

BIG 5 SPORTING GOODS Corp
Form DEF 14A
April 29, 2016

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

SCHEDULE 14A

(RULE 14a-101)

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

BIG 5 SPORTING GOODS CORPORATION

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(Name of Registrant as Specified In Its Charter)

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

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No fee required.

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

BIG 5 SPORTING GOODS CORPORATION

2525 EAST EL SEGUNDO BOULEVARD

EL SEGUNDO, CALIFORNIA 90245

May 6, 2016

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Big 5 Sporting Goods Corporation (the **Company**), to be held at the Ayres Hotel, 14400 Hindry Avenue, Hawthorne, California 90250, on June 10, 2016, at 10:00 a.m. local time, and at any adjournments or postponements thereof (the **Annual Meeting**).

At the Annual Meeting, you will be asked to consider and vote upon the following matters:

1. a proposal to eliminate certain supermajority voting requirements in the Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws;
2. a proposal to eliminate the classification of the Company's Board of Directors (the **Board**) and to require that all directors elected at or after the Annual Meeting be elected on an annual basis;
3. the re-election of Sandra N. Bane and Van B. Honeycutt as Class B directors to the Board, each to hold office until either (a) the 2017 annual meeting of stockholders if the stockholders approve the proposal to eliminate the classification of the Board (and until each such director's successor shall have been duly elected and qualified), or (b) the 2019 annual meeting of stockholders if the stockholders do not approve such proposal (and until each such director's successor shall have been duly elected and qualified);
4. an advisory vote to approve the compensation paid to our named executive officers;
5. the ratification of the appointment of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for fiscal 2016;
6. a proposal to amend and restate the Company's Amended and Restated 2007 Equity and Performance Incentive Plan, which would increase the number of shares available for grant thereunder by 2,000,000, extend the term of the plan through April 19, 2016, approve the continuation of the terms of Article X of the plan for purposes of Section 162(m) of the Internal Revenue Code, and implement certain technical updates and enhancements to the plan; and
7. the transaction of such other business as may properly come before the Annual Meeting.

Accompanying this letter is the formal Notice of Annual Meeting, Proxy Statement, Proxy Card relating to the meeting and the Company's 2015 Annual Report on Form 10-K.

Your vote is very important regardless of how many shares you own. We hope you can attend the Annual Meeting in person. However, whether or not you plan to attend the Annual Meeting, we request that you submit your proxy through one of the methods described in the enclosed Proxy Statement. If you attend the Annual Meeting, you may vote in person if you wish, even though you may have previously returned your Proxy Card.

Sincerely,

Steven G. Miller

Chairman of the Board, President

and Chief Executive Officer

BIG 5 SPORTING GOODS CORPORATION

2525 EAST EL SEGUNDO BOULEVARD

EL SEGUNDO, CALIFORNIA 90245

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON JUNE 10, 2016

TO THE STOCKHOLDERS OF BIG 5 SPORTING GOODS CORPORATION:

NOTICE IS HEREBY GIVEN that an Annual Meeting of Stockholders of Big 5 Sporting Goods Corporation, a Delaware corporation (the **Company**), will be held on June 10, 2016, at 10:00 a.m. local time, at the Ayres Hotel, 14400 Hindry Avenue, Hawthorne, California 90250, and at any adjournments or postponements thereof (the **Annual Meeting**). At the Annual Meeting, the Company's stockholders will be asked to consider and vote upon:

1. a proposal to eliminate certain supermajority voting requirements in the Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws;
2. a proposal to eliminate the classification of the Company's Board of Directors (the **Board**) and to require that all directors elected at or after the Annual Meeting be elected on an annual basis;
3. the re-election of Sandra N. Bane and Van B. Honeycutt as Class B directors to the Board, each to hold office until either (a) the 2017 annual meeting of stockholders if the stockholders approve the proposal to eliminate the classification of the Board (and until each such director's successor shall have been duly elected and qualified), or (b) the 2019 annual meeting of stockholders if the stockholders do not approve such proposal (and until each such director's successor shall have been duly elected and qualified);
4. an advisory vote to approve the compensation paid to our named executive officers;
5. the ratification of the appointment of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for fiscal 2016;
6. a proposal to amend and restate the Company's Amended and Restated 2007 Equity and Performance Incentive Plan, which would increase the number of shares available for grant thereunder by 2,000,000, extend the term of the plan through April 19, 2026, approve the continuation of the terms of Article X of the plan for purposes of Section 162(m) of the Internal Revenue Code, and implement certain technical updates and enhancements to the plan; and

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7. the transaction of such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Only stockholders of record of the Company's common stock at the close of business on April 28, 2016 are entitled to notice of and to vote at the Annual Meeting or any adjournments or postponements thereof. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at the principal executive offices of the Company, 2525 East El Segundo Boulevard, El Segundo, California 90245 for at least ten days prior to the meeting and will also be available for inspection at the meeting.

YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON, TO ENSURE THAT YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING, WE URGE YOU TO SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE EITHER (I) THROUGH THE INTERNET, (II) BY TELEPHONE OR (III) BY MARKING, SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE POSTAGE-PAID ENVELOPE PROVIDED.

If you plan to attend:

Please note that admission to the meeting will be on a first-come, first-served basis. Each stockholder may be asked to present valid picture identification, such as a driver's license or passport, and proof of ownership of the Company's common stock as of the record date, such as the enclosed Proxy or a brokerage statement reflecting stock ownership as of the record date.

BY ORDER OF THE BOARD OF DIRECTORS,

Gary S. Meade

Secretary

El Segundo, California

May 6, 2016

BIG 5 SPORTING GOODS CORPORATION

2525 EAST EL SEGUNDO BOULEVARD

EL SEGUNDO, CALIFORNIA 90245

**PROXY STATEMENT RELATING TO
ANNUAL MEETING OF STOCKHOLDERS**

To Be Held On June 10, 2016

This Proxy Statement is being furnished to the stockholders of Big 5 Sporting Goods Corporation, a Delaware corporation (the **Company**), in connection with the solicitation of proxies by the Company's Board of Directors (the **Board**) for use at the Annual Meeting of the Company's stockholders to be held on June 10, 2016, at 10:00 a.m. local time, at the Ayres Hotel, 14400 Hindry Avenue, Hawthorne, California 90250, and at any adjournments or postponements thereof (the **Annual Meeting**).

At the Annual Meeting, holders of the Company's common stock, \$0.01 par value per share, will be asked to vote upon: (i) a proposal to eliminate certain supermajority voting requirements in the Company's Amended and Restated Certificate of Incorporation (the **Charter**) and Amended and Restated Bylaws (the **Bylaws**); (ii) a proposal to eliminate the classification of the Board and to require that all directors elected at or after the Annual Meeting be elected on an annual basis; (iii) the re-election of Sandra N. Bane and Van B. Honeycutt as Class B directors to the Company's Board, each to hold office until either (a) the 2017 annual meeting of stockholders if the stockholders approve the proposal to eliminate the classification of the Board (and until each such director's successor shall have been duly elected and qualified), or (b) the 2019 annual meeting of stockholders if the stockholders do not approve such proposal (and until each such director's successor shall have been duly elected and qualified); (iv) an advisory vote to approve the compensation paid to our named executive officers; (v) the ratification of the appointment of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for fiscal 2016; (vi) a proposal to amend and restate the Company's Amended and Restated 2007 Equity and Performance Incentive Plan, (the **2007 Plan**) which would increase the number of shares available for grant thereunder by 2,000,000, extend the term of the 2007 Plan through April 19, 2026, approve the continuation of the terms of Article X of the 2007 Plan for purposes of Section 162(m) of the Internal Revenue Code, and implement certain technical updates and enhancements to the 2007 Plan; and (vii) any other business that properly comes before the Annual Meeting.

This Proxy Statement and the accompanying Proxy Card are first being mailed to the Company's stockholders on or about May 6, 2016. The address of the principal executive offices of the Company is 2525 East El Segundo Boulevard, El Segundo, California 90245.

Important Notice Regarding Availability of Proxy Materials for the 2016 Annual Meeting of

Stockholders to be Held on June 10, 2016:

The Notice of Annual Meeting and Proxy Statement, and the Annual Report to Stockholders, are

available to stockholders at www.edocumentview.com/BGFV.

ANNUAL MEETING

Record Date; Outstanding Shares; Quorum

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Only holders of record of the Company's common stock at the close of business on April 28, 2016 (the **Record Date**) will be entitled to notice of and to vote at the Annual Meeting. As of the close of business on the Record Date, there were 21,861,315 shares of common stock outstanding and entitled to vote, held of record by 398 stockholders. A majority, or 10,930,658 of these shares, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Each of the Company's stockholders is entitled to one vote, in person or by proxy, for each share of common stock standing in such stockholder's name on the books of the Company as of the Record Date on any matter submitted to the stockholders.

