. There are no arrangements or understandings between any nominee and any other person pursuant to which such nominee was selected. **The Board of Directors Recommends a Vote FOR each Director Nominee.**

Information Regarding the Directors

The following table sets forth the name of each director, including the nominees for Class III Director, his age and the year in which he became a director of Anika Therapeutics.

Director Name	Age	Director Since	Term Expires
Class I Directors:			
Joseph L. Bower	69	1993	2009
Eugene A. Davidson, Ph.D.	77	1993	2009
Class II Directors:			
Raymond J. Land	63	2006	2010
John C. Moran.	55	2006	2010
Class III Directors:			
Steven E. Wheeler	61	1993	2008
Charles H. Sherwood, Ph.D.	61	2002	2008

Dr. Bower joined the Board of Directors of Anika Therapeutics in February 1993 and has served as Lead Director since April 2005. He has held various positions at the Harvard Business School since 1963, where he was named Professor of Business Administration in 1972 and Donald Kirk David Professor of Business Administration in 1986. He has served as Chairman of the Doctoral Programs, Director of Research, Senior Associate Dean for External Relations, Chair of the General Management Area and is currently Chair of the General Manager Program. Dr. Bower received an A.B. from Harvard University and an M.B.A. and a D.B.A. from the Harvard Business School. He is a director of Brown Shoe Company, Inc., New America High Income Fund, Sonesta International Hotels Corporation, Loews Corporation and TH Lee Putnam EOP.

Dr. Davidson joined the Board of Directors of Anika Therapeutics in February 1993. He was the Chairman of the Department of Biochemistry, Cell and Molecular Biology at Georgetown University Medical School from April 1988 until June 30, 2003, and is currently a professor in that department. Prior to this position, he was the Chairman of the Department of Biological Chemistry at the Milton S. Hershey Medical Center of the Pennsylvania State University from October 1967 to April 1988. Dr. Davidson also served as Associate Dean for Education at the Milton S. Hershey Medical Center from November 1975 to January 1987. Dr. Davidson received a B.S. in Chemistry from the University of California, Los Angeles, and a Ph.D. in Biochemistry from Columbia University.

Mr. Land joined the Board of Directors of Anika Therapeutics in January 2006. Mr. Land is currently Senior Vice President and Chief Financial Officer of Safeguard Scientifics, Inc., which he joined in 2007. Mr. Land has more than 30 years of experience in financial and general management positions. From 2006 to 2007, Mr. Land served as Executive Vice President and Chief Financial Officer of Medcenter Solutions, Inc. From 2005 until 2006, Mr. Land served as Senior Vice President and Chief Financial Officer of Orchid Cellmark Inc. From 1997 until 2005, Mr. Land served as Chief Financial Officer of NASDAQ-traded Genecor International, Inc., a diversified biotechnology company focusing on bioproducts and healthcare. Mr. Land also served as Senior Vice President and Chief Financial Officer for Genecor from 1997 until its acquisition by the global company Danisco was completed in April 2005. From 1991 to 1996, he served as Senior Vice President and Chief Financial Officer for publicly traded West Pharmaceutical Services, Inc. Previously, Mr. Land was with Campbell Soup Company, Inc. where for nine years he held increasingly senior financial positions and also served as General Manager of a frozen food division. Prior to joining Campbell Soup, he was with Coopers and Lybrand for nine years. Mr. Land is a Certified Public Accountant and has a degree in accounting and finance from Temple University.

Mr. Moran joined the Board of Directors of Anika Therapeutics in December 2006. Mr. Moran formerly served as the First President of Synthes Spine, a division of Synthes (USA), the leading skeletal fixation company in the world. Synthes Spine designs, manufactures and distributes implants and instruments for spinal disorders. Since leaving Synthes in 1997, Mr. Moran has been a private investor in a number of companies, mostly in the medical device field. Mr. Moran is a graduate of the University of Notre Dame and holds a master's degree in business administration from Harvard Business School.

Mr. Wheeler joined the Board of Directors of Anika Therapeutics in February 1993. He is currently the President of Wheeler & Co., LLC, a private investment firm. He is also currently a director of Bariston Partners, LLC, a private equity investment firm, PingTone, Inc., and The 81 Beacon Street Corporation. Between 1993 and February 1996, he was Managing Director and a director of Copley Real Estate Advisors and President, Chief Executive Officer and a director of Copley Properties, Inc., a publicly traded real estate investment trust. He was the Chairman and Chief Executive Officer of Hancock Realty Investors, which manages an equity real estate portfolio, from 1991 to February 1993. Prior to this position, he was an Executive Vice President of Bank of New England Corporation from 1990 to 1991. Mr. Wheeler received a B.S. in Engineering from the University of Virginia, an M.S. in Nuclear Engineering from the University of Michigan and an M.B.A. from the Harvard Business School.

Dr. Sherwood was appointed Chief Executive Officer of Anika Therapeutics in March 2002. Dr. Sherwood has served as President since June 2001. Dr. Sherwood previously served as Anika Therapeutics' Chief Operating Officer beginning in June 2001, Vice President of Research and Development beginning in April 2000 and Vice President of Process Development and Engineering beginning in April 1998. He served as a consultant to Anika Therapeutics from January 1998 to April 1998. From 1995 to 1997, he was Senior Director of Medical Device Research and Development for Chiron Vision. In April 1995, Chiron Vision acquired IOLAB Corporation, a division of Johnson & Johnson where he had been Executive Director of Research and Development from 1993 to 1995, Director of Materials Characterization from 1989 to 1993 and Manager/Section Head from 1982 to 1989. Dr. Sherwood was also a part-time faculty member in the Department of Chemistry at the California State Polytechnic University, Pomona, California from 1984 to 1987. Dr. Sherwood received a B.S. in Chemical Engineering from Cornell University, and an M.S. and Ph.D. in Polymer Science and Engineering from the University of Massachusetts, Amherst. Dr. Sherwood also received a Certificate in Management from Claremont Graduate School.

Corporate Governance, Board Matters and Committees

The Board of Directors has determined that each of its incumbent members, except for Dr. Sherwood, is "independent" within the meaning of director independence standards of Rule 4200(a)(15) of the National Association of Securities Dealers (the "NASD"), NASDAQ listing standards and the Securities and Exchange Commission ("SEC"), including Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Board of Directors based these determinations primarily on a review of the responses of each director to questions regarding employment and compensation history, affiliations and family and other relationships and on other relevant discussions with the directors.

Independent directors meet periodically in executive sessions without management participation. The executive sessions generally occur in connection with regularly scheduled meetings of the Board of Directors, committees of the Board of Directors and at other times the independent directors deem appropriate. The executive sessions are chaired either by the Lead Director or by the chair of the Board committee having jurisdiction over the particular subject matter to be discussed at the particular meeting or portion of a meeting.

Effective April 11, 2005, the Board of Directors designated Dr. Bower as Lead Director until his resignation or election of a successor. The Lead Director's responsibilities are to convene and chair meetings of the Board of Directors, convene and chair executive sessions of the independent directors, provide feedback to the Chief Executive Officer on executive sessions, collaborate with the Chief Executive Officer in setting meeting agendas, and facilitate discussion among the independent directors outside of meetings of the Board. The Lead Director receives an annual retainer of $10,000 (in addition to other director compensation) for service as the Lead Director.

Anika Therapeutics' Board of Directors met five times during 2007. No director attended less than 75% of the aggregate of: (1) the total number of Board meetings and (2) the total number of meetings held by all committees on which such director served. Our Annual Meeting of Stockholders is generally held to coincide with one of the Board's regularly scheduled meetings. Directors are strongly encouraged to attend the Annual Meeting. Each of the then current directors attended the 2007 Annual Meeting of Stockholders.

The Board of Directors currently has three standing committees:

- an Audit Committee;
- a Compensation Committee; and
- a Governance and Nominating Committee.

The Board of Directors has adopted a written charter for each of the Audit Committee, the Compensation Committee, and the Governance and Nominating Committee. The Audit Committee has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors. You can find links to these materials in the corporate governance section of our website at *http://www.anikatherapeutics.com*. Please note that the information contained on the website is not incorporated by reference in, or considered to be a part of, this proxy statement.

Audit Committee. The current members of the Audit Committee are Mr. Land, as Chairperson, Dr. Bower, and Mr. Moran. Messrs. Land and Wheeler and Dr. Bower served on the Audit Committee throughout 2007, and Mr. Moran joined in June 2007. The Board of Directors has determined that each member of the Audit Committee meets the independence requirements promulgated by NASDAQ and the SEC, including Rule 10A-3(b)(1) under the Exchange Act. In addition, the Board of Directors has determined that each member of the Audit Committee is financially literate and has the requisite financial sophistication required by the NASD audit committee requirements. In addition, the Board of Directors has determined that Mr. Land qualifies as an "audit committee financial expert" under the rules of the SEC. Stockholders should understand that this designation is a disclosure requirement of the SEC related to Mr. Land's experience and understanding with respect to certain accounting and auditing matters. The designation does not impose upon Mr. Land any duties, obligations or liability that are greater than those that are generally imposed on him as a member of the Audit Committee and the Board of Directors, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Audit Committee or the Board of Directors.

The purposes of the Audit Committee are, among other things, to (1) oversee the accounting and financial reporting processes of Anika Therapeutics and the audits of its financial statements, (2) take or recommend that the Board of Directors take appropriate action to oversee the qualifications, independence and performance of Anika Therapeutics' independent registered public accounting firm and (3) prepare an Audit Committee report as required by the SEC to be included in Anika Therapeutics' annual proxy statement. The Audit Committee has direct authority to appoint, retain, oversee and, when appropriate, terminate Anika Therapeutics' independent registered public accounting firm. The Audit Committee also has the responsibility to confer with the independent registered public accounting firm regarding the scope, method and result of the audit of our books and

records and to report the same to the Board of Directors and to establish and monitor a policy relative to non-audit services provided by the independent registered public accounting firm in order to ensure their independence.

The Audit Committee operates under a written charter adopted by the Board of Directors, which was revised effective April 2008, the text of which may be viewed in the corporate governance section of Anika Therapeutics' website at *http://www.anikatherapeutics.com.* Please note that the information contained on the website is not incorporated by reference in, or considered to be a part of, this proxy statement. The Audit Committee holds separate sessions of its meetings, outside the presence of management, with Anika Therapeutics' independent auditors in conjunction with each regularly scheduled Audit Committee meeting that the independent auditors participate in. The Audit Committee met five times during 2007.

Compensation Committee. The current members of the Compensation Committee are Dr. Bower, as Chairperson, Dr. Davidson, and Mr. Wheeler, each of whom is independent for purposes of NASDAQ listing standards and the SEC. Mr. Wheeler and Drs. Bower and Davidson served on the Compensation Committee throughout 2007.. The Compensation Committee, among other things, exercises on behalf of the Board of Directors all of the Board's responsibilities relating to the development and implementation of Anika Therapeutics' compensation programs which provide incentives that further Anika Therapeutics' long-term strategic plan with the goal of enhancing enduring stockholder value, including: (1) reviewing and approving corporate goals and objectives relevant to the compensation of Anika Therapeutics' Chief Executive Officer, (2) determining, with the advice and assistance of the Chief Executive Officer, the compensation of Anika Therapeutics' officers other than the Chief Executive Officer, (3) overseeing Anika Therapeutics' overall compensation programs, including granting awards under Anika Therapeutics' 2003 Stock Option and Incentive Plan (the "2003 Plan") and (4) preparing a report on executive compensation to be included in Anika Therapeutics' annual proxy statement. The Board of Directors has approved a written charter for the Compensation Committee, which was revised in April 2008, the text of which may be viewed in the corporate governance section of Anika Therapeutics' website at *http://www.anikatherapeutics.com.* Please note that the information contained on the website is not incorporated by reference in, or considered to be a part of, this proxy statement. The Compensation Committee met four times during 2007.

Governance and Nominating Committee. In April 2008, the name of the Nominating Committee was changed to the Governance and Nominating Committee. The current members of the Governance and Nominating Committee are Mr. Wheeler, as Chairperson, and Messrs. Moran and Land, each of whom is independent for purposes of NASDAQ listing standards and the SEC. Messrs. Wheeler and Land, and Drs. Bower and Davidson served on the Governance and Nominating Committee throughout 2007, and Mr. Moran joined in 2007. The Governance and Nominating Committee is primarily responsible for (1) recommending to the Board of Directors the criteria for Board and committee membership and (2) identifying, evaluating and recommending nominees to stand for election as directors at each Annual Meeting of Stockholders, including incumbent directors and candidates recommended by stockholders. In addition, the Governance and Nominating Committee is responsible for annually reviewing and recommending to the Board of Directors compensation for non-employee directors and evaluating the performance of the Company's Chief Exceutive Officer and each member of the Board. The Board of Directors has approved a written charter for the Governance and Nominating Committee, which was revised in April 2008, the text of which may be viewed in the corporate governance section of Anika Therapeutics' website at *http://www.anikatherapeutics.com.* Please note that the information contained on the website is not incorporated by reference in, or considered to be a part of, this proxy statement. The Nominating Committee met once during 2007.

When considering candidates for director, the Governance and Nominating Committee takes into account a number of factors, including the following minimum qualifications: the nominee shall have the highest personal and professional integrity, shall have demonstrated exceptional ability and

judgment, and shall be most effective, in conjunction with the other members of the Board, in collectively serving the long-term interests of the stockholders. In addition, the Governance and Nominating Committee will take into consideration such other factors as it deems appropriate, including any direct experience in the biotechnology, pharmaceutical and/or life sciences industries or in the markets in which Anika Therapeutics operates and whether the candidate, if elected, assists in achieving a mix of Board members that represents a diversity of background and experience. The Governance and Nominating Committee may also consider, among other things, the skills of the candidate, his or her availability, depth and breadth of experience or other background characteristics, and his or her independence. Depending upon the current needs of the Board, these and other factors may be weighed more or less heavily by the Governance and Nominating Committee.

The Governance and Nominating Committee will consider written recommendations from stockholders of Anika Therapeutics regarding potential candidates for election as directors. The Governance and Nominating Committee will review and evaluate the qualifications of director nominee candidates who have been recommended by stockholders in compliance with procedures established from time to time by the Governance and Nominating Committee and conduct such inquiries as it deems appropriate. The Governance and Nominating Committee will consider for nomination any proposed director candidate who is deemed qualified by the Governance and Nominating Committee in light of the minimum qualification and other criteria for Board membership described above or otherwise approved by the Board from time to time.

Stockholders wishing to suggest a candidate for director should write to the Governance and Nominating Committee c/o Chief Financial Officer at Anika Therapeutics, Inc., 32 Wiggins Avenue, Bedford, Massachusetts 01730 and include:

- The name and address of record of the stockholder;
- A representation that the stockholder is a record holder of Anika Therapeutics' common stock, or if the stockholder is not a record holder, evidence of ownership in accordance with SEC Rule 14a-8(b)(2) of the Exchange Act;
- The name, age, business and residential address, educational background, public company directorships, current principal occupation or employment, and principal occupation or employment for the preceding five (5) full fiscal years of the proposed director candidate;
- A description of the qualifications and background of the proposed director candidate which addresses the minimum qualifications and other criteria for Board membership approved by the Board from time to time;
- A description of all arrangements or understandings between the stockholder and the proposed director candidate;
- The written consent of the proposed director candidate (1) to be named in the proxy statement relating to Anika Therapeutics' Annual Meeting of Stockholders, (2) to have all required information regarding such candidate included in the proxy statement relating to Anika Therapeutics' Annual Meeting of Stockholders filed pursuant to the rules of the SEC and (3) to serve as a director if elected at such annual meeting; and
- Any other information regarding the proposed director candidate that is required to be included in a proxy statement filed pursuant to the rules of the SEC.