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Proposals to be Presented at the Annual Meeting

There are six matters to be presented for a vote at the Annual Meeting:

Proposal No. 1 : a proposal (the **Supermajority Voting Proposal**) to eliminate certain supermajority voting requirements in the Company's Charter and Bylaws;

Proposal No. 2 : a proposal (the **Declassified Board Proposal**) to eliminate the classification of the Board and to require that all directors elected at or after the Annual Meeting be elected on an annual basis;

Proposal No. 3 : the re-election of Sandra N. Bane and Van B. Honeycutt as Class B directors to the Company's Board, each to hold office until either (a) the 2017 annual meeting of stockholders if the stockholders approve a proposal to eliminate the classification of the Board (and until each such director's successor shall have been duly elected and qualified), or (b) the 2019 annual meeting of stockholders if the stockholders do not approve such proposal (and until each such director's successor shall have been duly elected and qualified);

Proposal No. 4 : an advisory vote to approve the compensation paid to our named executive officers;

Proposal No. 5 : the ratification of the appointment of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for fiscal 2016; and

Proposal No. 6 : a proposal (the **Equity Plan Proposal**) to amend and restate the Company's 2007 Plan, which would increase the number of shares available for grant thereunder by 2,000,000, extend the term of the 2007 Plan through April 19, 2026, approve the continuation of the terms of Article X of the 2007 Plan for purposes of Section 162(m) of the Internal Revenue Code, and implement certain technical updates and enhancements to the 2007 Plan.

Recommendation of the Company's Board of Directors

The Board recommends that you vote using the proxy card:

FOR Proposal No. 1, the Supermajority Proposal to eliminate certain supermajority voting requirements in the Charter and Bylaws;

FOR Proposal No. 2, the Declassified Board Proposal to eliminate the classification of the Board and to require that all directors elected or appointed at or after the Annual Meeting be elected on an annual basis;

FOR Proposal No. 3, the re-election of Sandra N. Bane and Van B. Honeycutt as Class B directors to the Company's Board, each to hold office until either (a) the 2017 annual meeting of stockholders if the stockholders approve a proposal to eliminate the classification of the Board (and until each such director's successor shall have been duly elected and qualified), or (b) the 2019 annual meeting of stockholders if the stockholders do not approve such proposal (and until each such director's successor shall have been duly elected and qualified);

FOR Proposal No. 4, approval, on an advisory basis, of the compensation paid to the Company's named executive officers;

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FOR Proposal No. 5, the ratification of the appointment of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for fiscal 2016; and

FOR Proposal No. 6, the Equity Plan Proposal to amend and restate the Company's 2007 Plan, which would increase the number of shares available for grant thereunder by 2,000,000, extend the term of the 2007 Plan through April 19, 2026, approve the continuation of the terms of Article X of the 2007 Plan for purposes of Section 162(m) of the Internal Revenue Code, and implement certain technical updates and enhancements to the 2007 Plan.

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Proxy Cards

If you hold your shares in multiple registrations, or in both registered and street name, you will receive a proxy card for each account. Please sign, date and return all proxy cards you receive. If you choose to vote by phone or the Internet, please vote each proxy card you receive. Only your latest dated proxy for each account will be voted.

Methods of Voting; Revocability

By Internet or Telephone

If you hold shares of the Company's common stock directly in your name as a stockholder of record, you may vote electronically via the Internet at www.envisionreports.com/BGFV, or by telephone by calling 1-800-652-8683. Votes submitted via the Internet or by telephone must be received by 1:00 a.m. (Eastern Time) on June 10, 2016.

If you hold shares of the Company's common stock in street name through a broker or other nominee, you may vote electronically via the Internet or by telephone by following the voting instructions on the enclosed proxy card.

By Mail

If you hold shares of the Company's common stock directly in your name as a stockholder of record, you may vote by mail by marking, signing and dating your proxy card and returning it using the pre-paid return envelope provided. The Company must receive your proxy card no later than the close of business on June 9, 2016.

If you hold shares of the Company's common stock in street name through a broker or other nominee, you may vote by mail by marking, signing and dating your proxy card and returning it using the pre-paid return envelope provided by the deadline shown on your proxy card.

In Person

If you hold shares of the Company's common stock directly in your name as a stockholder of record, you may vote in person at the Annual Meeting. Stockholders of record also may be represented by another person at the Annual Meeting by executing a proper proxy designating that person.

If you hold shares of the Company's common stock in street name through a broker or other nominee, you must obtain a legal proxy from that institution and present it to the inspector of elections with your ballot to be able to vote in person at the Annual Meeting.

When a stockholder submits a proxy via the Internet or by telephone, his or her proxy is recorded immediately. The Company encourages its stockholders to submit their proxies using these methods whenever possible. If you submit a proxy via the Internet or by telephone, please do not return your proxy card by mail. If you attend the Annual Meeting, you may also submit your vote in person. Any votes that you previously submitted—whether via the Internet, by telephone or by mail—will be superseded by the vote that you cast at the Annual Meeting.

Your vote is important. Accordingly, please submit your proxy via the Internet, by telephone or by mail, whether or not you plan to attend the Annual Meeting in person.

Stockholders are requested to submit their proxies through one of the above methods. All properly submitted proxies will be voted in accordance with the instructions indicated. If you are a registered holder and you submit your proxy but do not specify how the shares represented thereby are to be voted, your shares will be voted FOR the re-election of Sandra N. Bane and Van B. Honeycutt to serve as directors on the Board and FOR each of Proposal Nos. 1, 2, 4, 5 and 6.

The Board does not presently intend to bring any business before the Annual Meeting other than that referred to in this Proxy Statement and specified in the Notice of the Annual Meeting. By signing and returning a

proxy cards, a stockholder confers discretionary authority on the proxies (who are persons designated by the Board) to vote all shares covered by the proxy cards in their discretion on any other matter that may properly come before the Annual Meeting about which the Company did not have notice of such matter by March 24, 2016, which is at least 45 days before the anniversary date on which the Company first sent its proxy materials for the prior year's annual meeting of stockholders.

Revocability of Proxies; Changing Your Vote

Any stockholder who has given a proxy may revoke it at any time before it is exercised at the Annual Meeting by (i) delivering a written revocation notice to the Secretary of Big 5 Sporting Goods Corporation, 2525 East El Segundo Boulevard, El Segundo, California 90245, (ii) submitting a valid, timely, later-dated proxy by mail, telephone or the Internet or (iii) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not, by itself, revoke a proxy). Any notice of revocation sent to the Company must include the stockholder's name and be received by the Company prior to the close of business on June 9, 2016.

Votes Required

For Proposal No. 1, the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of the Company's common stock will be required to amend the Charter and Bylaws to eliminate certain provisions in the Charter and Bylaws that require the affirmative vote of at least eighty percent (80%) of the voting power of the Company's capital stock and replace those provisions with a majority vote requirement.

For Proposal No. 2, the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of the Company's common stock (or, if the stockholders approve the Supermajority Voting Proposal, a majority of the outstanding shares of the Company's common stock) will be required to amend the Charter to eliminate the classification of the Board and to require that all directors elected or appointed at or after the Annual Meeting be elected on an annual basis. If such proposal receives the requisite number of votes to effect such action, the directors elected at and after the Annual Meeting will serve a one-year term expiring at the Company's next annual meeting of stockholders, and the directors elected or appointed prior to the Annual Meeting will finish their respective terms.

For Proposal No. 3, a nominee for re-election as a director shall be re-elected to the Board if the votes cast for such nominee's election exceed the votes cast against such nominee's re-election.

For Proposal No. 4, our stockholders will have an advisory vote to approve the compensation paid to our named executive officers as described in this Proxy Statement. Because the vote is advisory, it will not be binding upon our Board. However, the Board and the Compensation Committee will consider the result of the vote when making future decisions regarding our executive compensation policies and practices. Affirmative votes representing a majority of the votes cast, affirmatively or negatively, with respect to Proposal No. 4 at the Annual Meeting will be required to adopt the resolution and approve, on a nonbinding and advisory basis, the compensation of our named executive officers as such compensation is described in this Proxy Statement.

For Proposal No. 5, affirmative votes representing a majority of the votes cast, affirmatively or negatively, with respect to Proposal No. 5 at the Annual Meeting will be required to ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for its 2016 fiscal year.

For Proposal No. 6, under Nasdaq Stock Market (**Nasdaq**) rules, affirmative votes representing a majority of the votes cast affirmatively, negatively or as abstentions will be required to approve the amendment and restatement of our 2007 Plan.

Broker Non-Votes; Withheld Votes; Abstentions

The term broker non-vote refers to shares held by a brokerage firm or other nominee (for the benefit of its client) that are represented at the meeting, but with respect to which such broker or nominee is not instructed to vote on a particular proposal and does not have discretionary authority to vote on that proposal. The election of directors, the advisory vote on executive compensation, the Declassified Board Proposal, the Supermajority Proposal and the Equity Plan Proposal are not matters on which a broker or other nominee has discretionary

authority to vote, and therefore there may be broker non-votes on Proposal Nos. 1, 2, 3, 4 and 6. The ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for fiscal 2016 is a matter considered routine under applicable rules, and, accordingly, we do not expect to receive broker non-votes with respect to Proposal No. 5.

If an executed proxy is returned by a broker holding shares in street name that indicates that the broker does not have discretionary authority as to certain shares, such shares will be considered present at the meeting for purposes of determining a quorum on all matters, but will not be considered to be votes cast.

A stockholder may vote to abstain with respect to Proposal Nos. 1, 2, 3, 4, 5 or 6 or on any other proposals which may properly come before the Annual Meeting.

The approval of Proposal No. 1 requires the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of the Company's common stock. The approval of Proposal No. 2 requires the affirmative vote of the holders of at least eighty percent (80%) of the outstanding shares of the Company's common stock (or, if the stockholders approve Proposal No. 1, a majority of the outstanding shares of the Company's common stock). Broker non-votes and abstentions will not count as affirmative votes and therefore may affect the outcome of these proposals.

Proposal No. 3 is to be determined by a majority of the votes cast for and against a nominee's re-election. Broker non-votes and abstentions will have no effect on the outcome of this proposal.

The approval of each of Proposal Nos. 4 and 5 requires affirmative votes representing a majority of the votes cast, affirmatively or negatively. Broker non-votes and abstentions will have no effect on the outcomes of these proposals.

The approval of Proposal No. 6 requires the affirmative vote of a majority of the votes cast affirmatively, negatively or as abstentions. Broker non-votes will have no effect on the outcome of this proposal.

Solicitation of Proxies and Expenses

This proxy solicitation is made by the Company, and the Company will bear the cost of the solicitation of proxies from its stockholders. In addition to solicitation by mail, certain of our directors and executive officers may, without additional compensation, solicit proxies by mail, in person or by telephone or other electronic means. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners. Additionally, we have retained Georgeson Inc. to assist in the proxy solicitation for a fee of \$25,000.00, plus reimbursement of out-of-pocket expenses.

PROPOSAL NO. 1

**PROPOSAL TO ELIMINATE CERTAIN SUPERMAJORITY VOTING PROVISIONS IN THE
CHARTER AND BYLAWS**

(Item No. 1 on Proxy Card)

The Company's proxy statement for its 2015 annual meeting of stockholders included an advisory proposal to eliminate certain supermajority voting provisions in the Company's Charter and Bylaws. Under the terms of the Company's April 30, 2015 Settlement Agreement with Stadium Capital Management, LLC and certain of its related persons (**2015 Settlement Agreement**), the Company agreed that if the advisory proposal to eliminate certain supermajority voting provisions in the Charter and Bylaws received a majority of the votes cast on the proposal at the 2015 annual meeting, the Company would submit to its stockholders at the 2016 annual meeting a binding proposal that those supermajority voting provisions in the Charter and Bylaws be eliminated and replaced with provisions that would require the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of the Company's common stock. The advisory proposal to eliminate certain supermajority voting provisions in the Charter and Bylaws received a majority of the votes cast on the proposal at the Company's 2015 annual meeting. Accordingly, the Company is submitting this Proposal No. 1 to the stockholders.

Currently, the Charter requires the affirmative vote of the holders of at least 80% of the voting power of all then-outstanding shares of the Company's capital stock to amend or repeal the following provisions of the Charter:

provisions which prohibit stockholder action by written consent;

provisions related to the ability to call special meetings of the stockholders (which, among other things, prohibit stockholders from calling special meetings);

provisions related to the size of the Board and the nomination, election, appointment and removal of directors from the Board;

provisions governing amendments to the Bylaws;

provisions related to the indemnification and liability of directors; and

provisions related to relating to amending or repealing provisions of the Charter.

The Charter also requires the affirmative vote of the holders of at least 80% of the voting power of all of the then-outstanding shares of capital stock of the Company entitled to vote generally in the election of directors:

in order for the stockholders to adopt, amend or repeal any provision of the Bylaws; and

to remove a director or the entire Board.

In addition, the Bylaws separately require the affirmative vote of the holders of at least 80% of the then-outstanding shares of capital stock of the Company entitled to vote generally in the election of directors for stockholders to adopt, amend or repeal any provision of the Bylaws. All of the foregoing provisions in the Charter and Bylaws are referred to as the **Supermajority Voting Provisions** .

Under Proposal No. 1, the Supermajority Voting Provisions in the Charter and Bylaws would be amended, except as noted below, to delete any reference to a requirement to obtain the vote of 80% of the then-outstanding shares of capital stock of the Company (or of the then-outstanding

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shares of capital stock of the Company entitled to vote generally in the election of directors) and replace each 80% vote requirement with a requirement to obtain the vote of a majority of the then-outstanding shares of capital stock of the Company (or of the then-outstanding shares of capital stock of the Company entitled to vote generally in the election of directors). In the case of the provisions of Article IX of the Charter (governing amendments to the Charter), the provisions requiring an 80% vote of the stockholders with respect to certain amendments to the Charter will be deleted in their entirety, which means that the required vote to effect such amendments to the Charter will be determined based on the requirements of the Delaware General Corporation Law, which currently requires the vote of a majority of the outstanding shares entitled to vote thereon.

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The general description of the proposed amendments to our Charter and Bylaws set forth above is qualified in its entirety by reference to the text of the amendments, which is attached as Appendix A to these proxy materials.

If Proposal No. 1 is approved by our stockholders, the amendments to our Charter will become effective upon the filing of a certificate of amendment to the Charter with the Secretary of State of the State of Delaware, which filing we intend to make during the course of the Annual Meeting (and prior to opening the polls on Proposal Nos. 2 through 6), and the amendments to our Bylaws will take effect upon the effectiveness of the certificate of amendment to the Charter.

Required Vote

The Company's Charter and Bylaws require the affirmative vote of the holders of at least 80% of the outstanding shares of the Company's common stock to approve Proposal No. 1.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL TO ELIMINATE THE SUPERMAJORITY VOTING PROVISIONS IN THE CHARTER AND BYLAWS.

PROPOSAL NO. 2

PROPOSAL TO REPEAL CLASSIFIED BOARD

(Item No. 2 on Proxy Card)

The Company's proxy statement for its 2015 annual meeting included an advisory proposal to eliminate the classification of the Board and to require that all directors elected at or after the Company's 2016 annual meeting be elected on an annual basis. Under the terms of the Settlement Agreement, the Company agreed that if the advisory proposal to repeal the classified Board received a majority of the votes cast on the proposal at the 2015 annual meeting, the Company would submit to its stockholders at the 2016 annual meeting a binding proposal that the Board be declassified. The advisory proposal to repeal the Company's classified Board received a majority of the votes cast on the proposal at the Company's 2015 annual meeting. Accordingly, the Company is submitting this Proposal No. 2 to the stockholders for approval.

Article Sixth of the Charter and Article III, Sections 2 and 3 of our Bylaws currently provide that our Board shall be divided into three classes of directors, elected to serve staggered terms of three years each, which means that approximately one-third of the directors are elected each year.

If Proposal No. 2 is approved and adopted by stockholders, our Charter will be amended to declassify our Board commencing with the 2016 annual meeting of stockholders and our classified Board would be fully phased out commencing with the 2018 annual meeting of stockholders. The proposed amendments to our Charter would not change the unexpired terms of directors elected or appointed prior to the 2016 annual meeting. Accordingly, the current scheduled term of service for our Class A directors (Messrs. DeMarco, Donatiello, Galvin & Jessick) would expire at the Company's 2018 annual meeting of stockholders and the current scheduled term of service for our Class C directors (Ms. Dunbar and Mr. Miller) would expire at the Company's 2017 annual meeting of stockholders. As a result, if Proposal No. 2 is approved by our stockholders, then beginning with the 2018 annual meeting of stockholders, the entire Board will stand for election annually for one-year terms.

The proposed amendments to the Charter also provide that any newly created directorship that results from an increase in the number of directors after the effective date of the amendment would be appointed for a term expiring at the next succeeding annual meeting of stockholders following such director's appointment. Any directors appointed by our Board to fill vacancies (except for vacancies in the current term of service for our Class A directors and Class C directors) would be appointed for a term expiring at the next succeeding annual meeting of stockholders following such director's appointment. Any director appointed by our Board to fill the vacancy in the current term of service for one of our Class A directors or Class C directors would be appointed for a term expiring at the Company's 2018 annual meeting of stockholders (in the case of Class A directors) or the Company's 2017 annual meeting of stockholders (in the case of Class C directors). Under the proposed amendments, any director may be removed at any time, either for or without cause by the affirmative vote of the holders of at least eighty percent (80%) of (or if Proposal No. 1 is approved, a majority of) the voting power of all of the then-outstanding shares of capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class. The proposed amendments would not change the current number of directors or our Board's authority to change the number of directors and to fill any vacancies.

The general description of the proposed amendments to our Charter and Bylaws set forth above is qualified in its entirety by reference to the text of the amendments, which is attached as Appendix B to these proxy materials.

If Proposal No. 2 is approved by our stockholders, the amendments to our Charter will become effective upon the filing of a certificate of amendment to the Charter with the Secretary of State of the State of Delaware, which filing we intend to make during the course of the Annual Meeting (and prior to opening the polls on Proposal Nos. 3 through 6), and the amendments to our Bylaws will take effect upon the effectiveness of the certificate of amendment to the Charter.