The Governance and Nominating Committee may solicit recommendations for candidates for directors from non-management directors, the Chief Executive Officer, other executive officers, third-party search firms and such other sources as it deems appropriate, including stockholders. The Governance and Nominating Committee will review and evaluate the qualifications of all such proposed candidates in the same manner and without regard to the source of the recommendation.

Communications with the Board of Directors

If you wish to communicate with any of our directors or the Board of Directors as a group, you may do so by writing to the Board of Directors, or such individual director(s) c/o Chief Financial Officer, Anika Therapeutics, Inc., 32 Wiggins Avenue, Bedford, Massachusetts 01730.

We recommend that all correspondence be sent via certified U.S. mail, return receipt requested. All correspondence received by the Chief Financial Officer will be forwarded by the Chief Financial Officer (or the person serving the function of Chief Financial Officer) promptly to the appropriate addressee(s).

Code of Business Conduct

It is our policy that all of our officers, directors and employees worldwide conduct our business in an honest and ethical manner and in compliance with all applicable laws and regulations. Our board of directors has adopted the Anika Therapeutics, Inc. Code of Business Conduct and Ethics in order to clarify, disseminate and enforce this policy. The Code applies to all of our officers, directors and employees worldwide, including our Chief Executive Officer and Chief Financial Officer. The Code can be viewed on the investor relations section of our website, *www.anikatherapeutics.com*, under "corporate governance." Please note that the information contained on the website is not incorporated by reference in, or considered to be part of, this proxy statement.

Transactions with Related Persons

It is our policy that all employees and directors, as well as their family members, must avoid any activity that is or has the appearance of conflicting with Anika Therapeutics' business interest. This policy is included in our Code of Business Conduct and Ethics. All directors and officers of Anika Therapeutics' complete a directors and officers questionnaire at the beginning of each year, in which they are asked to disclose family relationships and other related party transactions. Our Audit Committee must review and approve all related party transactions, as defined in Item 404 of Regulation S-K. Our Audit Committee's procedures for reviewing related party transactions are not in writing.

In fiscal 2007, there were no related party transactions.

EXECUTIVE OFFICERS

The Board of Directors elects our executive officers annually at a regular meeting held immediately following the Annual Meeting of Stockholders. Such executive officers hold office until the next annual meeting unless they sooner resign or are removed from office. There are no family relationships between any of our directors or executive officers.

The following table lists the current executive officers of Anika Therapeutics and certain information concerning the executive officers of Anika Therapeutics who are not also directors. It is anticipated that each of these officers will be re-appointed by the Board of Directors following the Annual Meeting:

Name	Age	Position
Charles H. Sherwood, Ph.D.	61	President and Chief Executive Officer
Kevin W. Quinlan	58	Chief Financial Officer, Treasurer and Secretary
Andrew J. Carter, Ph.D.	52	Chief Technology Officer
Gregory T. Fulton	52	Chief Commercial Officer
Irina B. Kulinets	53	Vice President of Regulatory and Clinical Affairs
William J. Mrachek	64	Vice President of Human Resources
Randall W. Wilhoite	42	Vice President of Operations

Mr. Quinlan was appointed Chief Financial Officer, Treasurer and Secretary of Anika Therapeutics in July 2005. Previously, Mr. Quinlan was President of BBI Diagnostics, a division of SeraCare, which was acquired in 2004 from Boston Biomedica, Inc ("BBI"). From 1999 to 2004, he served as President and Chief Operating Officer of BBI, then a publicly traded manufacturer of quality control products used to monitor infectious disease testing, and had operational and financial responsibility for BBI's five business units. Mr. Quinlan previously served as Chief Financial Officer of BBI from 1993 to 2003. As Chief Financial Officer, he was responsible for finance, IT, treasury, human resources and investor relations. From 1990 to 1993, Mr. Quinlan was Chief Financial Officer of Parctec, Inc (a subsidiary of Kleinwort Benson Group). From 1981 to 1990, Mr. Quinlan was Vice President, Assistant Treasurer and Corporate Controller of American Finance Group. From 1975 to 1981, Mr. Quinlan was an auditor/senior auditor/audit supervisor at Coopers & Lybrand. Mr. Quinlan is a Certified Public Accountant and has a BS degree from the University of New Hampshire and an MS degree from Northeastern University.

Dr. Carter joined Anika in January 2008 as Chief Technology Officer. Prior to joining Anika, Dr. Carter was Vice President and General Manager at Spine Wave, Inc., a Shelton, CT privately held company focused on developing innovative medical devices for the treatment of spinal disorders. Prior to joining Spine Wave, Inc., he held a variety of positions with increasing responsibilities with Smith & Nephew in the United Kingdom, and with S&N Endoscopy in Massachusetts. His research and product development responsibilities within Smith & Nephew included materials research, consumer products, wound management, orthopedics, arthroscopy and tissue engineering. Dr. Carter holds a B.Sc. degree and a Ph.D. in Polymer Science and Technology from Queen Mary College, the University of London.

Mr. Fulton joined Anika in 2007 as Vice President of Ophthamics and Aesthetics, and in April 2008 became Chief Commerial Officer. Prior to joining Anika, Mr. Fulton served as Vice President, U.S. Marketing, for Genzyme Biosurgery, a division of Genzyme Corporation. Mr. Fulton began his career at Eli Lilly and Company in 1981. He has spent over 25 years in the pharmaceutical/biotech industry in positions of increasing responsibility within commercial operations, specifically in the areas of sales, brand management, marketing research, business development and new product development. During the course of his career, Mr. Fulton has worked with several leading U.S. and international companies, including Lederle Laboratories, a division of American Cyanamid, Ortho-McNeil Pharmaceuticals, a division of Johnson & Johnson, Boehringer Ingelheim Pharmaceuticals, Bayer Pharmaceuticals and

Reliant Pharmaceuticals. Mr. Fulton brings significant knowledge of product launches, partnership management, strategic planning and building commercial organizations. He holds a bachelor's degree in marketing management from Virginia Polytechnic Institute and State University, and an MBA from the Colgate Darden Graduate School of Business Administration at the University of Virginia.

Mrs. Kulinets joined Anika in September 2007 as Vice President of Regulatory and Clinical Affairs. Prior to joining Anika, Mrs. Kulinets served as Senior Director of Regulatory Affairs at BioSphere Medical in Rockland, MA. She has 17 years of experience in the medical device industry with large and small manufacturers including Boston Scientific, Johnson & Johnson/DePuy, and OmniGuide where she served in various Regulatory Affairs, Clinical Affairs, and Quality Assurance technical, management and senior management roles. From 2001 to 2004, she served as a Medical Regulatory Reviewer and Lead Medical Auditor for Notified Body, TUV America. In addition, she is certified by the FDA as a Third Party 510K reviewer. She holds MS and BS degrees in Mechanical Engineering from Belarus Polytechnic Academy and an MS degree in Quality Assurance from California State University, Dominguez Hills. She is RAPS certified RAC, ASQ certified Six Sigma Black Belt, and ASQ Certified Quality Engineer.

Mr. Mrachek joined Anika in 2001 and in 2003 became the Executive Director of Human Resources. Previously, he served as the Vice President of Human Resources for iQ NetSolutions, a start-up engaged in the proprietary Enterprise telephony solutions converging both voice and data. From 1994 to 2000, Mr. Mrachek was Director of Human Resources for Programart Corp in Cambridge, MA, a private software company developing application performance management products for the mainframe market. Previously, Mr. Mrachek served as Vice President of Human Resources for SofTech, Inc., a public company located in Waltham, MA, engaged in selling software development and engineering services primarily for the Federal government as well as the product reselling of computers, network equipment, and packaged software. Mr. Mrachek holds a BA degree from Colorado College, an MBA from the University of Denver, and a JD from the University of Colorado School of Law. He serves on the Board of Directors for the Faulkner Hospital in Boston.

Mr. Wilhoite joined Anika in January 2006 as Director of Planning & Logistics and in September 2007 was appointed Vice President of Operations. Prior to joining Anika, Mr. Wilhoite was a supply chain manager for Oscient Pharmaceuticals, a biopharmaceutical company that develops therapeutics to address unmet medical needs. From 1988 to 2004, he held various management positions at Abbott Laboratories with increasing responsibilities in operations, planning and distribution. He holds a bachelor's degree in chemistry from the University of Indiana.

BENEFICIAL OWNERSHIP OF COMMON STOCK

The following table sets forth the beneficial ownership of our common stock as of March 31, 2008, by:

each director;

each of the Named Executive Officers named in the Summary Compensation Table set forth under the caption "Executive Compensation;"

each other person which is known by us to beneficially own 5% or more of our common stock; and

all current directors and executive officers as a group.

Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percentage of Common Stock Outstanding(2)
Joseph L. Bower	114,281(3)	1.00%
Eugene A. Davidson, Ph.D.	61,465(4)	*
Raymond J. Land	8,410(5)	*
John C. Moran	5,515(6)	*
Steven E. Wheeler	114,161(3)	1.00%
Charles H. Sherwood, Ph.D.	639,250(7)	5.41%
Frank Luppino		
William J. Mrachek	43,200(8)	*
Kevin W. Quinlan	47,000(9)	*
Randall W. Wilhoite	4,883(10)	*
All current directors and current executive officers as a group (9 persons)	1,038,165(11)	8.60%
Other Principal Stockholders:		
Royce & Associates, LLC 1414 Avenue of Americas New York, NY 10019	1,383,495(12)	12.21%
Herbert H. Hastings and Euretta L. Hastings c/o Morrison & Foerster LLP 19900 MacArthur Blvd., 12th Floor Irvine, CA 92612-2445	800,000(13)	7.06%
Eliot Rose Asset Management, LLC	535,278(14)	4.70%

Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percentage of Common Stock Outstanding(2)
10 Weybosset Street, Suite 401 Providence, RI 02903		

* Indicates less than 1%.

(1) The number of shares deemed beneficially owned includes shares of common stock beneficially owned as of March 31, 2008. The inclusion of any shares of stock deemed beneficially owned does not constitute an admission of beneficial ownership of those shares. Any reference below to shares

subject to outstanding stock options and stock appreciation rights held by the person in question refers to stock options and stock appreciation rights that are exercisable within 60 days after April 18, 2008.

(2) The number of shares deemed outstanding includes 11,327,923 shares of common stock outstanding as of March 31, 2008, plus restricted stock granted and any shares subject to outstanding stock options and stock appreciation rights that were exercisable within 60 days of April 18, 2008, held by the person or persons in question.

(3) This amount includes 2,850 shares of restricted stock and 50,511 shares subject to stock options and stock appreciation rights that are exercisable on or before June 17, 2008.

(4) This amount includes (i) 2,850 shares of restricted stock and 27,165 shares subject to stock options and stock appreciation rights that are exercisable on or before June 17, 2008 and (ii) 1,450 shares owned by Dr. Davidson's spouse, with respect to which Dr. Davidson disclaims beneficial ownership.

(5) This amount represents 2,850 shares of restricted stock and 5,560 shares subject to stock appreciation rights that are exercisable on or before June 17, 2008.

(6) This amount includes 2,850 shares of restricted stock and 2,665 shares subject to stock appreciation rights that are exercisable on or before June 17, 2008.

(7) This amount includes 496,750 shares subject to stock options and stock appreciation rights that are exercisable on or before June 17, 2008.

(8) This amount includes 1,100 shares of restricted stock and 41,600 shares subject to stock options and stock appreciation rights that are exercisable on or before June 17, 2008.

(9) This amount includes 44,000 shares subject to stock options and stock appreciation rights that are exercisable on or before June 17, 2008.

(10) This amount includes 1,250 shares of restricted stock and 3,125 shares subject to stock options that are exercisable on or before June 17, 2008.

(11) This amount includes 16,600 shares of restricted stock and 721,887 shares in the aggregate subject to stock options and stock appreciation rights that are exercisable on or before June 17, 2008.

(12) Such information is provided based upon information contained in the Schedule 13G/A filed by Royce & Associates, LLC with the SEC on January 22, 2008 for calendar year 2007.

(13) Such information is provided based upon information contained in the Schedule 13G/A filed by Mr. and Mrs. Hastings with the SEC on January 25, 2008 for calendar year 2007.

(14) Such information is provided based upon information contained in the Schedule 13G/A filed by Eliot Rose Asset Management, LLC with the SEC on January 17, 2008 for calendar year 2007.

Section 16(a) Beneficial Ownership Reporting Compliance

The Exchange Act requires that Anika Therapeutics' officers, directors and persons who own more than 10% of Anika Therapeutics' common stock file initial reports of ownership and reports of changes in ownership with the SEC and NASDAQ. Officers, directors and persons

who beneficially own more than 10% of Anika Therapeutics' common stock are also required to furnish us with a copy of all forms they file pursuant to Section 16(a) of the Exchange Act. To Anika Therapeutics' knowledge, based solely upon a review of Forms 3, 4 and 5 and amendments thereto furnished to us under Rule 16a-3(e) of the Exchange Act for the year ended December 31, 2006, no officer, director or person who owns more than 10% of Anika Therapeutics' outstanding shares of common stock failed to file such reports on a timely basis.

COMPENSATION DISCUSSION AND ANALYSIS

This section describes and analyzes the material elements of 2007 compensation for the Anika Therapeutics executive officers identified in the Summary Compensation Table hereunder. We refer to these individuals as the named executive officers, or "NEOs." The Compensation Committee of the Board of Directors oversees all decisions regarding the compensation of the NEOs, including base salary, annual bonuses, equity incentives, perquisites, and other agreements and arrangements.

Philosophy and Process

The overall objective of Anika Therapeutics' executive compensation policy is to attract and retain highly qualified executive officers and motivate them to provide a high level of performance for the benefit of Anika Therapeutics and its shareholders. The Compensation Committee approves Anika Therapeutics' compensation policies and oversees Anika Therapeutics' overall compensation program. The Committee believes that to accomplish these objectives the compensation packages should provide executive officers with market competitive base salaries and the opportunity to earn additional compensation based upon Anika Therapeutics' achievement of objectives, financial performance, and the performance of Anika Therapeutics' common stock. In considering compensation for Anika Therapeutics' executive officers, the Compensation Committee relies primarily on the Company's financial performance, an assessment of the individual's performance and contribution to Anika Therapeutics and the achievement of corporate objectives, in addition to quantitative factors such as compensation trends generally. In this regard, the Compensation Committee reviews surveys of executive compensation and information concerning compensation at similarly situated companies. During 2007, the Compensation Committee utilized the services of Aon Consulting, to provide a competitive compensation analysis, to assist and complement our processes in determining the compensation for our executive officers. In completing the analysis Aon Consulting examined competitive data from a peer group comprised of 20 companies of similar size and related businesses, consisting of Artes Medical, BioSphere Medical, Candela Corp, Cholestech Corporation, Collagenex Pharmaceuticals, Encysive Pharmaceuticals, Exactech, Harvard Bioscience, Immunogen, Inspire Pharmaceuticals, ISTA Pharmaceuticals, Kensey Nash Corporation, Lifecore Biomedical, Micrus Endovascular, NMT Medical, OBAGI Medical Products, Orthovita, Osteotech, Quidel Corporation, and Xoma.