Required Vote

The Company's Charter and Bylaws require the affirmative vote of the holders of at least 80% of the outstanding shares of the Company's common stock to approve Proposal No. 2, unless Proposal No. 1 is

approved by our stockholders, in which case the affirmative vote of the holders of at least a majority of the outstanding shares of the Company's common stock will be required to approve Proposal No. 2.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL TO REPEAL THE CLASSIFIED BOARD.

PROPOSAL NO. 3

ELECTION OF DIRECTORS

(Item No. 3 on Proxy Card)

General

Proposal No. 3 concerns the re-election of two Class B directors. The Board consists of three classes: Class A directors, Class B directors and Class C directors. The current terms of office of the Class A directors, Class B directors and Class C directors expire in the year 2018 (Class A), the year 2016 (Class B) and the year 2017 (Class C). Pursuant to the Charter, directors have historically been elected to three-year terms, and each director holds office until such director's successor is duly elected and qualified. If the Declassified Board Proposal is approved by the stockholders, the Class B directors elected at the Annual Meeting will serve a one-year term expiring at the Company's 2017 annual meeting of stockholders, with each director to hold office until his or her successor shall have been duly elected and qualified, and the directors elected or appointed prior to the Annual Meeting will finish their respective terms. If the Declassified Board Proposal is not approved by the stockholders, the Class B directors elected at the Annual Meeting will serve for a term of office expiring at the third succeeding annual meeting of stockholders of the Company after their election, with each director to hold office until his or her successor shall have been duly elected and qualified, and the directors elected or appointed prior to the Annual Meeting will finish their respective terms.

Each of our Class B director nominees, Sandra N. Bane and Van B. Honeycutt, has consented to being named in this Proxy Statement and has agreed to serve as a Class B director if re-elected. Each of the nominees currently serves on the Board. Certain information with respect to these nominees, as well as our Class A directors and Class C directors, is set forth below. Although we anticipate that each nominee will be available to serve as a director, if any nominee becomes unable to serve or for good cause will not serve, the proxies will be voted by the proxy holders as directed by the Board.

Unless the authority to vote for one or more of our director nominees has been withheld in a stockholder's proxy or specific instructions to vote otherwise have been given, the persons named in the proxy as proxy holders intend to vote at the Annual Meeting for with respect to the re-election of each nominee presented below. In the election of directors, assuming a quorum is present, a nominee for re-election as a director shall be re-elected to the Board if the votes cast for such nominee's re-election exceed the votes cast against such nominee's re-election. All properly submitted and unrevoked proxies will be counted for purposes of determining whether a quorum is present, including those providing for abstention or withholding of authority and those submitted by brokers voting without beneficial owner instruction and exercising a non-vote. Broker non-votes in the election of directors will not be counted as voting at the meeting and therefore will not have an effect on the re-election of the nominees listed below. Withheld votes will also have no effect on the re-election of the nominees.

Based on definitions of independence established by Nasdaq, and the determinations of our Nominating and Corporate Governance Committee and our Board, Sandra N. Bane and Van B. Honeycutt are and would be independent directors.

Required Vote

A nominee for re-election as a director shall be re-elected to the Board if the votes for such nominee's re-election from holders of shares of stock represented and voting at the Annual Meeting exceed the votes against such nominee's re-election.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RE-ELECTION OF THE BOARD OF DIRECTORS NOMINEES.

Class B Directors Whose Terms Will Expire in 2016 and are Nominees by the Board of Directors for Re-election at the Annual Meeting

Sandra N. Bane has served as a director since June 2002. Ms. Bane is retired. Prior to her retirement in 1998, Ms. Bane was an audit partner with KPMG LLP from 1985 to 1998 and an accountant in the audit practice of the firm from 1975 to 1985. While at KPMG, Ms. Bane headed the Western region's Merchandising practice for the firm, helped establish the Employee Benefits audit specialist program and was partner in charge of the Western region's Human Resource department for two years. Ms. Bane is also a member of the board of directors of AGL Resources Inc., an energy services holding company, where she chairs the Audit Committee and serves on the Compensation Committee, and Transamerica Asset Management Group, a mutual fund company, where she serves on the Audit Committee. She was formerly a director of PETCO Animal Supplies, Inc. from 2004 to 2006. Additionally, Ms. Bane serves as a member of the board of directors for several nonprofit institutions in her community. She is also a member of the AICPA and the California Society of Certified Public Accountants. Age: 63.

Ms. Bane brings many years of experience as an audit partner with KPMG with extensive financial accounting knowledge that is critical to our Board. We believe that Ms. Bane's experience with accounting principles, financial reporting rules and regulations, evaluating financial results and generally overseeing the financial reporting process of large public companies from an independent auditor's perspective and as a board member and audit committee member of other public companies makes her an invaluable asset to our Board.

Van B. Honeycutt has served as a director since April 2013. Mr. Honeycutt is retired. Prior to his retirement in 2007, Mr. Honeycutt was the Chairman and Chief Executive Officer of Computer Sciences Corporation (CSC), a leading global provider of technology-enabled business solutions and services. He joined CSC in 1975, serving in a variety of managerial and executive positions, including Vice President and General Manager of CSC's Business Services Division, President of CSC Credit Services, Corporate Vice President and President of CSC's Industry Services Group, and President and Chief Operating Officer of CSC. He was named Chief Executive Officer in 1995 and Chairman in 1997, and served in those positions until his retirement in 2007. Mr. Honeycutt also served on the board of directors of Beckman Coulter, Inc. from 1998 until 2011, and had previously served on the boards of directors of Tenet Healthcare Corporation and FHP International Corporation. In addition, Mr. Honeycutt was appointed by the President of the United States to the National Security Telecommunications Advisory Committee in 1995 and served on the committee for 10 years and as chairman for two years. Age: 71.

Mr. Honeycutt has extensive executive, financial and board experience, including service as Chairman and CEO of a leading publicly traded technology company and membership on the boards of other public companies. He brings extensive financial, operational and corporate governance knowledge to our Board, as well as strategic expertise and skills from the technology industry that we believe can help the Company use technology to improve operational efficiency.

Class C Directors Whose Terms Will Expire in 2017

Jennifer H. Dunbar has served as a director since February 2004. Since March 2005, Ms. Dunbar has served as Co-Founder and Managing Director of Dunbar Partners, LLC, an investment and advisory services firm. From 1994 to 1998, Ms. Dunbar was a partner with Leonard Green & Partners, L.P., a private equity firm, which she joined in 1989. Ms. Dunbar began her career as a financial analyst in the Mergers and Acquisitions Department of Morgan Stanley in 1985. Ms. Dunbar is also a member of the board of directors of PS Business Parks, Inc., a real estate investment trust, where she serves on the Audit and Compensation Committees, and a member of the boards of trustees of various funds in the PIMCO Funds complex (169 funds as of February 2016), where she serves on the Audit, Governance and Valuation Oversight Committees. Each of the PIMCO entities is a registered investment company under the Investment Company Act of 1940, as amended. She was formerly a member of the board of directors of 99 Cents Only Stores from 2007 to 2008. Age: 53.

Ms. Dunbar has extensive financial expertise, knowledge of investment banking and experience in private equity investments and mergers and acquisitions, which we believe is valuable to our Board. We believe her past experience as a member of public company boards, including five companies in the retail sector, and as a member of a number of public company board committees, including seven audit committees, is also extremely valuable to our Board.

Steven G. Miller has served as Chairman of the Board, Chief Executive Officer and President since 2002, 2000 and 1992, respectively. Mr. Miller has also served as a director since June 2002. In addition, Mr. Miller served as Chief Operating Officer from 1992 to 2000 and as Executive Vice President, Administration from 1988 to 1992. Age: 64.

Mr. Miller has over 45 years of experience at almost every level of the Company, which we believe positions him to provide essential insight from an inside perspective of the day-to-day operations of the Company. We also believe his comprehensive knowledge of the Company's business and the retail sporting goods industry is invaluable to our Board.

Class A Directors Whose Terms Will Expire in 2018

Dominic P. DeMarco has served as a director since October 2011. Mr. DeMarco currently serves as Managing Director, Co-Chief Investment Officer and Chief Compliance Officer for Stadium Capital Management, LLC (**Stadium Capital**), an investment advisory firm and the Company's largest stockholder, where he shares responsibility for all aspects of firm management, including managing the firm's investment process. Specifically, he has coordinated Stadium Capital's diligence efforts for numerous successful retail investments since 1999, with a particular focus on small-box specialty retailers. Mr. DeMarco joined Stadium Capital in 1999 as an Associate. Prior to that, he was an Associate at Goldman Sachs & Co. (Goldman Sachs), where he evaluated corporate, high yield and mortgage-backed debt, as well as derivatives for large institutional investors. Also at Goldman Sachs, Mr. DeMarco assisted in the structuring of corporate debt and derivative transactions on behalf of Canadian corporate and government entities. Age: 45.

Mr. DeMarco has extensive financial expertise and knowledge of investment banking and corporate finance, including capital allocation, which we believe is of substantial value to our Board.

Nicholas Donatiello, Jr. has served as a director since June, 2015. He has been the President and Chief Executive Officer of Odyssey Ventures, Inc. (**Odyssey**) since September 1993. Odyssey is a marketing and strategy consulting firm specializing in how technology changes consumer media use habits. Prior to founding Odyssey, Mr. Donatiello was President and Chief Executive Officer of Arena Systems, a technology company specializing in developing and marketing software for retail chain stores. Mr. Donatiello is a director of Dolby Laboratories, Inc., a creator of audio, imaging and communication technologies, where he chairs the Compensation Committee and sits on the Nominating and Governance and Technology Strategy Committees. He is also Chairman of the Board of Directors of three of the American Funds managed by Capital Research and Management, where he also serves on the complex-wide Joint Proxy Committee. Mr. Donatiello is also a director of the Schwab Charitable Fund, one of the nation's 10 largest grant-making charities and the largest in California, where he serves on the Investment Oversight Committee and chairs the Compensation Committee. Mr. Donatiello served on the board of directors of Gemstar-TV Guide International, Inc., a provider of television guidance and home entertainment, from July 2000 to May 2008, and on the board of directors of TV Guide, Inc., a provider of television guidance and home entertainment, from July 1999 to July 2000. In addition, Mr. Donatiello served on the board of directors of Classmates Media Corporation, a wholly owned subsidiary of United Online, Inc., a provider of consumer services and products over the Internet, from 2007 to 2010 and as Chairman of the Board of Northern California Public Broadcasting, Inc. (KQED) from 2006 through 2008. Mr. Donatiello is a Lecturer at the Stanford University Graduate School of Business where he lectures on board governance. Age: 55.

We believe that Mr. Donatiello's extensive experience in the consumer, media and technology space makes him a valuable addition to our Board. In addition, Mr. Donatiello has extensive experience in strategic management and, as a director of numerous companies, is a recognized governance expert.

Robert C. Galvin has served as a director since July 2015. He has been the founder and principal of Galvin Consulting LLC, a consulting firm providing strategic services to private equity firms, since January 2014. Mr. Galvin was Chief Executive Officer of Elie Tahari, Ltd., a designer fashion retail chain, from January 2013 until October 2013. He was President of Camuto Group, a manufacturer and omni-channel retailer and wholesaler of women's footwear and apparel, from 2007 to January 2012. Mr. Galvin held several roles, including Chief Operating Officer, of Sports Brands International Ltd., an international manufacturer and

distributor of sports apparel and footwear, from 2003 to 2007. He was Executive Vice President and Chief Financial Officer for Nine West Group, a footwear and accessories business, from 1995 to 1999. He was also with the accounting firm of Deloitte & Touche LLP from 1981 to 1995, where he was a partner and co-founder and partner-in-charge of the Deloitte's Connecticut Retail and Distribution Practice. Mr. Galvin is also a member of the boards of directors of bebe stores, Inc., a women's fashion retailer, where he serves on the Audit and Compensation Committees, Cherokee, Inc., a licensor of brand names and trademarks for apparel, footwear and accessories, where he serves as chair of the Audit Committee and a member of the Nominating and Corporate Governance Committee, and Lands End, Inc., a multi-channel retailer of casual clothing, accessories and footwear, where he serves as chair of the Compensation Committee and a member of the Audit, Nominating and Corporate Governance, and Technology Committees. Age: 56.

We believe that Mr. Galvin's extensive experience with the financial and operational issues of businesses in the retail, sporting goods and footwear sectors, as well as his experience as a board member of publicly traded retail companies, are invaluable to our Board.

David R. Jessick has served as a director since March 2006. Mr. Jessick is retired. Prior to his retirement in 2005, Mr. Jessick served as consultant to the chief executive and senior financial staff at Rite Aid Corp. from June 2002 to February 2005. Mr. Jessick served as Rite Aid's Senior Executive Vice President and Chief Administrative Officer from 1999 to 2002. Prior to joining Rite Aid, from 1997 to 1999, Mr. Jessick was the Chief Financial Officer for Fred Meyer, Inc., where he also served as Executive Vice President, Finance and Investor Relations. From 1979 to 1996, he held various financial positions, including Senior Executive Vice President and Chief Financial Officer, with Thrifty Payless, Inc. and Payless Drugstores Northwest, Inc. Mr. Jessick began his career as a certified public accountant with Peat, Marwick, Mitchell & Co. Mr. Jessick is also a member of the board of directors of Rite Aid Corp., a retail drug store company, where he serves on the Audit Committee. Age: 62.

Mr. Jessick has more than 30 years of experience as a corporate financial executive and chief financial officer of publicly traded companies in the retail sector. He has been a member of several public company boards, including three companies in the retail sector, served as chairman of the board of a publicly traded company in the retail sector, and served on a number of public company board committees, including three audit committees. We believe that Mr. Jessick's extensive experience with the financial and operational issues of publicly traded companies, especially those in the retail sector, is invaluable to our Board.

THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The following table lists the current members of the Board, their age, and information regarding their class and committee membership:

Name	Age	Class	Expiration of Current Term
Dominic P. DeMarco (b)(d)	45	A	2018
Nicholas Donatiello, Jr. (c)	55	A	2018
Robert C. Galvin (d)	56	A	2018
David R. Jessick (a)(c)	62	A	2018
Sandra N. Bane (a)(b)(c)	63	B	2016
Van B. Honeycutt (c)(d)	71	B	2016
Jennifer H. Dunbar (a)(b)(c)	53	C	2017
Steven G. Miller (d)	64	C	2017

(a) Member of the Audit Committee

(b) Member of the Compensation Committee

(c) Member of the Nominating and Corporate Governance Committee

(d) Member of the Value Creation Committee

Board Meetings, Board Committees and Board Structure

The Board held seven meetings during the fiscal year ended January 3, 2016, and acted by unanimous written consent on two occasions. During the fiscal year ended January 3, 2016, each incumbent director of the Company attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings of the committees on which such director served (in each case, during the periods that such director served). Due to a lack of in-person stockholder attendance at the Company's annual meetings, the Board no longer has a policy regarding attendance at the annual meeting of stockholders by directors or nominees. Steven G. Miller attended the Company's 2015 annual meeting of stockholders.

Each director holds office until such director's resignation or until a successor is duly elected and qualified. It is the policy of the Board that a majority of the Board shall be independent as that term is defined in Nasdaq Listing Rule 5605(a)(2). The Board has determined that Sandra N. Bane, Dominic P. DeMarco, Nicholas Donatiello, Jr., Jennifer H. Dunbar, Robert C. Galvin, Van B. Honeycutt and David R. Jessick, each of whom is a current member of the Board, are independent.

Executive Sessions of Independent Directors

To promote open discussion among the independent directors, the independent directors meet in executive session as deemed necessary and at least quarterly after regularly-scheduled board meetings. The Chair of the Audit Committee presides at these executive sessions. Any independent director may request that an executive session of the independent members of the Board be scheduled. Following such meetings, the Chair of the Audit Committee (or another designated director) will discuss with the Chairman of the Board and Chief Executive Officer, to the extent appropriate, matters emanating from the executive sessions. The independent directors met in executive session four times during the fiscal year ended January 3, 2016.

Audit Committee

The Board has a standing Audit Committee, separately-designated and established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), which is chaired by David R. Jessick and currently consists of Mr. Jessick, Sandra N. Bane and Jennifer H. Dunbar. The Board has determined that each of the members of the Audit Committee (i) is financially literate (including the ability to read and understand financial statements) and an independent director (as that term is defined in Nasdaq Listing Rule 5605(a)(2)), (ii) meets the additional audit committee independence requirements set forth in Nasdaq Listing Rule 5605(c)(2), and (iii) qualifies as an audit

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committee financial expert as defined in the rules of the Securities and Exchange Commission. The Audit Committee held four meetings during the fiscal year ended January 3, 2016.

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Pursuant to its written charter, the functions of the Audit Committee are, among other things, to:

be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged by the Company (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;

pre-approve all audit and permissible non-audit services to be performed for the Company by its registered public accounting firm in accordance with the provisions of Section 10A(i) of the Exchange Act;

establish procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

review and discuss with the Company's management and independent registered public accounting firm the Company's financial disclosures, including its audited annual and unaudited quarterly consolidated financial statements, as well as the adequacy and effectiveness of the Company's internal accounting controls;

discuss with the Company's management and independent registered public accounting firm any significant changes to the Company's accounting principles;

review the independence and performance of the Company's independent registered public accounting firm, as well as the independent registered public accounting firm's internal quality control procedures; and

review from time to time and make recommendations with respect to the Company's policies relating to management conduct and oversee procedures and practices to ensure compliance with such policies.

The charter for the Audit Committee can be found on the Company's website at www.big5sportinggoods.com. To locate the charter, go to the Investor Relations section of the website and click on Corporate Governance.

Compensation Committee

The Board has a standing Compensation Committee, which is chaired by Sandra N. Bane, and currently consists of Ms. Bane, Dominic P. DeMarco and Jennifer H. Dunbar. Each of the members of the Compensation Committee is (i) an independent director within the meaning of Nasdaq Listing Rule 5605(a)(2) and meets the additional requirements for compensation committee members set forth in Nasdaq Listing Rule 5605(d)(2), (ii) is a non-employee director within the meaning of Rule 16b-3 of the Exchange Act, and (iii) is an outside director within the meaning of Section 162(m) of the Internal Revenue Code. Among other things, the function of the Compensation Committee is to review and determine the compensation and benefits of the Company's executive officers and to administer the Company's 2007 Plan. The Compensation Committee held five meetings during the fiscal year ended January 3, 2016.