Components of Compensation

The principal components of Anika Therapeutics' compensation policy for its executive officers are base salary, cash bonuses, and equity based grants. Decisions regarding each component are made independent of any other component.

The primary component of compensation for Anika Therapeutics' executive officers is base salary. Base salary levels for Anika Therapeutics' executive officers are determined based upon an evaluation of a number of factors, including the individual's level of responsibility, experience, performance and competitive market practices as determined by Anika Therapeutics' analysis of management compensation surveys, and a review of other published data relating to executive compensation.

The second principal component of Anika Therapeutics' compensation policy for executive officers consists of discretionary cash bonuses. The Compensation Committee considers the achievement of financial objectives, organizational development, business and technical development, and contribution to corporate objectives in its discretion to determine the amounts and timing of the bonuses. Historically, cash bonuses for the most recently completed fiscal year are awarded contemporaneously with annual compensation reviews for the new fiscal year. Bonuses are prorated in the year of hire. The Compensation Committee also grants cash bonuses for executive retention purposes, taking into account, among other things, general industry practices, as well as special performance bonuses in

exceptional circumstances. In January 2008, the Compensation Committee approved a Senior Executive Incentive Compensation Plan (the "Plan"). The Plan provides for target bonus amounts based upon the attainment of performance targets that are established by the Compensation Committee and relate to financial and operational metrics with respect to the Company or any of its subsidiaries, including, but not limited to revenue, EBITDA and specific strategic and developmental milestones. Additionally, the Plan provides that each executive eligible to receive a bonus under the Plan shall have a targeted bonus opportunity for each performance period, and that the maximum bonus payable under the Plan is 150% of such executive's bonus opportunity. Pursuant to the Plan, performance goals will be measured at the end of each fiscal year following the release of the Company's financial reports, and bonus amounts, if any as determined in the sole discretion of the Compensation Committee, will be paid within thirty (30) days thereafter, but not later than March 15.

The third principal component of Anika Therapeutics' compensation policy for executive officers consists of grants under the 2003 Stock Option and Incentive Plan. Under this plan executive officers may be granted stock options or other forms of equity security such as stock appreciation rights ("SARS") and performance-based restricted stock. The SARS element of Anika Therapeutics' compensation policy provides the opportunity for Anika Therapeutics' executive officers to be compensated based upon increases in the market price of Anika Therapeutics' common stock. In February 2008, the Compensation Committee adopted a plan to award performance based restricted shares to the senior management team based on the achievement by the Company of specific financial goals in 2008. The Committee, in its discretion, designates the Company's executive officers that are eligible to receive performance-based restricted stock, as well as sets the target award that each participant is entitled to receive upon achievement of the performance goals. Vesting of the shares of restricted stock is time-based and the number of shares of restricted stock underlying the award is performance-based. The number of shares of restricted stock underlying an award is determined after a one-year performance period based on the achievement of specific financial goals. If the performance goals are less than 50% attained, then no shares of restricted stock will be issued pursuant to the authorized award. For performance at and above 50%, the number of shares of restricted stock issued is based on a graduated slope, with the maximum number of shares of restricted stock issuable pursuant to the award capped at 150% of the target number of shares of restricted stock set forth in the award agreement. If awarded, one-third of the shares of restricted stock vest on the date that the Compensation Committee determines that the performance objectives were achieved (the "Determination Date"), and one-third of the shares of restricted stock vest on each of the first and second anniversaries of the Determination Date, subject to continued employment of the participant by the Company or a subsidiary. No vesting of the shares of restricted stock occurs until the performance criteria have been met for the performance period and the number of shares of restricted stock underlying the award is determined.

For the 2007 grants, the Compensation Committee utilized the services of Aon Consulting to assist in determining long term incentives. The Compensation Committee has delegated to the CEO the ability to make grants to non-officer employees under the 2003 Stock Option and Incentive Plan up to an annual maximum of 10,000 shares per individual and 50,000 shares per year in the aggregate, and provided any such grants comply with all existing plan and statutory requirements.

Compensation of Chief Executive Officer. In 2007, Dr. Sherwood's annual salary was $412,000 and effective January 1, 2008, Dr. Sherwood's annual salary was increased to $428,480. In determining the compensation for Dr. Sherwood in 2007, the Compensation Committee evaluated the achievement of corporate, individual and organizational objectives by Anika Therapeutics in 2006. In addition, the Compensation Committee took into account information regarding the compensation paid to other Chief Executive Officers in comparably-sized, publicly traded companies in the pharmaceutical and medical devices industry and the relative performance of such companies. The Compensation Committee also factored into its evaluation the aggregate value of all compensation received by the

Chief Executive Officer, including the total beneficial ownership of Anika Therapeutics represented by the Chief Executive Officer's "in-the-money" stock options as compared to the holdings of other comparably situated Chief Executive Officers.

In December 2006, Dr. Sherwood was awarded stock appreciation rights to acquire up to 49,000 shares of common stock at an exercise price of $10.36 per share (in connection with the annual compensation review for fiscal 2007), vesting in four equal annual installments. In January 2008, Dr. Sherwood was awarded stock appreciation rights to acquire up to 57,530 shares of common stock at an exercise price of $10.99 per share in connection with the annual compensation review for 2008. In recognition of the achievement of the corporate, individual and organizational objectives of Anika Therapeutics for the 2007 fiscal year, in January 2008, the Compensation Committee awarded Dr. Sherwood a cash bonus of $206,000.

Compensation of Chief Financial Officer. In 2007, Mr. Quinlan's annual salary was $232,585 and effective January 1, 2008, Mr. Quinlan's annual salary was increased to $261,888. In determining the compensation for Mr. Quinlan in 2007, the Compensation Committee evaluated the achievement of corporate, individual and organizational objectives by Anika Therapeutics in 2006. In addition, the Compensation Committee took into account information regarding the compensation paid to other Chief Financial Officers in comparably-sized, publicly traded companies in the pharmaceutical and medical devices industry and the relative performance of such companies.

In December 2006, Mr. Quinlan was awarded stock appreciation rights to acquire up to 13,000 shares of common stock at an exercise price of $10.36 per share (in connection with the annual compensation review for fiscal 2007), vesting in four equal annual installments. In January 2008, Mr. Quinlan was awarded stock appreciation rights to acquire up to 20,570 shares of common stock at an exercise price of $10.99 per share (in connection with the annual compensation review for fiscal 2008). In recognition of the achievement of the corporate, individual and organizational objectives of Anika Therapeutics for the 2007 fiscal year, in January 2008 the Compensation Committee awarded Mr. Quinlan a cash bonus of $58,146.

Compensation of Vice President of Human Resources. In 2007, Mr. Mrachek's annual salary was $197,900 and effective January 1, 2008, Mr. Mrachek's annual salary was increased to $211,262. In determining the compensation for Mr. Mrachek in 2007, the Compensation Committee evaluated the achievement of corporate, individual and organizational objectives by Anika Therapeutics in 2006. In addition, the Compensation Committee took into account information regarding the compensation paid to other Vice President's of Human Resources in comparably-sized, publicly traded companies in the pharmaceutical and medical devices industry and the relative performance of such companies.

In December 2006, Mr. Mrachek was awarded stock appreciation rights to acquire up to 10,000 shares of common stock at an exercise price of $10.36 per share (in connection with the annual compensation review for fiscal 2007), vesting in four equal annual installments. In January 2008, Mr. Mrachek was awarded stock appreciation rights to acquire up to 13,080 shares of common stock at an exercise price of $10.99 per share (in connection with the annual compensation review for fiscal 2008). In recognition of the achievement of the corporate, individual and organizational objectives of Anika Therapeutics for the 2007 fiscal year, in January 2008 the Compensation Committee awarded Mr. Mrachek a cash bonus of $49,475.

Compensation of Vice President of Operations. In September 2007, Mr. Wilhoite was appointed Vice President of Operations with an annualized salary of $190,000. In January 2008, Mr. Wilhoite was awarded stock appreciation rights to acquire up to 12,950 shares of common stock at an exercise price of $10.99 per share (in connection with the annual compensation review for fiscal 2008). In recognition of the achievement of the corporate, individual and organizational objectives of Anika Therapeutics for

the 2007 fiscal year, in January 2008 the Compensation Committee awarded Mr. Wilhoite a cash bonus of $27,618.

Compensation of Former Vice President of Operations. In 2007, Mr. Luppino's annualized salary was $210,000 . In determining the compensation for Mr. Luppino in 2007, the Compensation Committee evaluated the achievement of corporate, individual and organizational objectives by Anika Therapeutics in 2006. Mr. Luppino left the Company's employment in September 2007.

Deductibility of Executive Compensation. The Internal Revenue Code of 1986, as amended (the "Code"), limits the federal income tax deductibility of compensation paid to Anika Therapeutics' Chief Executive Officer and to each of the other four most highly compensated executive officers. For this purpose, compensation can include, in addition to cash compensation, the difference between the exercise price of stock options and the value of the underlying stock on the date of exercise. Anika Therapeutics may deduct compensation with respect to any of these individuals only to the extent that during any fiscal year such compensation does not exceed $1 million or meets certain other conditions (such as stockholder approval). Considering Anika Therapeutics' current compensation plans and policy, Anika Therapeutics and the Compensation Committee believe that, for the near future, there is little risk that Anika Therapeutics will lose any significant tax deduction relating to executive compensation. If the deductibility of executive compensation becomes a significant issue, Anika Therapeutics' compensation plans and policies may be modified to maximize deductibility if Anika Therapeutics and the Compensation Committee determine that such action is in the best interests of Anika Therapeutics.

Agreements with Named Executive Officers

Dr. Sherwood has an at-will employment relationship with Anika Therapeutics, the terms of which are evidenced by an offer letter which was countersigned by Dr. Sherwood at the commencement of his employment on April 20, 1998. Under the offer letter, Dr. Sherwood was awarded, in addition to his respective salary, a grant of stock options for 75,000 shares of common stock vesting in equal installments over four years, plus bonuses and benefits. If Anika Therapeutics terminates Dr. Sherwood's employment without cause, the offer letter entitles him to severance in the amount of six months current base salary and six months medical benefits. In the event of a "hostile" change of control (as defined in the offer letter) and Dr. Sherwood either is not offered employment with the new company or resigns from employment with the new company that is not comparable employment, he will be entitled to the same benefits as if he had been terminated by Anika Therapeutics without cause. In January 2008, the Compensation Committee also agreed that any future stock appreciation rights and performance share awards awarded to Dr. Sherwood would include terms providing for full acceleration and extended exercisability of 2 years upon acceptance by the board of his resignation in good standing once he reaches age 63. Mr. Quinlan also has an at-will employment relationship with Anika Therapeutics and entered into similar offer letters at the commencement of his employment. If Anika Therapeutics terminates Mr. Quinlan's employment without cause, his offer letter entitles him to severance in the amount of six months current base salary and six months medical benefits.

Dr. Sherwood is also party to a change in control, bonus and severance agreement dated July 8, 2002, and Mr. Quinlan is a party to a change in control agreement dated July 11, 2005. Under the change in control agreements, upon the effective date of a change in control, Dr. Sherwood is entitled to a lump-sum payment equal to 100% of his annual salary and Mr. Quinlan is entitled to a lump-sum payment equal to 50% of his annual salary. These change in control agreements also provide Dr. Sherwood and Mr. Quinlan the right to receive payment of an additional lump-sum equal to 100% of annual salary and 12 months of benefits payments in the event that their employment is terminated within 12 months after a change in control and that termination is (i) by Anika Therapeutics and without cause (as defined in the applicable agreement), or (ii) by the executive for good reason (as

defined in the applicable agreement). See the table hereunder entitled "Potential Payments upon Termination or Change in Control".

We believe that establishing competitive benefit packages for our employees is an important factor in attracting and retaining highly qualified personnel. Executive officers are eligible to participate in all of our employee benefit plans, such as medical, dental, group life and accidental death and dismemberment insurance, short- and long-term disability coverage and our 401(k) plan, in each case on the same basis as other employees. We provide a matching contribution under our 401(k) plan. None of our NEOs participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by Anika Therapeutics, nor are covered by a defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

2003 Stock Option and Incentive Plan

In 2003, Anika Therapeutics adopted the 2003 Stock Option and Incentive Plan (the "2003 Plan") to provide incentives to officers, employees, non-employee directors and other key persons. The 2003 Plan is administered by the Compensation Committee of the Board of Directors, which, in its discretion, may grant stock-based awards, including incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock, restricted stock, unrestricted stock, performance shares and dividend equivalent rights. The 2003 Plan provides that in the event of a "change of control" as defined in the 2003 Plan, generally all stock options and stock appreciation rights will automatically become fully exercisable and that the restrictions and conditions on all awards of restricted stock, deferred stock awards and performance share awards will automatically be deemed waived. At December 31, 2007, a total of 1,093,479 options and shares were outstanding under the plan at a weighted average price of $7.93, and the total number of remaining options and shares of common stock available for future grants was 596,249. See section entitled "Option Grants in Last Fiscal Year" for information regarding grants in 2006 to NEOs.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of Anika Therapeutics, Inc. ("Compensation Committee") has reviewed and discussed with the Company's management the section entitled "Compensation Discussion and Analysis" contained in this proxy statement. Based on its review and discussions with management, the Compensation Committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in our proxy statement for the 2008 Annual Meeting of Stockholders. This report is submitted by the following independent directors who comprise the committee:

Joseph L. Bower   Eugene A. Davidson   Steven E. Wheeler

THE FOREGOING REPORT SHOULD NOT BE DEEMED INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, BY ANY GENERAL STATEMENT INCORPORATING BY REFERENCE THIS PROXY STATEMENT EXCEPT TO THE EXTENT THAT ANIKA THERAPEUTICS SPECIFICALLY INCORPORATES THIS INFORMATION BY REFERENCE AND SHALL NOT OTHERWISE BE DEEMED FILED UNDER SUCH ACTS.

EXECUTIVE COMPENSATION

Summary Compensation

The following table summarizes the compensation information in respect of NEOs for the fiscal year ended December 31, 2007. NEOs include individuals who have served as Anika Therapeutics' Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executive officers whose total annual salary and bonus exceeded $100,000 for the year ended December 31, 2007.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All other Compensation ($)(3)	Total ($)
Charles H. Sherwood	2007	$ 412,000	$ 206,000	$ 346,151			$ 24,583(4)	$ 988,734
President and Chief Executive Officer	2006	$ 400,000	$ 150,000	$ 316,002			$ 24,179(4)	$ 890,181
Kevin W. Quinlan	2007	$ 232,585	$ 58,146	$ 114,750			$ 13,314	$ 418,795
Chief Financial Officer	2006	$ 224,070	$ 42,013	$ 125,903			$ 13,104	$ 405,090
William J. Mrachek	2007	$ 197,900	$ 49,475	$ 39,448			$ 12,704	$ 299,527
Vice President of Human Resources	2006	$ 167,142	$ 21,340	$ 85,417			$ 11,266	$ 285,165
Randall Wilhoite	2007	$ 151,731	$ 27,618	$ 30,521			$ 7,902	$ 217,772
Vice President of Operations	2006	$ 125,000	$ 18,750	$ 14,563			$ 5,808	$ 164,121
Frank Luppino	2007	$ 190,298	$	$ 73,168			$ 10,529	$ 273,996
(Former VP of Operations)	2006	$ 203,000	$ 38,168	$ 147,562			$ 10,596	$ 399,326

(1) The amounts in this column represent discretionary bonuses earned in the indicated year, but paid in January of the following year.

(2) The amounts in this column are a theoretical value that reflects the expense recognized for the indicated year, in accordance with SFAS 123(R), for outstanding equity awards granted to each NEO in 2006 and prior years. There were no option awards granted to the NEOs in the fiscal year ended December 31, 2007.

(3) Unless otherwise noted, these amounts constitute group term life insurance premiums and matching contributions to Anika Therapeutics' Employee Savings and Retirement Plan (401(k) plan).

(4) Includes reimbursement of life insurance premium of $10,165 and $11,115 in 2007 and 2006, respectively.

Option Grants and Plan Awards in Last Fiscal Year

The following table sets forth each grant of equity awards made to the NEOs during the year ended December 31, 2007. All such awards were stock appreciation rights, and vest over a four year period commencing on the first anniversary of the grant date.

Grants and Plan-Based Awards

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Options Awards: Number of Securities Underlying Option	Exercise or Base Price of Option Awards
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold #	Target #	Maximum #	(#)	(#)	($/Sh)
Charles H. Sherwood										
William J. Mrachek	4/5/2007								10,000	$ 13.51
Kevin W. Quinlan										
Randall W. Wilhoite	9/18/2007								10,000	$ 20.25

Outstanding Equity Awards at Fiscal Year-End

The following table provides information on the holdings of outstanding stock options and unvested stock awards held by the NEOs as of December 31, 2007.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable(1)	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have not Vested ($)
Charles H. Sherwood	12,250	36,750		12.36	12/14/2016				
	12,250	36,750		10.51	1/26/2016				
	25,000	25,000		8.71	2/10/2015				
	100,000			9.22	12/18/2013				
	40,000			1.05	1/13/2013				
	37,500			1.16	4/11/2012				
	12,500			1.05	3/21/2012				
	102,500			1.17	4/26/2011				
	30,000			7.63	5/1/2010				
	25,000			6.94	1/11/2010				
	75,000			5.25	4/20/2008				
	472,000	**98,500**							
Kevin W. Quinlan	3,250	9,750		12.36	12/14/2016				
	1,625	4,875		10.51	1/26/2016				
	37,500	37,500		11.24	7/11/2015				
	42,375	**52,125**							
William J. Mrachek		10,000		13.51	4/5/2017				
	2,500	7,500		12.36	12/14/2016				
	4,400	4,400		8.71	2/10/2015				
	30,000			9.22	12/18/2013				
						825	12,004		
	36,900	**21,900**							
Randall W. Wilhoite		10,000		20.25	9/18/2017				
		9,375		10.35	1/30/2016				
						938	13,648		
		19,375							

(1) Equity awards vest in four equal installments, with the first vesting date starting on the first anniversary of the grant date. The grant date of each equity awards is ten years prior to its expiration date.

Equity Awards Exercises and Stock Vested

The following table provides information regarding options exercised and vested, respectively, for the NEOs during the fiscal year ended December 31, 2007.

Option Exercises and Stock Awards

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Charles H. Sherwood	137,500	188,417		
Frank Luppino*	105,750	523,869		
Kevin W. Quinlan				
William J. Mrachek			275	3,528
Randall W. Wilhoite	3,125	31,250	312	4,855

*Former VP of Operations

Potential Payments Upon Termination or Change in Control

The NEOs have certain termination or change in control benefits described in the Compensation Discussion and Analysis section entitled "Agreements with Named Executive Officers." The following table provides estimates of the potential payments and other post-termination benefits the NEOs would receive assuming their employment was terminated as of December 31, 2007:

Name	Benefits	Termination Without Cause	Termination Upon Change in Control(1)	Death or Disability(1)
Charles H. Sherwood President and Chief Executive Officer	Salary Continuation	$ 206,000	$ 412,000	$
	Additional Cash Payment		412,000	
	Equity Awards Vesting (value based on 12/31/07 share price)		374,953	374,953
	Health Care Benefits	6,678	28,311	
		212,678	1,227,264	374,953
Kevin W. Quinlan Chief Financial Officer	Salary Continuation	116,293	232,585	
	Additional Cash Payment		116,293	
	Equity Awards Vesting (value based on 12/31/07 share price)		165,172	165,172
	Health Care Benefits	6,678	17,196	
		$ 122,971	$ 531,246	$ 165,172

(1) The indicated values for the accelerated vesting of stock options reflect the number of option shares which would vest on an accelerated basis, multiplied by the excess, if any, of the $14.55 closing price for the Company's common stock as reported by NASDAQ on December 31, 2007 over the applicable exercise price for each option.

(2) According to the terms of change in control agreements between the Company and each NEO, all payments otherwise due NEOs shall be reduced, if required, to the maximum amount which can

be deducted by the Company by reason of the operation of Section 280G of the Internal Revenue Code.

Directors' Compensation

Cash Compensation. For fiscal year 2007, each director who was not an employee of Anika Therapeutics received a director's fee of $20,000. In addition, each non-employee director was paid $1,000 for each Board meeting or committee meeting attended in person or regular Board meetings attended telephonically and $500 for each special Board meeting or committee meeting attended telephonically. All non-employee directors were reimbursed for out-of-pocket expenses incurred in attending meetings of the Board of Directors and any committees thereof. Directors serving on committees of the Board receive no additional compensation for attending any committee meeting held in connection with a meeting of the Board. The Lead Director was entitled to an additional retainer of $10,000 in compensation for services as Lead Director.

For fiscal year 2008, each non-employee director of Anika Therapeutics will receive a director's fee of $20,000. Committee members are also entitled to annual retainers based on the following schedule:

	Audit	Compensation	Governance and Nominating
Committee Chairman	$ 10,000	$ 8,000	$ 6,000
Committee Members	$ 5,000	$ 4,000	$ 3,000

In addition, each non-employee director will be paid $1,500 for each Board meeting, and $1,000 for each committee meeting attended in person or regular Board meetings attended telephonically and $500 for each special Board meeting or committee meeting attended telephonically. All non-employee directors will be reimbursed for out-of-pocket expenses incurred in attending meetings of the Board of Directors and any committees thereof. Directors serving on committees of the Board will receive no additional compensation for attending any committee meeting held in connection with a meeting of the Board. The Lead Director will be entitled to an additional retainer of $15,000 in compensation for services as Lead Director.

Equity Compensation. The Board of Directors approved a grant of restricted stock units to each non-employee director of the Company, valued at $30,000 under the Company's 2003 Stock Option and Incentive Plan, based on the fair market value of the Company's stock on February 1, 2008, the date of grant. The restricted stock units shall vest in three equal yearly installments from the date of grant. Annually, each non-employee director shall be eligible for a restricted stock unit grant of a value of approximately $30,000, based on a Black Scholes analysis, which annual director grant shall vest in three equal yearly installments from the date of grant. The Nominating Committee also recommended that future new non-employee directors be eligible for an initial grant of stock appreciation rights of a value of approximately $70,000, based on a Black-Scholes analysis, which shall vest in four equal yearly installments from the date of grant.

The following table summarizes the compensation paid by the Company to non-employee Directors for the fiscal year ended December 31, 2007.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All other Compensation ($)	Total ($)
Joseph L. Bower	$ 37,500						$ 37,500
Eugene A. Davidson, Ph.D	$ 26,500						$ 26,500
Raymond J. Land	$ 26,000						$ 26,000
John C. Moran	$ 26,000						$ 26,000
Steven E. Wheeler	$ 27,500						$ 37,500

(1) No option awards were granted in 2007.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Drs. Bower and Davidson and Mr. Wheeler. None of these individuals is or formerly was an officer or employee of the Company, nor have they engaged in any transactions involving the Company which would require disclosure as a transaction with a related person. There are no Compensation Committee interlocks between the Company and any other entity involving the Company's or such entity's executive officers or board members.

AUDIT COMMITTEE REPORT

The following report of the Audit Committee is required by the rules of the SEC to be included in this Proxy Statement. The purpose of the Audit Committee is to oversee the Company's accounting and financial reporting process and the audits of the Company's financial statements. During the fiscal years 2002 through 2007, the Company's independent registered public accounting firm was PricewaterhouseCoopers LLP ("PwC"). The Audit Committee operates pursuant to a written charter adopted by the Board of Directors, a copy of which is available on the Company's website.

As set forth in the Audit Committee Charter, management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements, the Company's financial reporting process, accounting policies, internal controls and disclosure controls and procedures. PwC is responsible for auditing the Company's financial statements and expressing an opinion as to their conformity with generally accepted accounting principles and on management's assessment of the effectiveness of the Company's internal control over financial reporting. The Audit Committee's responsibility is to monitor and oversee this process.

In the performance of its oversight function, the Audit Committee has reviewed and discussed with management and PwC the audited financial statements and management's assessment of the effectiveness of the Company's internal control over financial reporting and PwC's evaluation of the Company's internal control over financial reporting. The Audit Committee has also discussed with PwC the matters required to be discussed by Statement on Auditing Standards No. 61, *"Communication with Audit Committees,"* as amended and currently in effect, and Rule 2-07 of Regulation S-X. Finally, the Audit Committee has received the written disclosures and the letter from PwC required by Independence Standards Board Standard No. 1, *"Independence Discussions with Audit Committees,"* as currently in effect, has discussed with PwC its independence in relation to the Company and has considered the compatibility of non-audit services with such independence. Management has

represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that Anika Therapeutics' audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 for filing with the SEC.

SUBMITTED BY THE AUDIT COMMITTEE
OF THE COMPANY'S BOARD OF DIRECTORS

Raymond J. Land, Chairperson   Joseph L. Bower   John C. Moran

THE FOREGOING REPORT SHOULD NOT BE DEEMED INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, BY ANY GENERAL STATEMENT INCORPORATING BY REFERENCE THIS PROXY STATEMENT EXCEPT TO THE EXTENT THAT ANIKA THERAPEUTICS SPECIFICALLY INCORPORATES THIS INFORMATION BY REFERENCE AND SHALL NOT OTHERWISE BE DEEMED FILED UNDER SUCH ACTS.

INDEPENDENT PUBLIC ACCOUNTING FIRM

The accounting firm of PricewaterhouseCoopers LLP ("PwC") has served as Anika Therapeutics' principal independent auditor since the fiscal year 2002. A representative of PwC is expected to be present at the Annual Meeting of Stockholders and will have the opportunity to make a statement if he desires to do so and will be available to respond to appropriate questions from stockholders.

Fees Paid to Anika Therapeutics' Principal Independent Auditor

The following table summarizes the fees that Anika Therapeutics paid or accrued for audit and other services provided by its principal independent auditor for each of the last two fiscal years:

Fee Category	2007	2006
Audit fees	$ 418,000	$ 459,000
Tax fees	51,000	54,000
Total fees	$ 469,000	$ 513,000

For purposes of the preceding table:

Audit fees consist of fees for the audit of our consolidated financial statements, the review of the interim financial statements included in our quarterly reports of Form 10-Q, and other professional services provided in connection with statutory and regulatory filings or engagements for those fiscal years. For 2007 and 2006, audit fees also include the audit of (a) management's assessment of internal control over financial reporting and (b) the effectiveness of internal control over financial reporting, as required under Section 404 of the Sarbanes-Oxley Act of 2002.

Tax fees consist of fees for tax compliance, tax advice and tax planning services for those fiscal years. Tax compliance services relate to preparation and review of original and amended tax returns, claims for refunds and tax payment-planning services. Tax studies, tax advice and tax planning services relate to miscellaneous items.

In considering the nature of the services provided by the principal independent auditor, the Audit Committee determined that such services are compatible with the provision of independent audit services. The Audit Committee discussed these services with the independent auditor and Anika Therapeutics' management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as the American Institute of Certified Public Accountants.

Under its charter, the Audit Committee must pre-approve all audit and permitted non-audit services to be provided by our principal independent auditor unless an exception to such pre-approval exists under the Exchange Act or the rules of the SEC. Each year, the Audit Committee approves the retention of the independent auditor to audit our financial statements, including the associated fee. The Audit Committee evaluates other known potential engagements of the independent auditor, including the scope of audit-related services, tax services and other services proposed to be performed and the proposed fees, and approves or rejects each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent auditor's independence from management. All such services were approved by the Audit Committee pursuant to Rule 2-01 of Regulation S-X under the Exchange Act of 1934, to the extent that rule was applicable. Since May 2003 each new engagement of PwC has been approved in advance by the Audit Committee.

OTHER MATTERS

The Board of Directors does not know of any other matters which may come before the Annual Meeting. However, if any other matters are properly presented at the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote, or otherwise act, in accordance with their judgment on such matters.

SOLICITATION EXPENSES

All costs of solicitation of proxies will be borne by Anika Therapeutics. In addition to solicitations by mail, our directors, officers and employees, without additional remuneration, may solicit proxies in person or by telephone, e-mail, telegraph and facsimile. Anika Therapeutics may retain a proxy solicitation firm to assist in the solicitation of proxies for a fee plus reimbursement of expenses.

STOCKHOLDER PROPOSALS

Stockholder proposals intended to be presented at the next Annual Meeting of Stockholders must be received by Anika Therapeutics on or before December 28, 2008 in order to be considered for inclusion in our proxy statement. These proposals must also comply with the rules of the SEC governing the form and content of proposals in order to be included in our proxy statement and form of proxy and should be directed to: Secretary, Anika Therapeutics, Inc., 32 Wiggins Avenue, Bedford, Massachusetts 01730. A stockholder who wishes to present a proposal at the next Annual Meeting of Stockholders, other than a proposal to be considered for inclusion in our proxy statement described above, must have the proposal delivered personally to or mailed to and received by the Secretary, Anika Therapeutics, Inc. 32 Wiggins Avenue, Bedford, Massachusetts 01730. We must receive the proposal on or before March 28 2009; provided, however, that such proposal shall not be required to be given more than 60 days prior to the Annual Meeting of Stockholders. The proposal must also comply with the other requirements contained in our Amended and Restated By-laws, including supporting documentation and other information. Proxies solicited by the Board of Directors will confer discretionary voting authority with respect to these proposals, subject to SEC rules governing the exercise of this authority.

The chairman of the meeting may, if the facts warrant, determine and declare to the meeting that any proposed item of business was not brought before the meeting in accordance with the foregoing procedure and, if he should so determine, he shall so declare to the meeting that the defective item of business shall be disregarded.

STOCKHOLDERS MAY OBTAIN, WITHOUT CHARGE, A COPY OF ANIKA THERAPEUTICS' ANNUAL REPORT ON FORM 10-K, INCLUDING THE FINANCIAL STATEMENTS AND SCHEDULES THERETO, FILED WITH THE SECURITIES AND EXCHANGE COMMISSION FOR THE YEAR ENDED DECEMBER 31, 2007, BY WRITING TO THE SECRETARY, ANIKA THERAPEUTICS, INC., 32 Wiggins Avenue, Bedford, MA 01730.