The Compensation Committee may, to the extent permitted by applicable laws and regulations, form and delegate any of its responsibilities to a subcommittee so long as such subcommittee consists of at least two members of the Compensation Committee. The Compensation Committee has not formed any such subcommittees to date. In carrying out its purposes and responsibilities, the Compensation Committee has authority to retain outside counsel or other experts or consultants, as it deems appropriate. The Compensation Committee has not historically used outside consultants in making compensation determinations, other than in designing the 2007 Plan and its previous and proposed amendments and restatements. The Compensation Committee periodically receives and considers, to the extent it considers appropriate, recommendations from the Company's Chief Executive Officer, Mr. Steven G. Miller, in connection with its compensation decisions.

The charter for the Compensation Committee can be found on the Company's website at www.big5sportinggoods.com. To locate the charter, go to the Investor Relations section of the website and click on Corporate Governance.

Nominating and Corporate Governance Committee

The Board has a standing Nominating and Corporate Governance Committee, which is chaired by Jennifer H. Dunbar and currently consists of Ms. Dunbar, Sandra N. Bane, Nicholas Donatiello, Jr., Van B. Honeycutt and David R. Jessick. Each of the members of the Nominating and Corporate Governance Committee is an independent director as that term is defined in Nasdaq Listing Rule 5605(a)(2). Among other things, the function of the Nominating and Corporate Governance Committee is to (i) identify, screen, review and recommend to the Board individuals qualified to be nominated for election to the Board and to fill vacancies or newly created positions on the Board, consistent with criteria approved by the Board, (ii) recommend to the Board the directors to serve on each Board committee, (iii) assess and, as necessary, develop and recommend to the Board corporate governance policies for the Company, and (iv) oversee the evaluation of the Board. The Nominating and Corporate Governance Committee held three meetings during the fiscal year ended January 3, 2016, and acted by unanimous written consent on two occasions.

The charter for the Nominating and Corporate Governance Committee can be found on the Company's website at www.big5sportinggoods.com. To locate the charter, go to the Investor Relations section of the website and click on Corporate Governance.

Value Creation Committee

The Board has a Value Creation Committee, which is co-chaired by Dominic P. DeMarco and Van B. Honeycutt and currently consists of Mr. DeMarco, Mr. Honeycutt, Robert C. Galvin and Steven G. Miller. Among other things, the function of the Value Creation Committee is to (i) review the Company's business, operations, capital allocations and strategy, (ii) explore profit enhancement opportunities for the Company's business, (iii) identify possible areas of value creation for the Company's business and its stockholders, and (iv) make recommendations to the Board on these issues. The Value Creation Committee will dissolve automatically at the earlier of (i) 10 days prior to the deadline for submission of stockholder nominees for the Company's 2017 annual meeting of stockholders or (ii) 100 days prior to the first anniversary of the Annual Meeting, unless extended by the Board. The Value Creation Committee held 27 meetings during the fiscal year ended January 3, 2016.

Director Qualifications and Nominations Process

It is the policy of the Board that, in addition to being approved by a majority of the Board, each nominee must first be recommended by the Nominating and Corporate Governance Committee.

The policy of the Nominating and Corporate Governance Committee is to recommend and encourage the selection of directors who have achieved success in their personal fields and who demonstrate integrity and high personal and professional ethics, sound business judgment and willingness to devote the requisite time to their duties as director, and who will contribute to the overall corporate goals of the Company. Candidates are evaluated and selected based on their individual merit, as well as in the context of the needs of the Board as a whole. In evaluating the suitability of individual candidates for election or re-election to the Board, the Nominating and Corporate Governance Committee and the Board take into account many factors, including understanding of the retail sporting goods industry, sales and marketing, finance and other elements relevant to the Company's business, educational and professional background, age, and past performance as a director. The Nominating and Corporate Governance Committee and the Board evaluate each individual in the context of the composition and needs of the Board as a whole, including the independence requirements imposed by Nasdaq and the Securities and Exchange Commission, with the objective of recommending a group that can best perpetuate and build on the success of the business and represent stockholder interests. The Nominating and Corporate Governance Committee strives to compose the Board to be a collection of individuals with a variety of complementary skills who, as a group, possess the appropriate skills and experience to oversee the Company's business. Accordingly, although diversity may be a consideration in the nominations process, the Nominating and Corporate Governance Committee and the Board do not have a formal policy with regard to the consideration of diversity in identifying director nominees. In determining whether to recommend a director for re-election, the Nominating and Corporate Governance Committee and the Board also consider the director's past attendance at, and participation in, meetings of the Board and its committees and contributions to its activities. In the event of a

potential or actual vacancy, the Nominating and Corporate Governance Committee and the Board use the Board's network of contacts to identify potential candidates, but may also engage, if they deem appropriate, a professional search firm.

Pursuant to our Director Qualifications and Nominations, Board Meetings and Stockholder Communications Policy, stockholders who have beneficially owned more than five percent of the Company's then-outstanding shares of common stock for a period of at least one year as of the date of making the proposal may propose candidates for consideration by the Nominating and Corporate Governance Committee and the Board by submitting the names and supporting information to: Big 5 Sporting Goods Corporation, Attention: Secretary, 2525 East El Segundo Blvd, El Segundo, CA 90245-4632. A stockholder recommendation for nomination must be submitted in accordance with the Company's Bylaws and must contain the following information about the proposed nominee, as well as documentary support that the stockholder satisfies the requisite stock ownership threshold and holding period: name, age, business and residence addresses, principal occupation or employment, the number of shares of the Company's common stock held by the nominee, a resume of his or her business and educational background, the information that would be required under the Securities and Exchange Commission's rules in a proxy statement soliciting proxies for the election of such nominee as a director, and a signed consent of the nominee to serve as a director, if nominated and elected. Neither the Nominating and Corporate Governance Committee nor the Board intends to alter the manner in which it evaluates candidates, including the criteria set forth above, based on whether the candidate was recommended by a stockholder.

Majority Voting Policy

The Board has adopted a policy statement on majority voting (which is available on the Investor Relations section of the Company's website under Corporate Governance). Under this policy a nominee for a director position in an uncontested election must receive more votes cast for than against (with abstentions and broker non-votes not counted as a vote cast either for or against that nominee's election) in order to be elected or re-elected to the Board. Any incumbent nominee for director in an uncontested election who receives the same or a greater number of votes against his or her election than votes for such election shall promptly tender his or her resignation, which resignation shall only be effective upon acceptance by the Board. The Nominating and Corporate Governance Committee will evaluate the resignation and recommend to the Board whether to accept the resignation or to take some other action.

Board Leadership Structure

Steven G. Miller serves as both the Chief Executive Officer and the Chairman of the Board. The Board does not have a lead independent director. Given Mr. Miller's long standing association with the Company, and his extensive knowledge of and experience with the retail sporting goods industry, the Board believes that Mr. Miller's service as both Chairman of the Board and Chief Executive Officer is in the best interest of the Company and its stockholders. The Board believes that Mr. Miller's extensive experience provides him with detailed and in-depth knowledge of the Company's business and industry and the issues facing the Company, and that he is thus best positioned to develop agendas that ensure that the Board's time and attention are focused on the most critical matters.

The Board believes that his combined role enables decisive leadership, ensures clear accountability, and enhances the Company's ability to communicate its message and strategy clearly and consistently to the Company's stockholders, employees, vendors and customers.

Although the Board believes that the combination of the Chairman and Chief Executive Officer roles is appropriate in the current circumstances, it has not established this approach as a formal policy.

Stock Ownership Guidelines for Non-Management Directors

In 2016, the Board adopted stock ownership guidelines for its non-management directors. Under the guidelines, non-management directors are expected to maintain equity ownership in the Company with a value equal to three times the annual cash retainer paid to non-management directors.

Risk Oversight

Company management is responsible for assessing and managing risk, subject to oversight by the Board. The Board satisfies this responsibility through reports by each committee chair regarding such committee's considerations and actions, as well as through regular reports directly from the officers responsible for oversight of risks within the Company. As part of this process, the Board and management actively engage in discussions of potential and perceived risks to the business. The Board regularly meets with the Chief Executive Officer, the Chief Financial Officer and the General Counsel, as well as other Company executives as the Board deems to be appropriate, in the Board's consideration of matters submitted for Board approval and risks associated with such matters.

The Board is assisted in its oversight responsibilities by the standing Board committees, which have assigned areas of oversight responsibilities for various matters as described in the committee charters. For example, the Audit Committee assists the Board's oversight of the integrity of the Company's consolidated financial statements, the qualifications and independence of the Company's independent registered public accounting firm, and the performance of the Company's internal audit function and independent registered public accounting firm. In carrying out this responsibility, the Audit Committee works closely with management, including the Director of Internal Audit. The Audit Committee meets at least quarterly with members of management, including the Director of Internal Audit, and, among other things, receives an update on management's assessment of risk exposures (including risks related to liquidity, credit, and operations, among others).