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE URGED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING ENVELOPE. STOCKHOLDERS WHO ATTEND THE MEETING MAY VOTE THEIR STOCK PERSONALLY EVEN THOUGH THEY HAVE SENT IN THEIR PROXY CARD.

ANNUAL MEETING OF STOCKHOLDERS OF
ANIKA THERAPEUTICS, INC.

Tuesday, June 3, 2008

Please date, sign and mail your proxy card in the envelope provided as soon as possible.

Please detach along perforated line and mail in the envelope provided.

The Board of Directors recommends a vote "FOR" the Election of Directors.
Please sign, date and return promptly in the enclosed envelope.
Please mark your vote in blue or black ink as shown here ý

1. ELECTION OF DIRECTORS: to serve as Class III Director for a term of three years.

Nominees:

o Charles H. Sherwood, Ph.D.

o Steven E. Wheeler

o FOR ALL NOMINEES

o WITHHOLD AUTHORITY
FOR ALL NOMINEES

o FOR ALL EXCEPT
(See instructions below)

(Instruction: To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold, as shown here:

2. In their discretion, the proxies are authorized to vote upon such other matters as may properly come before the meeting or any adjournment or postponement thereof.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED IN FAVOR OF ALL NOMINEES IN PROPOSAL 1.

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. o

Mark "X" here if you plan to attend the meeting. o

Signature of Stockholder ________________ Date: ________________

Signature of Stockholder ________________ Date: ________________

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

ANIKA THERAPEUTICS, INC.
ANNUAL MEETING OF STOCKHOLDERS
Tuesday, June 3, 2008

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned, having received notice of the meeting and management's proxy statement furnished herewith, revoking all prior proxies, hereby appoints Dr. Charles H. Sherwood and Mr. Kevin W. Quinlan, and each of them, with full power of substitution, as proxies to represent and vote all shares of common stock which the undersigned would be entitled to vote, if personally present, at the Annual Meeting of Stockholders of Anika Therapeutics, Inc. (the "Company") to be held at the offices of Goodwin Procter LLP, 53 State Street, Boston, Massachusetts, on Tuesday, June 3, 2008, at 10:00 a.m., and at any adjournment or postponement thereof, with respect to the matters set forth on the reverse side. Any proxy may be revoked by a stockholder at any time before its exercise by delivery of written revocation or a subsequently dated proxy to the Secretary of the Company or by voting in person at the meeting. Attendance of the stockholder at the meeting or any adjournment or postponement thereof will not in and of itself constitute revocation of this proxy.

(Continued and to be signed on the reverse side)

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239,792

Provision for income taxes

86,300

92,300

Net income

$

154,329

$

147,492

Earnings per share-basic:

Earnings per share

$

1.38

$

1.16

Weighted-average common shares outstanding – basic

111,557

126,970

Earnings per share-assuming dilution:

Earnings per share

$

1.36

$

1.14

Weighted-average common shares outstanding – assuming dilution

113,396

129,327

See accompanying Notes to condensed consolidated financial statements.

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O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	For the Three Months Ended March 31,	
	2013	2012
Components of comprehensive income:		
Net income	$ 154,329	$ 147,492
Other comprehensive income	-	-
Total comprehensive income	$ 154,329	$ 147,492

See accompanying Notes to condensed consolidated financial statements.

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	For the Three Months Ended March 31,	
	2013	2012
Operating activities:		
Net income	$ 154,329	$ 147,492
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, equipment and intangibles	44,179	43,833
Amortization of debt discount and issuance costs	496	417
Excess tax benefit from stock options exercised	(10,788)	(10,784)
Deferred income taxes	(2,691)	5,132
Share-based compensation programs	5,597	5,224
Other	1,462	1,290
Changes in operating assets and liabilities:		
Accounts receivable	(31,844)	(11,360)
Inventory	(19,515)	(19,169)
Accounts payable	37,888	190,034
Income taxes payable	60,859	74,713
Other	(13,628)	(12,294)
Net cash provided by operating activities	226,344	414,528
Investing activities:		
Purchases of property and equipment	(73,484)	(75,457)
Proceeds from sale of property and equipment	355	487
Payments received on notes receivable	1,029	1,071
Net cash used in investing activities	(72,100)	(73,899)
Financing activities:		
Principal payments on capital leases	(145)	(185)
Repurchases of common stock	(227,930)	(154,013)
Excess tax benefit from stock options exercised	10,788	10,784
Net proceeds from issuance of common stock	20,325	16,429
Net cash used in financing activities	(196,962)	(126,985)

Net (decrease) increase in cash and cash equivalents	(42,718)	213,644
Cash and cash equivalents at beginning of period	248,128	361,552
Cash and cash equivalents at end of period	$ 205,410	$ 575,196
Supplemental disclosures of cash flow information:		
Income taxes paid	$ 29,158	$ 11,295
Interest paid, net of capitalized interest	23,764	18,447

See accompanying Notes to condensed consolidated financial statements.

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O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

March 31, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of O'Reilly Automotive, Inc. and its subsidiaries (the "Company" or "O'Reilly") have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2013, are not necessarily indicative of the results that may be expected for the year ended December 31, 2013. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

NOTE 2 – FAIR VALUE MEASUREMENTS

The Company uses the fair value hierarchy, which prioritizes the inputs used to measure the fair value of certain of its financial instruments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The Company uses the income and market approaches to determine the fair value of its assets and liabilities. The three levels of the fair value hierarchy are set forth below:

- Level 1 – Observable inputs that reflect quoted prices in active markets.
- Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring the Company to develop its own assumptions.

Non-financial assets and liabilities measured at fair value on a nonrecurring basis:

Certain long-lived, non-financial assets and liabilities may be required to be measured at fair value on a nonrecurring basis in certain circumstances, including when there is evidence of impairment. These non-financial assets and liabilities may include assets acquired in a business combination or property and equipment that are determined to be impaired. As of March 31, 2013 and December 31, 2012, the Company did not have any non-financial assets or liabilities that had been measured at fair value subsequent to initial recognition.

Fair value of financial instruments:

The carrying amounts of the Company's senior notes are included in "Long-term debt, less current portion" on the accompanying Condensed Consolidated Balance Sheets as of March 31, 2013, and December 31, 2012.

The table below identifies the estimated fair value of the Company's senior notes, using the market approach. The fair values as of March 31, 2013, and December 31, 2012, were determined by reference to quoted market prices of the same or similar instruments (Level 2) (in thousands):

	March 31, 2013		December 31, 2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
4.875% Senior Notes due 2021	$ 497,261	$ 557,045	$ 497,173	$ 559,870
4.625% Senior Notes due 2021	$ 299,558	$ 331,083	$ 299,545	$ 331,224
3.800% Senior Notes due 2022	$ 298,939	$ 313,503	$ 298,916	$ 313,890

The accompanying Condensed Consolidated Balance Sheets include other financial instruments, including cash and cash equivalents, accounts receivable, amounts receivable from vendors and accounts payable. Due to the short-term nature of these financial instruments, the Company believes that the carrying values of these instruments approximate their fair values.

NOTE 3 – GOODWILL AND OTHER INTANGIBLES

Goodwill:

Goodwill is reviewed for impairment annually during the fourth quarter or more frequently if events or changes in business conditions indicate that impairment may exist. Goodwill is not amortizable for financial statement purposes. During the three months ended

March 31, 2013, the Company recorded an increase in goodwill of $0.2 million, resulting from adjustments to purchase price allocations related to small acquisitions. The Company did not record any goodwill impairment during the three months ended March 31, 2013.

As of March 31, 2013, and December 31, 2012, other than goodwill, the Company did not have any unamortizable intangible assets.

Intangibles other than goodwill:

The following table identifies the components of the Company's amortizable intangibles as of March 31, 2013, and December 31, 2012 (in thousands):

	Cost of Amortizable Intangibles		Accumulated Amortization (Expense) Benefit		Net Amortizable Intangibles	
	March 13, 2013	December 31, 2012	March 13, 2013	December 31, 2012	March 13, 2013	December 31, 2012
Amortizable intangible assets:						
Favorable leases	$ 50,910	$ 50,910	$ (29,636)	$ (28,566)	$ 21,274	$ 22,344
Non-compete agreements	617	717	(351)	(447)	266	270
Total amortizable intangible assets	$ 51,527	$ 51,627	$ (29,987)	$ (29,013)	$ 21,540	$ 22,614
Unfavorable leases	$ 49,380	$ 49,380	$ 33,467	$ 32,210	$ 15,913	$ 17,170

The Company recorded favorable lease assets in conjunction with the acquisition of CSK Auto Corporation ("CSK"); these favorable lease assets represent the values of operating leases acquired with favorable terms. These favorable leases had an estimated weighted-average remaining useful life of approximately 10.1 years as of March 31, 2013. For the three months ended March 31, 2013 and 2012, the Company recorded amortization expense of $1.1 million, and $1.3 million, respectively, related to its amortizable intangible assets. The carrying amounts, net of accumulated amortization, of these amortizable intangible assets are included in "Other assets, net" on the accompanying Condensed Consolidated Balance Sheets.

The Company recorded unfavorable lease liabilities in conjunction with the acquisition of CSK; these unfavorable lease liabilities represent the values of operating leases acquired with unfavorable terms. These unfavorable leases had an estimated weighted-average remaining useful life of approximately 5.2 years as of March 31, 2013. For the three months ended March 31, 2013 and 2012, the Company recognized an amortization benefit of $1.3 million, and $1.5 million, respectively, related to these unfavorable operating leases. The carrying amounts, net of accumulated amortization, of these unfavorable lease liabilities are included in "Other liabilities" on the accompanying Condensed

Consolidated Balance Sheets. These unfavorable lease liabilities are not included as a component of the Company's closed store reserves, which are discussed in Note 5.

NOTE 4 – LONG-TERM DEBT

The following table identifies the amounts included in "Current portion of long-term debt" and "Long-term debt, less current portion" on the accompanying Condensed Consolidated Balance Sheets as of March 31, 2013, and December 31, 2012 (in thousands):

	March 31, 2013		December 31, 2012	
Revolving Credit Facility	$	-	$	-
4.875% Senior Notes due 2021[1], effective interest rate of 4.973%		497,261		497,173
4.625% Senior Notes due 2021[2], effective interest rate of 4.649%		299,558		299,545
3.800% Senior Notes due 2022[3], effective interest rate of 3.845%		298,939		298,916
Capital leases		177		322
Total debt and capital lease obligations		1,095,935		1,095,956
Current portion of long-term debt		83		222
Long-term debt, less current portion	$	1,095,852	$	1,095,734

[1] Net of unamortized original issuance discount of $2.7 million as of March 31, 2013, and $2.8 million as of December 31, 2012.
[2] Net of unamortized original issuance discount of $0.4 million as of March 31, 2013, and $0.5 million as of December 31, 2012.
[3] Net of unamortized original issuance discount of $1.1 million as of March 31, 2013, and $1.1 million as of December 31, 2012.

Unsecured revolving credit facility:

In January of 2011, and as amended in September of 2011, the Company entered into a credit agreement (the "Credit Agreement"), for a five-year $660 million unsecured revolving credit facility (the "Revolving Credit Facility"), arranged by Bank of America, N.A.,

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which is scheduled to mature in September of 2016. The Credit Agreement includes a $200 million sub-limit for the issuance of letters of credit and a $75 million sub-limit for swing line borrowings under the Revolving Credit Facility. As described in the Credit Agreement governing the Revolving Credit Facility, the Company may, from time to time subject to certain conditions, increase the aggregate commitments under the Revolving Credit Facility by up to $200 million. As of March 31, 2013, and December 31, 2012, the Company had outstanding letters of credit, primarily to support obligations related to workers' compensation, general liability and other insurance policies, in the amount of $56.5 million and $57.3 million, respectively, reducing the aggregate availability under the Revolving Credit Facility by those amounts. As of March 31, 2013, and December 31, 2012, the Company had no outstanding borrowings under the Revolving Credit Facility.

Borrowings under the Revolving Credit Facility (other than swing line loans) bear interest, at the Company's option, at the Base Rate or Eurodollar Rate (both as defined in the Credit Agreement) plus an applicable margin. Swing line loans made under the Revolving Credit Facility bear interest at the Base Rate plus the applicable margin for Base Rate loans. In addition, the Company pays a facility fee on the aggregate amount of the commitments in an amount equal to a percentage of such commitments. The interest rate margins and facility fee are based upon the better of the ratings assigned to the Company's debt by Moody's Investor Service, Inc. and Standard & Poor's Rating Services, subject to limited exceptions. Based upon the Company's credit ratings at March 31, 2013, its margin for Base Rate loans was 0.200%, its margin for Eurodollar Rate loans was 1.200% and its facility fee was 0.175%.

The Credit Agreement contains certain covenants, including limitations on indebtedness, a minimum consolidated fixed charge coverage ratio of 2.25 times through December 31, 2014 and 2.50 times thereafter through maturity, and a maximum consolidated leverage ratio of 3.00 times through maturity. The consolidated leverage ratio includes a calculation of adjusted earnings before interest, taxes, depreciation, amortization, rent and stock-based compensation expense to adjusted debt. Adjusted debt includes outstanding debt, outstanding stand-by letters of credit and similar instruments, six-times rent expense and excludes any premium or discount recorded in conjunction with the issuance of long-term debt. In the event that the Company should default on any covenant contained within the Credit Agreement, certain actions may be taken, including, but not limited to, possible termination of credit extensions, immediate payment of outstanding principal amounts plus accrued interest and other amounts payable under the Credit Agreement and litigation from lenders. As of March 31, 2013, the Company remained in compliance with all covenants under the Credit Agreement.

Senior notes:

4.875% Senior Notes due 2021:

On January 14, 2011, the Company issued $500 million aggregate principal amount of unsecured 4.875% Senior Notes due 2021 ("4.875% Senior Notes due 2021") at a price to the public of 99.297% of their face value with United Missouri Bank, N.A. ("UMB") as trustee. Interest on the 4.875% Senior Notes due 2021 is payable on January 14 and July 14 of each year and is computed on the basis of a 360-day year.

4.625% Senior Notes due 2021:

On September 19, 2011, the Company issued $300 million aggregate principal amount of unsecured 4.625% Senior Notes due 2021 (“4.625% Senior Notes due 2021”) at a price to the public of 99.826% of their face value with UMB as trustee. Interest on the 4.625% Senior Notes due 2021 is payable on March 15 and September 15 of each year and is computed on the basis of a 360-day year.

3.800% Senior Notes due 2022:

On August 21, 2012, the Company issued $300 million aggregate principal amount of unsecured 3.800% Senior Notes due 2022 (“3.800% Senior Notes due 2022”) at a price to the public of 99.627% of their face value with UMB as trustee. Interest on the 3.800% Senior Notes due 2022 is payable on March 1 and September 1 of each year and is computed on the basis of a 360-day year.

The senior notes are guaranteed on a senior unsecured basis by each of the Company’s subsidiaries (“Subsidiary Guarantors”) that incurs or guarantees the Company’s obligations under the Company’s Revolving Credit Facility or certain other debt of the Company or any of the Subsidiary Guarantors. The guarantees are joint and several and full and unconditional, subject to certain customary automatic release provisions, including release of the subsidiary guarantor’s guarantee under the Company’s Credit Agreement and certain other debt, or, in certain circumstances, the sale or other disposition of a majority of the voting power of the capital interest in, or of all or substantially all of the property of, the subsidiary guarantor. Each of the Subsidiary Guarantors is wholly-owned, directly or indirectly, by the Company and the Company has no independent assets or operations other than those of its subsidiaries. The only direct or indirect subsidiaries of the Company that would not be Subsidiary Guarantors would be minor subsidiaries. Neither the Company, nor any of its Subsidiary Guarantors, are subject to any material or significant restrictions on the Company’s ability to obtain funds from its subsidiaries by dividend or loan or to transfer assets from such subsidiaries, except as provided by applicable law. Each of the senior notes is subject to certain customary covenants, with which the Company complied as of March 31, 2013.

NOTE 5 – EXIT ACTIVITIES

The Company maintains reserves for closed stores and other properties that are no longer utilized in current operations.

The following table identifies the closure reserves for stores and administrative office and distribution facilities at March 31, 2013, and December 31, 2012 (in thousands):

	Store Closure Liabilities	Administrative Office and Distribution Facilities Closure Liabilities
Balance at December 31, 2012	$ 8,337	$ 1,676
Additions and accretion	125	28
Payments	(792)	(117)
Revisions to estimates	(572)	-
Balance at March 31, 2013	$ 7,098	$ 1,587

The Company accrues for closed property operating lease liabilities using a credit-adjusted discount rate to calculate the present value of the remaining non-cancelable lease payments, contractual occupancy costs and lease termination fees after the closing date, net of estimated sublease income. The closed property lease liabilities are expected to be paid over the remaining lease terms, which currently extend through April 30, 2023. The Company estimates sublease income and future cash flows based on the Company's experience and knowledge of the market in which the closed property is located, the Company's previous efforts to dispose of similar assets and existing economic conditions. Adjustments to closed property reserves are made to reflect changes in estimated sublease income or actual contracted exit costs, which vary from original estimates, and are made for material changes in estimates in the period in which the changes become known.

Revisions to estimates in closure reserves for stores and administrative office and distribution facilities include changes in the estimates of sublease agreements, changes in assumptions of various store and office closure activities, changes in assumed leasing arrangements and actual exit costs since the inception of the exit activities. Revisions to estimates and additions or accretions to reserves for stores and administrative office closure liabilities are included in "Selling, general and administrative expenses" on the accompanying Condensed Consolidated Statements of Income for the three months ended March 31, 2013 and 2012. Revisions to estimates and additions or accretions to reserves for distribution facilities closure liabilities are included in "Cost of goods sold, including warehouse and distribution expenses" on the accompanying Condensed Consolidated Statements of Income for the three months March 31, 2013 and 2012.

The cumulative amount incurred in closure reserves for stores from the inception of the exit activity through March 31, 2013, was $24.0 million. The cumulative amount incurred in administrative office and distribution facilities from the inception of the exit activity through March 31, 2013, was $10.0 million. The balance of both these reserves is included in "Other current liabilities" and "Other liabilities" on the accompanying Condensed Consolidated Balance Sheets based upon the dates when the reserves are expected to be settled.

NOTE 6 – WARRANTIES

The Company provides warranties on certain merchandise it sells with warranty periods ranging from 30 days to limited lifetime warranties. The risk of loss arising from warranty claims is typically the obligation of the Company's vendors. Certain vendors provide upfront allowances to the Company in lieu of accepting the obligation for warranty claims. For this merchandise, when sold, the Company bears the risk of loss associated with the cost of warranty claims. Differences between vendor allowances received by the Company in lieu of warranty obligations and estimated warranty expense are recorded as an adjustment to cost of sales. Estimated warranty costs are based on the historical failure rate of each individual product line. The Company's historical experience has been that failure rates are relatively consistent over time and that the ultimate cost of warranty claims to the Company has been driven by volume of units sold as opposed to fluctuations in failure rates or the variation of the cost of individual claims. The Company's product warranty liabilities are included in "Other current liabilities" on the accompanying Condensed Consolidated Balance Sheets as of March 31, 2013, and December 31, 2012.

The following table identifies the changes in the Company's aggregate product warranty liabilities for the three months ended March 31, 2013 (in thousands):

Balance at December 31, 2012	$	28,001
Warranty claims		(11,304)
Warranty accruals		12,481
Balance at March 31, 2013	$	29,178

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NOTE 7 – SHARE REPURCHASE PROGRAM

Under the Company's share repurchase program, as approved by the Board of Directors, the Company may, from time to time, repurchase shares of its common stock, solely through open market purchases effected through a broker dealer at prevailing market prices, based on a variety of factors such as price, corporate trading policy requirements and overall market conditions. The Company and its Board of Directors may increase or otherwise modify, renew, suspend or terminate the share repurchase program at any time, without prior notice. The cumulative authorization amount under the Company's Board-approved share repurchase program was $3.0 billion as of March 31, 2013.

The following table identifies shares of the Company's common stock that have been repurchased as part of the Company's publicly announced share repurchase program (in thousands, except per share data):

	For the Three Months Ended March 31,	
	2013	2012
Shares repurchased	2,468	1,770
Average price per share	$ 92.35	$ 87.01
Total investment	$ 227,893	$ 153,987

As of March 31, 2013, the Company had $350.7 million remaining under its share repurchase program. Subsequent to the end of the first quarter and through May 9, 2013, the Company repurchased an additional 0.7 million shares of its common stock under its share repurchase program at an average price of $101.07 for a total investment of $75.7 million. The Company has repurchased a total of 35.3 million shares of its common stock under its share repurchase program since the inception of the program in January of 2011 through May 9, 2013, at an average price of $77.21, for a total aggregate investment of $2.7 billion.

NOTE 8 – SHARE-BASED COMPENSATION

The Company recognizes share-based compensation expense based on the fair value of the grants, awards or shares at the time of the grant, award or issuance. Share-based compensation includes stock option awards issued under the Company's employee incentive plans and director stock plan, restricted stock awarded under the Company's employee incentive plans, performance incentive plan and director stock plan and stock issued through the Company's employee stock purchase plan.

Stock options:

The Company's stock-based incentive plans provide for the granting of stock options for the purchase of common stock of the Company to directors and certain key employees of the Company. Options are granted at an exercise price that is equal to the closing market price of the Company's common stock on the date of the grant. Director options granted under the plans expire after seven years and are fully vested after six months. Employee options granted under the plans expire after ten years and typically vest 25% per year, over four years. The Company records compensation expense for the grant date fair value of the option awards, adjusted for estimated forfeitures, evenly over the vesting period.

The table below identifies stock option activity under these plans during the three months ended March 31, 2013:

	Shares (in thousands)	Weighted-Average Exercise Price
Outstanding at December 31, 2012	6,789	$ 50.86
Granted	210	96.99
Exercised	(501)	35.88
Forfeited	(149)	72.79
Outstanding at March 31, 2013	6,349	53.06
Exercisable at March 31, 2013	3,471	$ 33.88

The fair value of each stock option award is estimated on the date of the grant using the Black-Scholes option pricing model. The Black-Scholes model requires the use of assumptions, including the risk free rate, expected life, expected volatility and expected dividend yield.

- Risk-free interest rate – The United States Treasury rates in effect at the time the options are granted for the options' expected life.
- Expected life - Represents the period of time that options granted are expected to be outstanding. The Company uses historical experience to estimate the expected life of options granted.
- Expected volatility – Measure of the amount by which the Company's stock price has historically fluctuated.

- Expected dividend yield – The Company has not paid, nor does it have plans in the foreseeable future to pay, any dividends.

The table below identifies the weighted-average assumptions used for stock options awarded during the three months ended March 31, 2013 and 2012:

	For the Three Months Ended March 31,	
	2013	2012
Risk free interest rate	0.89 %	0.72 %
Expected life	5.4 Years	4.3 Years
Expected volatility	32.5 %	34.0 %
Expected dividend yield	- %	- %

The Company's forfeiture rate is the estimated percentage of options awarded that are expected to be forfeited or cancelled prior to becoming fully vested. The Company's estimate is evaluated periodically, and is based upon historical experience at the time of evaluation and reduces expense ratably over the vesting period.

The following table summarizes activity related to stock options awarded by the Company for the three months ended March 31, 2013 and 2012 (in thousands):

	For the Three Months Ended March 31,	
	2013	2012
Compensation expense for stock options awarded	$ 4,657	$ 4,380
Income tax benefit from compensation expense related to stock options	1,777	1,686
Weighted-average grant-date fair value of options awarded	30.01	24.30

The remaining unrecognized compensation expense related to unvested stock option awards at March 31, 2013, was $52.5 million and the weighted-average period of time over which this cost will be recognized is 2.9 years.

Other share-based compensation plans:

The Company sponsors other share-based compensation plans: an employee stock purchase plan (the "ESPP''), which permits all eligible employees to purchase shares of the Company's common stock at 85% of the fair market value; a

performance incentive plan, which provides for the award of shares of restricted stock to its corporate and senior management that vest evenly over a three-year period and are held in escrow until such vesting has occurred; and a director stock plan, which provides for the award of shares of restricted stock to the Company's independent directors that vest evenly over a three-year period and are held in escrow until such vesting has occurred. The fair value of shares awarded under these plans is based on the closing market price of the Company's common stock on the date of award and compensation expense is recorded evenly over the vesting period.

The table below summarizes activity related to the Company's other share-based compensation and benefit plans for the three months ended March 31, 2013 and 2012 (in thousands):

	For the Three Months Ended March 31,	
	2013	2012
Compensation expense for shares issued under the ESPP	$ 413	$ 363
Income tax benefit from compensation expense related to shares issued under the ESPP	158	140
Compensation expense for restricted shares awarded	527	480
Income tax benefit from compensation expense related to restricted awards	201	185

NOTE 9 – EARNINGS PER SHARE

The following table presents the computation of basic and diluted earnings per share for the three months ended March 31, 2013 and 2012 (in thousands, except per share data):

	For the Three Months Ended March 31,	
	2013	2012
Numerator (basic and diluted):		
Net income	$ 154,329	$ 147,492
Denominator:		
Denominator for basic earnings per share - weighted-average shares	111,557	126,970

Effect of stock options [1]	1,839	2,357
Denominator for diluted earnings per share - weighted-average shares	113,396	129,327
Earnings per share-basic	$ 1.38	$ 1.16
Earnings per share-assuming dilution	$ 1.36	$ 1.14

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Antidilutive common stock equivalents not included in the calculation of diluted earnings per share:		
Stock options [1]	1,555	907
Weighted-average exercise price per share of antidilutive stock options [1]	$ 91.08	$ 81.73

[1] See Note 8 for further discussion on the terms of the Company's share-based compensation plans.

For the three months ended March 31, 2013 and 2012, the computation of diluted earnings per share did not include certain common stock equivalents. These common stock equivalents represent underlying stock options not included in the computation of diluted earnings per share, because the inclusion of such equivalents would have been antidilutive.

From April 1, 2013, through and including May 9, 2013, the Company repurchased 0.7 million shares of its common stock at an average price of $101.07, for a total investment of $75.7 million.

NOTE 10 – LEGAL MATTERS

O'Reilly is currently involved in litigation incidental to the ordinary conduct of the Company's business. The Company records reserves for litigation losses in instances where a material adverse outcome is probable and the Company is able to reasonably estimate the probable loss. The Company reserves for an estimate of material legal costs to be incurred in pending litigation matters. Although the Company cannot ascertain the amount of liability that it may incur from any of these matters, it does not currently believe that, in the aggregate, these matters, taking into account applicable insurance and reserves, will have a material adverse effect on its consolidated financial position, results of operations or cash flows in a particular quarter or annual period.

In addition, O'Reilly was involved in resolving governmental investigations that were being conducted against CSK and CSK's former officers and other litigation, prior to its acquisition by O'Reilly, as described below.

As previously reported, the governmental investigations of CSK regarding its legacy pre-acquisition accounting practices have concluded. All criminal charges against former employees of CSK related to its legacy pre-acquisition accounting practices, as well as the civil litigation filed against CSK's former Chief Executive Officer by the Securities and Exchange Commission (the "SEC"), have concluded.

Under Delaware law, the charter documents of the CSK entities and certain indemnification agreements, CSK may have certain indemnification obligations. As a result of the CSK acquisition, O'Reilly has incurred legal fees and costs related to these potential indemnity obligations arising from the litigation commenced by the Department of Justice and SEC against CSK's former employees. Whether those legal fees and costs are covered by CSK's insurance is subject to uncertainty, and, given its complexity and scope, the final outcome cannot be predicted at this time. O'Reilly has a remaining reserve, with respect to the indemnification obligations of $13.7 million at March 31, 2013, which relates to the payment of those legal fees and costs already incurred. It is possible that in a particular quarter or annual period the Company's results of operations and cash flows could be materially affected by resolution of such matter, depending, in part, upon the results of operations or cash flows for such period. However, at this time, management believes that the ultimate outcome of this matter, after consideration of applicable reserves, should not have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

NOTE 11 – RECENT ACCOUNTING PRONOUNCEMENTS

In February of 2013, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" ("ASU 2013-02"). Under ASU 2013-02, an entity is required to provide information about the amounts reclassified out of Accumulated Other Comprehensive Income ("AOCI") by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in the financial statements. The

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Company adopted this guidance beginning with its first quarter ended March 31, 2013; the application of this guidance would affect presentation only and, therefore, did not have an impact on the Company's consolidated financial condition, results of operations or cash flows.

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

Unless otherwise indicated, “we,” “us,” “our” and similar terms, as well as references to the “Company” or “O’Reilly” refer to O’Reilly Automotive, Inc. and its subsidiaries.

In Management’s Discussion and Analysis, we provide a historical and prospective narrative of our general financial condition, results of operations, liquidity and certain other factors that may affect our future results, including:

- an overview of the key drivers of the automotive aftermarket industry;
- our results of operations for the three months ended March 31, 2013 and 2012;
- our liquidity and capital resources;
- any contractual obligations to which we are committed;
- our critical accounting estimates;
- the inflation and seasonality of our business; and
- recent accounting pronouncements that may affect our company.

The review of Management’s Discussion and Analysis should be made in conjunction with our condensed consolidated financial statements, related notes and other financial information, forward-looking statements and other risk factors included elsewhere in this quarterly report.