The Compensation Committee oversees the compensation of the Company's Chief Executive Officer and other executive officers and evaluates the appropriate compensation incentives to motivate senior management to grow long-term stockholder returns without undue risk taking. Company management has regularly reviewed all employee compensation policies and practices to determine if the Company's compensation program encourages risks (such as a focus on short term goals without consideration of long term consequences) that are reasonably likely to have a material adverse effect on the Company. At a meeting of the Compensation Committee in April 2016, management presented the findings of its most recent review, including its conclusion that the Company's compensation programs do not encourage risks that are reasonably likely to have a material adverse effect on the Company. This conclusion was primarily the result of the fact that the Company traditionally has not had incentive compensation programs that are based upon the achievement of specific performance goals or financial targets, which can potentially create such risks if not structured properly. Because the Company's incentive compensation has been primarily based upon overall Company performance and not tied to the individual employee achieving any specific target metrics, management concluded that there is little motivation or opportunity for employees to take undue risks to achieve incentive compensation awards. In addition, all equity awards to employees vest over several years, which helps to align employees' focus on long-term results. Following discussion, the Compensation Committee concurred in management's conclusion.

Certain Relationships

There are no family relationships between any director, nominee or executive officer and any other director, nominee or executive officer of the Company.

There are no arrangements or understandings between any director, nominee or executive officer and any other person pursuant to which such person has been or will be selected as a director and/or executive officer of the Company (other than arrangements or understandings with any such director, nominee and/or executive officer acting in such person's capacity as such), except as follows:

the Company has an employment agreement with Mr. Miller, who currently serves as Chairman of the Board, President and Chief Executive Officer, which provides that as long as he serves as an officer, the Company will use its best efforts to ensure that he continues to serve on the Company's Board;

Stadium requested in 2011 that the Company consider Mr. DeMarco for appointment to the Board and Mr. DeMarco was appointed to the Board in October 2011. Stadium's affiliated funds have been stockholders of the Company since 2006 and, taken together, are the Company's largest current stockholder; and

Stadium informed the Company in April 2015 of its intention to nominate Mr. DeMarco and Mr. Donatiello for election as directors at the Company's 2015 annual stockholders meeting, and the Company and Stadium subsequently entered into an agreement which provided, in part, that the Company would nominate Mr. DeMarco and Mr. Donatiello for re-election and election, respectively, as directors at such stockholders meeting. The agreement also provided that the Company would appoint Mr. Galvin to the Board following the Company's 2015 annual meeting of stockholders. Mr. Galvin was so appointed to the Board in July of 2015.

Audit Committee Report

The Company's management has primary responsibility for the Company's consolidated financial statements and overall reporting process, including the Company's system of internal control over financial reporting and assessing the effectiveness of internal control over financial reporting. The Company's independent registered public accounting firm audits the annual consolidated financial statements prepared by management, expresses an opinion as to whether those consolidated financial statements fairly present the financial position, results of operations and cash flows of the Company in conformity with accounting principles generally accepted in the United States and discusses with the Audit Committee any issues that the independent registered public accounting firm believes should be brought to its attention. The Audit Committee oversees and monitors the Company's financial reporting process and the quality of its internal and external audit process.

The Audit Committee has reviewed the Company's audited consolidated financial statements for the fiscal year ended January 3, 2016 and the notes thereto and discussed such consolidated financial statements with management and Deloitte & Touche LLP, the Company's independent registered public accounting firm, acting as the Company's independent auditor. Management has represented to the Audit Committee that the consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States.

The Audit Committee has discussed with Deloitte & Touche LLP the matters required to be discussed by Public Company Accounting Oversight Board (United States) (**PCAOB**) Auditing Standard No. 16, *Communications with Audit Committees*, which includes, among other items, the independent auditor responsibilities, any significant issues arising during the audit and any other matters related to the conduct of the audit of the Company's consolidated financial statements. The Audit Committee also discussed with Deloitte & Touche LLP such other matters as are required to be discussed by rules of the Securities and Exchange Commission and other applicable regulations.

The Audit Committee has received the written disclosures and correspondence from Deloitte & Touche LLP required by applicable requirements of the PCAOB regarding Deloitte & Touche LLP's communications with the Audit Committee concerning independence, and has discussed with Deloitte & Touche LLP its independence from the Company.

The Audit Committee also reviewed management's report on its assessment of the effectiveness of the Company's internal control over financial reporting and the independent registered public accounting firm's report on the effectiveness of the Company's internal control over financial reporting.

The Audit Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for its audit. The Audit Committee meets at least quarterly with the independent registered public accounting firm, with and without management present, to discuss the results of its review or examination, its evaluation of the Company's internal control, including internal control over financial reporting, and the overall quality of the Company's financial reporting.

Conclusion

Based on the review and discussions referred to above, the Audit Committee recommended to the Company's Board of Directors that the Company's audited consolidated financial statements and management's assessment of effectiveness of the Company's internal control over financial reporting be included in the Company's Annual Report on Form 10-K for the fiscal year ended January 3, 2016 for filing with the Securities and Exchange Commission.

SUBMITTED BY AUDIT COMMITTEE OF

THE BOARD OF DIRECTORS

David R. Jessick (Chair)

Sandra N. Bane

Jennifer H. Dunbar

April 19, 2016

*No portion of this Audit Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the **Securities Act**), or the Exchange Act, through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that the Company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed to be filed under either the Securities Act or the Exchange Act.*

Stockholder Communications with the Board of Directors

Stockholders may send communications about matters of general interest to the stockholders of the Company to the Board, the Chairman of the Board, the Chair of the Audit Committee, the Chair of the Compensation Committee or the Chair of the Nominating and Corporate Governance Committee at the following address: Big 5 Sporting Goods Corporation, Attention: Secretary, 2525 East El Segundo Blvd, El Segundo, CA 90245-4632. The Secretary will compile these communications and periodically deliver them to the Chairman of the Board or, where applicable, to the Chair of the committee to which such communication was addressed, unless otherwise specifically addressed. Communications relating to accounting, internal controls over financial reporting or auditing matters will be referred to the Chair of the Audit Committee. The Chairman of the Board or, where applicable, the Chair of the committee to which such communication was addressed, will determine in his or her discretion which communications will be relayed to other Board or committee members.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics that applies to all of the Company's employees, including the Company's senior financial and executive officers, as well as the Company's directors. The Code of Business Conduct and Ethics can be found on the Company's website at www.big5sportinggoods.com. To locate the Code of Business Conduct and Ethics, go to the Investor Relations section of the website and click on Corporate Governance. The Company will disclose any waivers of, or amendments to, any provision of the Code of Business Conduct and Ethics that applies to the Company's directors and senior financial and executive officers on the Company's website.

Compensation Committee Interlocks and Insider Participation

For the fiscal year ended January 3, 2016, the Compensation Committee consisted of Sandra N. Bane (as Chair), Dominic P. DeMarco and Jennifer H. Dunbar. None of these individuals (i) is or has been an officer or employee of the Company or any of its subsidiaries, or (ii) has any relationship requiring disclosure under any paragraph of Item 404 of Regulation S-K.

None of the Company's executive officers serves as a director or member of the compensation committee of another entity in a case where an executive officer of such other entity serves as a director or member of the Compensation Committee.

Compensation Committee Report

The Compensation Committee of the Board has reviewed and discussed the Compensation Discussion and Analysis with the Company's management and, based on our review and discussions, we recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Sandra N. Bane (Chair)

Dominic P. DeMarco

Jennifer H. Dunbar

April 19, 2016

No portion of this Compensation Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that the Company specifically incorporates this report or a portion of it by reference. In addition, this report shall not be deemed to be filed under either the Securities Act or the Exchange Act.

Executive Officers

The following section sets forth certain information with respect to the Company's current executive officers (other than Steven G. Miller, whose information is set forth above under "Class C Directors Whose Terms Will Expire in 2017"). Executive officers serve at the discretion of the Board, subject to rights, if any, under contracts of employment. See "Executive and Director Compensation and Related Matters" Employment Agreements and Change in Control Provisions.

Name	Age	Position with the Company
Steven G. Miller	64	Chairman of the Board of Directors, Chief Executive Officer and President
Richard A. Johnson	70	Executive Vice President
Boyd O. Clark	58	Senior Vice President, Buying
Barry D. Emerson	58	Senior Vice President, Chief Financial Officer and Treasurer
Jeffrey L. Fraley	59	Senior Vice President, Human Resources
Gary S. Meade	69	Senior Vice President, General Counsel and Secretary
Shane O. Starr	58	Senior Vice President, Operations

Richard A. Johnson was named Executive Vice President in March 2007. Prior to that, he served as Senior Vice President, Store Operations since 1992. Prior to that, Mr. Johnson was Vice President, Store Operations since 1982. Age: 70.

Boyd O. Clark has served as Senior Vice President, Buying since August 2011. Prior to that, he served as the Company's Vice President, Buying since 1999. Age: 58.