FORWARD-LOOKING STATEMENTS

We claim the protection of the safe-harbor for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-looking words such as “expect,” “believe,” “anticipate,” “should,” “plan,” “intend,” “estimate,” “project,” “will” or similar words. In addition, statements contained withi quarterly report that are not historical facts are forward-looking statements, such as statements discussing among other things, expected growth, store development, integration and expansion strategy, business strategies, future revenues and future performance. These forward-looking statements are based on estimates, projections, beliefs and assumptions and are not guarantees of future events and results. Such statements are subject to risks, uncertainties and assumptions, including, but not limited to, competition, product demand, the market for auto parts, the economy in general, inflation, consumer debt levels, governmental regulations, our increased debt levels, credit ratings on public debt, our ability to hire and retain qualified employees, risks associated with the performance of acquired businesses, weather, terrorist activities, war and the threat of war. Actual results may materially differ from anticipated results described or implied in these forward-looking statements. Please refer to the “Risk Factors” section of our annual report on Form 10-K for the year ended December 31, 2012, for additional factors that could materially affect our financial performance. Forward-looking statements speak only as of the date they were made and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

OVERVIEW

We are a specialty retailer of automotive aftermarket parts, tools, supplies, equipment and accessories in the United States. We are one of the largest automotive aftermarket specialty retailers, selling our products to both do-it-yourself ("DIY") customers and professional service providers – our "dual market strategy". Our stores carry an extensive product line consisting of new and remanufactured automotive hard parts, maintenance items, accessories, a complete line of auto body paint and related materials, automotive tools and professional service provider service equipment. Our extensive product line includes an assortment of products that are differentiated by quality and price for most of the product lines we offer. For many of our product offerings, this quality differentiation reflects "good", "better", and "best" alternatives. Our sales and total gross margin dollars are highest for the "best" quality category of products. Consumers' willingness to select products at a higher point on the value spectrum is a driver of sales and profitability in our industry. Our stores also offer enhanced services and programs to our customers: used oil, oil filter and battery recycling; battery, wiper and bulb replacement; battery diagnostic testing; electrical and module testing; check engine light code extraction; loaner tool program; drum and rotor resurfacing; custom hydraulic hoses; professional paint shop mixing and related materials; and machine shops.

Our strategy is to open new stores to achieve greater penetration into existing markets and expansion into new, contiguous markets. We plan to open 190 net, new stores in 2013. We typically open new stores either by (i) constructing a new facility or renovating an existing one on property we purchase or lease and stocking the new store with fixtures and inventory; (ii) acquiring an independently owned auto parts store, typically by the purchase of substantially all of the inventory and other assets (other than realty) of such store; or (iii) purchasing multi-store chains. We believe our investment in store growth will be funded with the cash flows expected to be generated by our existing operations and through available borrowings under our existing credit facility. During the three months ended March 31, 2013, we opened 66 stores and closed one store, and as of that date, operated 4,041 stores in 42 states.

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Operating within the retail industry, we are influenced by a number of general macroeconomic factors including, but not limited to, fuel costs, unemployment rates, consumer preferences and spending habits, and competition. The difficult conditions that affected the overall macroeconomic environment in recent years continue to impact O'Reilly and the retail sector in general. We believe that the average consumer's tendency has been to "trade down" to lower quality products during the recent challenging macroeconomic conditions. We have ongoing initiatives aimed at tailoring our product offering to adjust to customers' changing preferences; however, we also continue to have initiatives focused on marketing and training to educate customers on the advantages of "purchasing up" on the value spectrum. We believe these ongoing initiatives targeted at marketing higher quality products will result in our customers' willingness to return to "purchasing up" on the value spectrum in the future as the U.S. economy recovers; however, we cannot predict whether, when, or the manner in which, these economic conditions will change.

We believe the key drivers of current and future demand of the products sold within the automotive aftermarket include the number of U.S. miles driven, number of U.S. registered vehicles, new light vehicle registrations, average vehicle age and unemployment.

- Number of Miles Driven - The number of total miles driven in the U.S. heavily influences the demand for the repair and maintenance products sold within the automotive aftermarket. Historically, the long-term trend in the total miles driven in the U.S. has steadily increased; however, according to the Department of Transportation, total miles driven in the U.S. have remained relatively flat since 2007 as the U.S. has experienced difficult macroeconomic conditions. We believe that as the U.S. economy recovers and the level of unemployment declines, annual miles driven will return to historical growth rates and continue to drive demand for the industry.
- Number of U.S. Registered Vehicles, New Light Vehicle Registrations and Average Vehicle Age - The total number of vehicles on the road and the average age of the U.S. vehicle population also heavily influence the demand for products sold within the automotive aftermarket industry. As reported by the Automotive Aftermarket Industry Association ("AAIA"), the total number of registered vehicles has increased 15% over the past decade, from 209 million light vehicles in 2001 to 241 million light vehicles in 2011. Annual new light vehicle registrations have declined 24% over the past decade, from 17 million registrations in 2001 to 13 million registrations in 2011; however, the seasonally adjusted annual rate (the "SAAR") of sales of light vehicles in the U.S. increased to 15 million as of March 31, 2013, indicating that the trend of declining new light vehicle registrations has reversed. As reported by the AAIA, vehicle scrappage rates have decreased 23% from 2001 to 2011, while the average age of the U.S. vehicle population has increased 21% over that decade, from 8.9 years in 2001 to 10.8 years in 2011. We believe this increase in average age can be attributed to better engineered and manufactured vehicles, which can be reliably driven at higher miles due to better quality power trains and interiors and exteriors, and the consumer's willingness to invest in maintaining their higher-mileage, better built vehicles. As the average age of the vehicle on the road increases, a larger percentage of miles are being driven by vehicles which are outside of a manufacturer warranty. These out-of-warranty, older vehicles generate strong demand for automotive aftermarket products as they go through more routine maintenance cycles, have more frequent mechanical failures and generally require more maintenance than newer vehicles. Based on this change in consumer sentiment surrounding the length of time older vehicles can be reliably driven at higher mileages, we believe consumers will continue to keep their vehicles even longer as the economy recovers, maintaining the trend of an aging vehicle population.
- Unemployment - Unemployment rates and continued uncertainty surrounding the overall economic health of the U.S. have had a negative impact on consumer confidence and the level of consumer discretionary spending. The annual U.S. unemployment rate over the past two years has remained at 30-year highs. We believe macroeconomic uncertainties and the potential for future joblessness can motivate consumers to find ways to save money, which can be an important factor in the consumer's decision to defer the purchase of a new vehicle and maintain their existing vehicle. While the deferral of vehicle purchases has led to an increase in vehicle maintenance, long-term trends of high unemployment could continue to impede the growth of annual miles driven, as well as decrease consumer

discretionary spending, both of which negatively impact demand for products sold in the automotive aftermarket industry. As of March 31, 2013, the U.S. unemployment rate decreased slightly to 7.6% from 7.8% as of December 31, 2012, and 8.2% as of March 31, 2012. We believe that as the economy recovers, unemployment will return to more historic levels and we will see a corresponding increase in commuter traffic as unemployed individuals return to work. Aided by these increased commuter miles, overall annual U.S. miles driven should begin to grow resulting in continued demand for automotive aftermarket products.

We remain confident in our ability to gain market share in our existing markets and grow our business in new markets by focusing on our dual market strategy and the core O'Reilly values of customer service and expense control.

RESULTS OF OPERATIONS

Sales:

Sales for the three months ended March 31, 2013, increased $56 million to $1.59 billion from $1.53 billion for the same period one year ago, representing an increase of 4%. Comparable store sales are calculated based on the change in sales of stores open at least one year and exclude sales of specialty machinery, sales to independent parts stores, sales to Team Members and sales from the acquired VIP stores, due to the significant change in the business model and lack of historical data. Comparable store sales for stores

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open at least one year increased 0.6% and 7.4% for the three months ended March 31, 2013 and 2012, respectively. Comparable store sales, adjusted for the impact of one additional day during the three months ended March 31, 2012, as a result of Leap Day, increased 1.9% for the three months ended March 31, 2013, versus 6.1% for the three months ended March 31, 2012.

The following table presents the components of the increase in sales for the three months ended March 31, 2013 (in millions):

	Increase in Sales for the Three Months Ended March 31, 2013, Compared to the Same Period in 2012
Store sales:	
Comparable store sales	$ 9
Non-comparable store sales:	
Sales for stores opened throughout 2012, excluding stores open at least one year that are included in comparable store sales	34
Sales in 2012 for stores that have closed	(1)
Sales for stores opened throughout 2013, including the acquired VIP stores	16
Non-store sales:	
Includes sales of machinery and sales to independent parts stores and Team Members	(2)
Total increase in sales	$ 56

We believe the increased sales achieved by our stores are the result of high levels of customer service provided by our well-trained and technically proficient Team Members, superior inventory availability, enhanced services and programs offered in most stores, a broader selection of product offerings in most stores, a targeted promotional and advertising effort through a variety of media and localized promotional events, continued improvement in the merchandising and store layouts of our stores, compensation programs for all store Team Members that provide incentives for performance and our continued focus on serving both DIY and professional service provider customers.

Our comparable store sales increase for the three months ended March 31, 2013, was driven by an increase in average ticket values, partially offset by a decrease in DIY customer transaction counts, as well as the effect of one additional

day during the first quarter of 2012 as a result of Leap Day and the timing of the Easter holiday. The improvement in average ticket values was the result of the continued growth of the more costly, hard part categories as a percentage of our total sales. The growth in the hard part categories was driven by the increase of professional service provider sales as a percentage of our total sales mix and the continued growth in DIY hard part sales, as consumers continue to maintain and repair their existing vehicles. The increases in our professional service provider customer transaction counts, driven by our acquired markets, were offset by pressured DIY transaction counts. DIY customer transaction counts continue to be negatively impacted by macroeconomic pressures on disposable income, including sustained unemployment levels above historical averages. Both DIY and professional service provider customer transaction counts also continue to be negatively impacted by better-engineered and more technically advanced vehicles, which have been manufactured in recent years. These vehicles require less frequent repairs and the component parts are more durable and last for longer periods of time; however, when repairs are required, the cost of the repair is, on average, greater. The additional day for the Leap Day in 2012 and the timing of the Easter holiday, which fell in the second quarter of 2012 and the first quarter of 2013, was a headwind of approximately 150 basis points to our first quarter 2013 comparable store sales results.

We opened 65 net, new stores during the three months ended March 31, 2013, compared to 69 net, new stores during the three months ended March 31, 2012. As of March 31, 2013, we operated 4,041 stores in 42 states compared to 3,809 stores in 39 states at March 31, 2012. We anticipate total new store growth to be 190 net, new store openings in 2013.

Gross profit:

Gross profit for the three months ended March 31, 2013, increased to $799 million (or 50.4% of sales) from $762 million (or 49.8% of sales) for the same period one year ago, representing an increase of 5%. The increase in gross profit dollars for the three months ended March 31, 2013, was primarily a result of the increase in sales from new stores. The increase in gross profit as a percentage of sales for the three months ended March 31, 2013, was primarily due to improved inventory shrinkage and distribution center (“DC”) efficiencies, partially offset by the impact of increased commercial sales, which typically carry a lower gross profit as a percentage of sales, as a percentage of the total sales mix. The improved inventory shrinkage was driven by our continued focus on inventory control and accountability through our distribution and store networks. DC efficiencies were the result of continued leverage on our increased sales volumes and more tenured and experienced DC Team Members in our maturing DCs.

Selling, general and administrative expenses:

Selling, general and administrative expenses (“SG&A”) for the three months ended March 31, 2013, increased to $548 million (or 34.5% of sales) from $514 million (or 33.6% of sales) for the same period one year ago, representing an increase of 6%. The increase in total SG&A dollars for the three months ended March 31, 2013, was primarily the result of additional Team Members, facilities and vehicles to support our increased store count. The increase in SG&A as a percentage of sales for the three months ended March 31, 2013, was primarily the result of deleverage on soft comparable store sales and the benefit of Leap Day in the three months ended March 31, 2012, which had essentially no additional fixed costs.

Operating income:

As a result of the impacts discussed above, operating income for the three months ended March 31, 2013, increased to $251 million (or 15.8% of sales) from $248 million (or 16.2% of sales) for the same period one year ago, representing an increase of 1%.

Other income and expense:

Total other expense for the three months ended March 31, 2013, increased to $10 million (or 0.7% of sales) from $8 million (or 0.5% of sales) for the same period one year ago, representing an increase of 36%. The increase in total other expense for the three months ended March 31, 2013, was primarily due to increased interest expense on higher average outstanding borrowings and increased amortization of debt issuance costs.

Income taxes:

Our provision for income taxes for the three months ended March 31, 2013, decreased to $86 million (or 5.4% of sales) from $92 million (or 6.0% of sales) for the same period one year ago, representing a decrease of 7%. Our effective tax rate for the three months ended March 31, 2013, was 35.9% of income before income taxes compared to 38.5% for the same period one year ago. The decreases in our provision for income taxes and tax rate for the three months ended March 31, 2013, were primarily due to the benefits of employment tax credits taken and adjustments to tax reserves related to the favorable resolution of certain income tax audits.

Net income:

As a result of the impacts discussed above, net income for the three months ended March 31, 2013, increased to $154 million (or 9.7% of sales) from $147 million (or 9.6% of sales) for the same period one year ago, representing an increase of 5%.

Earnings per share:

Our diluted earnings per common share for the three months ended March 31, 2013, increased 19% to $1.36 on 113 million shares versus $1.14 for the same period one year ago on 129 million shares. The impact of year-to-date share repurchases on diluted earnings per share for the three months ended March 31, 2013, was an increase of approximately $0.02.

LIQUIDITY AND CAPITAL RESOURCES

Our long-term business strategy requires capital to open new stores, fund strategic acquisitions, expand distribution infrastructure, operate and maintain existing stores and may include the opportunistic repurchase of shares of our common stock through our Board-approved share repurchase program. The primary sources of our liquidity are funds generated from operations and borrowed under our unsecured revolving credit facility (the “Revolving Credit Facility”). Decreased demand for our products or changes in customer buying patterns could negatively impact our ability to generate funds from operations. Additionally, decreased demand or changes in buying patterns could impact our ability to meet the debt covenants of our credit agreement and, therefore, negatively impact the funds available under our Revolving Credit Facility. We believe that cash expected to be provided by operating activities and availability under our Revolving Credit Facility will be sufficient to fund both our short-term and long-term capital and liquidity needs for the foreseeable future. However, there can be no assurance that we will continue to generate cash flows at or above recent levels.

The following table identifies cash provided by/(used in) our operating, investing and financing activities for the three months ended March 31, 2013 and 2012 (in thousands):

	For the Three Months Ended March 31,	
Liquidity	2013	2012
Total cash provided by (used in):		
Operating activities	$ 226,344	$ 414,528
Investing activities	(72,100)	(73,899)
Financing activities	(196,962)	(126,985)
(Decrease) increase in cash and cash equivalents	$ (42,718)	$ 213,644

Operating activities:

The decrease in cash provided by operating activities for the three months ended March 31, 2013, compared to the same period in 2012, was primarily due to a smaller decrease in net inventory investment in the current period versus the same period in 2012. Net

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inventory invested reflects our investment in inventory, net of the amount of accounts payable to vendors. Our vendor financing programs enable us to reduce overall supply chain costs and negotiate extended payment terms with our vendors. Our accounts payable to inventory ratio was 85.7% and 84.7% at March 31, 2013, and December 31, 2012, respectively versus 73.3% and 64.4% at March 31, 2012, and December 31, 2011, respectively. The smaller increase in our accounts payable to inventory ratio is the result of a smaller increase in the number of new vendors added to our financing programs in the current year versus the same period in the prior year. We launched our enhanced vendor financing program in January of 2011, and we were able to add a large number of vendors to the programs during 2011 and 2012. As we anniversary these vendor additions to the programs, we expect to see a slower rate of growth in our accounts payable to inventory ratio.

Investing activities:

The decrease in cash used in investing activities during the three months ended March 31, 2013, as compared to the same period in 2012, was primarily the result of a decrease in capital expenditures during the current period.

Financing activities:

The increase in net cash used in financing activities during the three months ended March 31, 2013, as compared to the same period in 2012, was primarily attributable to the increase in the impact of repurchases of our common stock during the current period, in accordance with our Board-approved share repurchase program.

Unsecured revolving credit facility:

In January of 2011, and as amended in September of 2011, we entered into a credit agreement (the "Credit Agreement"), for a five-year $660 million unsecured revolving credit facility (the "Revolving Credit Facility"), arranged by Bank of America, N.A., which is scheduled to mature in September of 2016. The Credit Agreement includes a $200 million sub-limit for the issuance of letters of credit and a $75 million sub-limit for swing line borrowings under the Revolving Credit Facility. As described in the Credit Agreement governing the Revolving Credit Facility, we may, from time to time subject to certain conditions, increase the aggregate commitments under the Revolving Credit Facility by up to $200 million. As of March 31, 2013, we had outstanding letters of credit, primarily to support obligations related to workers' compensation, general liability and other insurance policies, in the amount of $57 million, reducing the aggregate availability under the Revolving Credit Facility by that amount. As of March 31, 2013, we had no outstanding borrowings under the Revolving Credit Facility.

Senior Notes:

4.875% Senior Notes due 2021:

On January 14, 2011, we issued $500 million aggregate principal amount of unsecured 4.875% Senior Notes due 2021 ("4.875% Senior Notes due 2021") at a price to the public of 99.297% of their face value with United Missouri Bank, N.A. ("UMB") as trustee. Interest on the 4.875% Senior Notes due 2021 is payable on January 14 and July 14 of each year and is computed on the basis of a 360-day year.

4.625% Senior Notes due 2021:

On September 19, 2011, we issued $300 million aggregate principal amount of unsecured 4.625% Senior Notes due 2021 ("4.625% Senior Notes due 2021") at a price to the public of 99.826% of their face value with UMB as trustee. Interest on the 4.625% Senior Notes due 2021 is payable on March 15 and September 15 of each year and is computed on the basis of a 360-day year.

3.800% Senior Notes due 2022:

On August 21, 2012, we issued $300 million aggregate principal amount of unsecured 3.800% Senior Notes due 2022 ("3.800% Senior Notes due 2022") at a price to the public of 99.627% of their face value with UMB as trustee. Interest on the 3.800% Senior Notes due 2022 is payable on March 1 and September 1 of each year and is computed on the basis of a 360-day year.

The senior notes are guaranteed on a senior unsecured basis by each of our subsidiaries ("Subsidiary Guarantors") that incurs or guarantees our obligations under our Revolving Credit Facility or certain of our other debt or any of our Subsidiary Guarantors. The guarantees are joint and several and full and unconditional, subject to certain customary automatic release provisions, including release of the subsidiary guarantor's guarantee under our Credit Agreement and certain other debt, or, in certain circumstances, the sale or other disposition of a majority of the voting power of the capital interest in, or of all or substantially all the property of, the subsidiary guarantor. Each of the Subsidiary Guarantors is wholly-owned, directly or indirectly, by us and we have no independent assets or operations other than those of our subsidiaries. Our only direct or indirect subsidiaries that would not be Subsidiary Guarantors would be minor subsidiaries. Neither we, nor any of our Subsidiary Guarantors, are subject to any material or significant restrictions on our ability to obtain funds from our subsidiaries by dividend or loan or to transfer assets from such subsidiaries, except as provided by applicable law. Each of our senior notes is subject to certain customary covenants, with which we complied as of March 31, 2013.

Debt covenants:

The indentures governing our senior notes contain covenants that limit our ability and the ability of certain of our subsidiaries to, among other things: (i) create certain liens on assets to secure certain debt; (ii) enter into certain sale and leaseback transactions; and (iii) merge or consolidate with another company or transfer all or substantially all of our or its property, in each case as set forth in the indentures. These covenants are, however, subject to a number of important limitations and exceptions.

The Credit Agreement contains certain covenants, including limitations on indebtedness, a minimum consolidated fixed charge coverage ratio of 2.25 times through December 31, 2014 and 2.50 times thereafter through maturity, and a maximum consolidated leverage ratio of 3.00 times through maturity. The consolidated leverage ratio includes a calculation of adjusted earnings before interest, taxes, depreciation, amortization, rent and stock-based compensation expense ("EBITDAR") to adjusted debt. Adjusted debt includes outstanding debt, outstanding stand-by letters of credit and similar instruments, six-times rent expense and excludes any premium or discount recorded in conjunction with the issuance of long-term debt. In the event that we should default on any covenant contained within the Credit Agreement, certain actions may be taken, including, but not limited to, possible termination of credit extensions, immediate payment of outstanding principal amounts plus accrued interest and other amounts payable under the Credit Agreement and litigation from our lenders. We had a consolidated fixed charge coverage ratio of 4.86 times and 5.00 times as of March 31, 2013 and 2012, respectively, and a consolidated leverage ratio of 1.84 times and 1.68 times as of March 31, 2013 and 2012, respectively, remaining in compliance with all covenants related to the borrowing arrangements. Under our current financing plan, we have targeted an adjusted debt to adjusted EBITDAR ratio range of 2.00 times to 2.25 times.

The table below outlines the calculations of the consolidated fixed charge coverage ratio and consolidated leverage ratio covenants, as defined in the Credit Agreement governing the Revolving Credit Facility, for the twelve months ended March 31, 2013 and 2012 (dollars in thousands):

	For the Twelve Months Ended March 31,	
	2013	2012
GAAP net income	$ 592,583	$ 552,691
Add: Interest expense	42,469	32,059
Rent expense	244,907	232,595
Provision for income taxes	349,775	336,700
Depreciation expense	177,286	171,233
Amortization expense (benefit)	166	(311)
Non-cash share-based compensation	22,399	20,667
Non-GAAP adjusted net income (EBITDAR)	$ 1,429,585	$ 1,345,634

Interest expense	$ 42,469	$ 32,059
Capitalized interest	6,842	4,695
Rent expense	244,907	232,595
Total fixed charges	$ 294,218	$ 269,349
Consolidated fixed charge coverage ratio	4.86	5.00
GAAP debt	$ 1,095,935	$ 797,488
Stand-by letters of credit	56,525	57,778
Discount on senior notes	4,241	3,584
Six-times rent expense	1,469,442	1,395,570
Non-GAAP adjusted debt	$ 2,626,143	$ 2,254,420
Consolidated leverage ratio	1.84	1.68

The consolidated fixed charge coverage ratio and consolidated leverage ratio discussed and presented in the table above are not derived in accordance with United States generally accepted accounting principles ("GAAP"). We do not, nor do we suggest investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, GAAP financial information. We believe that the presentation of our consolidated fixed charge coverage ratio and consolidated leverage ratio provides meaningful supplemental information to both management and investors that reflects the required covenants under our credit agreement. Material limitations of these non-GAAP measures are that such measures do not reflect actual GAAP amounts. We compensate for such limitations by presenting, in the table above, a reconciliation to the most directly comparable GAAP measures.

Share repurchase program:

Under our share repurchase program, as approved by the Board of Directors, we may, from time to time, repurchase shares of our common stock, solely through open market purchases effected through a broker dealer at prevailing market prices, based on a variety of factors such as price, corporate trading policy requirements and overall market conditions. We may increase or otherwise modify, renew, suspend or terminate the share repurchase program at any time, without prior notice. The cumulative authorization amount under our Board-approved share repurchase program was $3.0 billion as of March 31, 2013.

The following table identifies shares of our common stock that have been repurchased as part of our publicly announced repurchase program (in thousands, except per share data):

	For the Three Months Ended March 31,	
	2013	2012
Shares repurchased	2,468	1,770
Average price per share	$ 92.35	$ 87.01
Total investment	$ 227,893	$ 153,987

As of March 31, 2013, we had $351 million remaining under our share repurchase program. Subsequent to the end of the first quarter and through May 9, 2013, we have repurchased an additional 0.7 million shares of our common stock under our share repurchase program at an average price of $101.07 for a total investment of $76 million. We have repurchased a total of 35.3 million shares of our common stock under our share repurchase program since the inception of the program in January of 2011 through May 9, 2013, at an average price of $77.21, for a total aggregate investment of $2.7 billion.

CONTRACTUAL OBLIGATIONS

There have been no material changes to the contractual obligations to which we are committed since those discussed in our Annual Report on Form 10-K for the year ended December 31, 2012.

CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements in accordance with U.S. GAAP requires the application of certain estimates and judgments by management. Management bases its assumptions, estimates, and adjustments on historical experience, current trends and other factors believed to be relevant at the time the condensed consolidated

financial statements are prepared. There have been no material changes in the critical accounting estimates since those discussed in our Annual Report on Form 10-K for the year ended December 31, 2012.

INFLATION AND SEASONALITY

We have been successful, in many cases, in reducing the effects of merchandise cost increases principally by taking advantage of vendor incentive programs, economies of scale resulting from increased volume of purchases and selective forward buying. To the extent our acquisition cost increased due to base commodity price increases industry wide, we have typically been able to pass along these increased costs through higher retail prices for the affected products. As a result, we do not believe our operations have been materially, adversely affected by inflation.

To some extent, our business is seasonal primarily as a result of the impact of weather conditions on customer buying patterns. While we have historically realized operating profits in each quarter of the year, our store sales and profits have historically been higher in the second and third quarters (April through September) than in the first and fourth quarters (October through March) of the year.

RECENT ACCOUNTING PRONOUNCEMENTS

In February of 2013, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (“ASU 2013-02”). Under ASU 2013-02, an entity is required to provide information about the amounts reclassified out of Accumulated Other Comprehensive Income (“AOCI”) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in the financial statements. We adopted this guidance beginning with our first quarter ended March 31, 2013; the application of this guidance would affect presentation only and therefore, did not have an impact on our consolidated financial condition, results of operations or cash flows.

INTERNET ADDRESS AND ACCESS TO SEC FILINGS

Our Internet address is www.oreillyauto.com. Interested readers can access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, through the Securities and Exchange Commission's website at www.sec.gov. Such reports are generally available on the day they are filed. Additionally, we will furnish interested readers, upon request and free of charge, a paper copy of such reports.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are subject to interest rate risk to the extent we borrow against our unsecured revolving credit facility (the "Revolving Credit Facility") with variable interest rates based on either a Base Rate or Eurodollar Rate, as defined in the credit agreement governing the Revolving Credit Facility. As of March 31, 2013, we had no outstanding borrowings under our Revolving Credit Facility.

We invest certain of our excess cash balances in short-term, highly-liquid instruments with maturities of 90 days or less. We do not expect any material losses from our invested cash balances and we believe that our interest rate exposure is minimal. As of March 31, 2013, our cash and cash equivalents totaled $205 million.

Our market risks have not materially changed since those discussed in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are effective at providing reasonable assurance that the information required to be disclosed by us (including our consolidated subsidiaries) in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely

decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROLS

There were no changes in our internal control over financial reporting during the fiscal quarter ending March 31, 2013, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings

O'Reilly is currently involved in litigation incidental to the ordinary conduct of the Company's business. The Company records reserves for litigation losses in instances where a material adverse outcome is probable and the Company is able to reasonably estimate the probable loss. The Company reserves for an estimate of material legal costs to be incurred in pending litigation matters. Although the Company cannot ascertain the amount of liability that it may incur from any of these matters, it does not currently believe that, in the aggregate, these matters, taking into account applicable insurance and reserves, will have a material adverse effect on its consolidated financial position, results of operations or cash flows in a particular quarter or annual period.

In addition, O'Reilly was involved in resolving governmental investigations that were being conducted against CSK and CSK's former officers and other litigation, prior to its acquisition by O'Reilly, as described below.

As previously reported, the governmental investigations of CSK regarding its legacy pre-acquisition accounting practices have concluded. All criminal charges against former employees of CSK related to its legacy pre-acquisition accounting practices, as well as the civil litigation filed against CSK's former Chief Executive Officer by the Securities and Exchange Commission (the "SEC"), have concluded.

Under Delaware law, the charter documents of the CSK entities and certain indemnification agreements, CSK may have certain indemnification obligations. As a result of the CSK acquisition, O'Reilly has incurred legal fees and costs related to these potential indemnity obligations arising from the litigation commenced by the Department of Justice and SEC against CSK's former employees. Whether those legal fees and costs are covered by CSK's insurance is subject to uncertainty, and, given its complexity and scope, the final outcome cannot be predicted at this time. O'Reilly has a remaining reserve, with respect to the indemnification obligations of $13.7 million at March 31, 2013, which relates to the payment of those legal fees and costs already incurred. It is possible that in a particular quarter or annual period the Company's results of operations and cash flows could be materially affected by resolution of such matter, depending, in part, upon the results of operations or cash flows for such period. However, at this time, management believes that the ultimate outcome of this matter, after consideration of applicable reserves, should not have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

Item 1A. Risk Factors

As of March 31, 2013, there have been no material changes in our risk factors since those discussed in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered securities during the three months ended March 31, 2013. The following table identifies all repurchases during the three months ended March 31, 2013, of any of our securities registered under Section 12 of the Exchange Act, as amended, by or on behalf of us or any affiliated purchaser (in thousands, except per share amounts):

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs (1)
January 1, 2013, to January 31, 2013	1,664	$ 89.48	1,664	$ 429,772
February 1, 2013, to February 28, 2013	396	92.67	396	393,057
March 1, 2013, to March 31, 2013	408	103.71	408	$ 350,742
Total as of March 31, 2013	2,468	$ 92.35	2,468	

(1) Under our share repurchase program, as approved by our Board of Directors, we may, from time to time, repurchase shares of our common stock, solely through open market purchases effected through a broker dealer at prevailing market prices, based on a variety of factors such as price, corporate trading policy requirements and overall market conditions. We may increase or otherwise modify, renew, suspend or terminate the share repurchase program at any time, without prior notice. Our Board of Directors approved a resolution to increase the authorization under the share repurchase program by an additional $500 million on November 12, 2012, raising the cumulative authorization under the share repurchase program to $3.0 billion. The current authorization under the share repurchase program is schedule to expire on November 12, 2015. No other share repurchase programs existed during the three months ended March 31, 2013.

Subsequent to March 31, 2013, and up to and including May 9, 2013, we repurchased an additional 0.7 million shares of our common stock at an average price per share of $101.07, for a total investment of $76 million. We have repurchased a total of 35.3 million shares of our common stock under our share repurchase program since the inception of the program in January of 2011 through May 9, 2013, at an average price of $77.21, for a total aggregate investment of $2.7 billion.

Item 6. Exhibits

Exhibits:

Number	Description
3.1	Amended and Restated Articles of Incorporation of the Registrant, as Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated May 9, 2013, is incorporated herein by this reference.
3.2	Amended and Restated Bylaws of the Registrant, filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K dated May 9, 2013, is incorporated herein by this reference.
31.1	Certificate of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certificate of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1*	Certificate of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
32.2*	Certificate of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
*	Furnished (and not filed) herewith pursuant to Item 601 (b)(32)(ii) of Regulation S-K.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	O'REILLY AUTOMOTIVE, INC.
May 9, 2013	/s/ Greg Henslee
Date	Greg Henslee
	President and Chief Executive Officer
	(Principal Executive Officer)
May 9, 2013	/s/ Thomas McFall
Date	Thomas McFall
	Executive Vice-President of Finance and Chief Financial Officer (Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

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101.INS	XBRL Instance Document
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101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
*	Furnished (and not filed) herewith pursuant to Item 601 (b)(32)(ii) of Regulation S-K.

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