Barry D. Emerson has served as Chief Financial Officer and Treasurer since October 2005 and as Senior Vice President since September 2005. Prior to joining the Company, Mr. Emerson was employed by U. S. Auto Parts Network, Inc., an ecommerce distributor of aftermarket auto parts in the United States, where he served as Vice President, Treasurer and Chief Financial Officer during 2005. Prior to that, Mr. Emerson served as Vice President, Treasurer and Chief Financial Officer of Elite Information Group, Inc., a software product and services company, from 1999 through 2004. Age: 58.

Jeffrey L. Fraley has served as Senior Vice President, Human Resources since July 2001. Prior to that, Mr. Fraley served as Vice President, Human Resources from 1992 to 2001. Age: 59.

Gary S. Meade has served as Senior Vice President since July 2001 and General Counsel and Secretary since 1997. Mr. Meade also served as Vice President from 1997 to 2001. Prior to joining the Company, Mr. Meade was employed by Thrifty Payless, Inc., a retail drug store company, where he served as Vice President, Legal Affairs and Secretary from 1994 through 1996, and by Thrifty Corporation, a retail drug store company which was the parent company of Big 5 Sporting Goods until 1992, where he served as Vice President, Legal Affairs and Secretary from 1992 through 1994 and Vice President, Legal Affairs from 1979 through 1992. Age: 69.

Shane O. Starr has served as Senior Vice President, Operations, since March 2007. Prior to that, he served as the Company's Vice President of Operations since 1999. Age: 58.

EXECUTIVE AND DIRECTOR COMPENSATION AND RELATED MATTERS
Compensation Discussion and Analysis*Overview and 2015 Summary*

The discussion of our compensation philosophies and procedures described below applies to all of our executive officers. However, in accordance with the rules of the Securities and Exchange Commission, our discussion will focus on the compensation structure in effect for the following executive officers (who will be referred to as our **named executive officers**):

Steven G. Miller	Chairman of the Board of Directors, Chief Executive Officer and President
Barry D. Emerson	Senior Vice President, Chief Financial Officer and Treasurer
Boyd O. Clark	Senior Vice President, Buying
Richard A. Johnson	Executive Vice President
Gary S. Meade	Senior Vice President, General Counsel and Secretary

Attracting, motivating and retaining well-qualified and highly-talented executives are essential to the success of any company. We believe that our business and the interests of our stockholders are best served by continuity and stability of our management team. In the retail sporting goods industry, the market for top executive talent is highly competitive. Accordingly, the goals of our compensation program are to encourage retention of top executives who may have attractive opportunities at other companies, to provide significant rewards for successful performance, particularly over the longer term, and to align our named executive officers' and other executive officers' interests with those of our stockholders. We believe these goals can be achieved by a program of executive compensation which stresses long-term incentives and which is stable and consistent over time. Our executive compensation program therefore has varied very little since the Company's initial public offering in 2002. We believe that our executive compensation policy has been successful in encouraging retention, because our named executive officers have an average tenure of 29 years with us.

Our named executive officers' compensation consists of three primary elements: (i) base salary, (ii) annual bonus awards from a company-wide bonus pool that over the past 10 years has represented between 5.0% and 5.6% of the Company's overall earnings before interest, taxes, depreciation and amortization (**EBITDA**) for the applicable year (which was adjusted in 2015 to exclude the one-time costs of our publicly-disclosed proxy contest and related matters); and (iii) long-term stock-based incentive awards in the form of restricted stock awards and (in prior years) stock options.

When setting these elements of compensation, our Compensation Committee does not use specific performance criteria or attempt to tie compensation to specific benchmarks against any peer group companies. Instead, the Compensation Committee considers a variety of factors, including Company performance, individual performance and competitive data.

The Compensation Committee considers individual performance as well as the salaries of various similarly situated companies in determining base salaries. Company performance in a given fiscal year is also weighed heavily in determining base salaries for the following year.

Annual bonus awards are generally tied to Company EBITDA performance. The amount of total bonuses paid typically increases or decreases in relative proportion to the percentage of increase or decrease in EBITDA.

Company performance is also a major factor in determining the size and value of any equity grants.

Although the cash component has traditionally been, and continues to be, the largest portion of our named executive officers' compensation, the Compensation Committee believes that the interests of our named executive officers are aligned with stockholder interests as a result of our equity grants and the fact that the annual bonus award, which represents a large portion of the cash compensation, is generally tied to Company EBITDA performance. Because we set base salaries and award equity grants in March of each year, salary

increases (if any) for a fiscal year and the size and value of the equity grants shown as compensation for a given fiscal year tend to be reflective of the Company's performance in the prior fiscal year. Conversely, since bonuses for each fiscal year are primarily based upon the Company's EBITDA in that fiscal year, and are determined and paid in March of the following year, bonuses shown as compensation for a given fiscal year reflect the Company's performance in that fiscal year.

With respect to the named executive officers' compensation for 2015 shown below, this resulted in the following:

Base salaries for 2015 were increased by a modest 2.2%, a smaller percentage and dollar increase than 2013 and 2014, in light of the Company's financial performance in fiscal 2014.

Annual bonuses for fiscal 2015 (determined and paid in March 2016) were increased from the prior year because the Company's EBITDA for fiscal 2015 increased compared with 2014. Our Compensation Committee determined bonus payments for fiscal 2015 based on an adjusted EBITDA which excluded the one-time costs of our publicly-disclosed proxy contest and related matters. As adjusted, EBITDA increased by 6.2% over the prior year, the total amount of bonuses paid to employees increased by 5.0%, and the amount of bonuses paid to the named executive officers as a group increased by 4.4%.

The value of equity grants to named executive officers as a group in 2015 (made in March 2015) decreased by 15% compared to 2014, reflecting the decrease in the Company's stock price from March 2014 to March 2015.

Process

Our compensation decisions are made by the Compensation Committee, which is composed entirely of independent members of our Board. The Compensation Committee's philosophy is to provide a compensation package that attracts, motivates and retains executive talent and aligns the interests of management with those of the stockholders. Specifically, the objectives of the Compensation Committee's practices are to:

- (1) provide a total compensation program that is competitive with companies with whom we compete for talent;
- (2) link short term incentives to financial performance;
- (3) provide long term compensation that focuses management's efforts on building stockholder value and aligning their interests with our stockholders; and
- (4) promote stability and retention of our management team.

The Compensation Committee receives recommendations from our President and Chief Executive Officer (our Principal Executive Officer), and considers factors such as publicly available information on executive compensation, including industry comparisons and competitive data, each executive's role and responsibilities, and the responsibility levels of the executives relative to one another. Our Chief Executive Officer does not participate in the deliberations of the Compensation Committee with respect to setting his compensation.

When making its compensation decisions, the Compensation Committee has not targeted compensation to specific benchmarks against any peer group companies. The Compensation Committee and our Chief Executive Officer believe it is difficult to establish a group of peer companies that is representative of the Company's business, management structure and management experience for a truly comparative benchmarking. In addition, the Compensation Committee and the Chief Executive Officer believe that targeting compensation solely to specific benchmarks against peer group companies would necessarily not reflect any differences in the specific performance or differing experience levels and operational responsibilities of the individual named executive officers, any differences in the overall performance of the peer group companies or any additional factors affecting compensation decisions.

Nonetheless, in the course of his diligence effort toward arriving at his recommendations to the Compensation Committee, the Chief Executive Officer identifies for the Compensation Committee various companies whose compensation levels he determines to be relevant to ensure that the Company's compensation

levels are not materially inconsistent with market practice of competitors and similarly-situated companies, recognizing and taking into account the fact that the level of experience of the Company's executives typically exceeds the experience of executives in comparable positions at these peer companies. In that regard, for purposes of determining base salaries, the Chief Executive Officer looks at data from proxy statements and other public information available for the following publicly-traded retail companies: Aéropostale, Inc., Big Lots, Inc., Boot Barn Holdings, Inc., Cabela's Incorporated, Destination XL Group, Inc., Dick's Sporting Goods, Inc., DSW, Inc., The Finish Line, Inc., Haverty Furniture Companies, Inc., Hibbett Sports, Inc., Kirkland's, Inc., Men's Wearhouse Inc., Pacific Sunwear of California, Inc., Pier 1 Imports Inc., Shoe Carnival, Inc., Sportsman's Warehouse Holdings, Inc., Stage Stores, Inc., Stein Mart, Inc., Tilly's, Inc., Tuesday Morning Corporation, West Marine, Inc., and Zumiez Inc. In the Chief Executive Officer's view, these companies represent certain key competitors in the sporting goods retail industry as well as certain similarly situated specialty retailers in terms of geographic location and size. As indicated above, neither the Compensation Committee nor the Chief Executive Officer attempts to formulaically tie the Company's compensation levels to those of any of these peer group companies. Instead, the data is used only to inform the Chief Executive Officer and the Compensation Committee regarding general market practice in order to allow them to assess the reasonableness of the Company's compensation practices over time.

Further, the Compensation Committee does not establish any specific quantitative company or individual performance objectives, or any predetermined qualitative performance objectives, that must be achieved in order for a named executive officer to earn any portion of his compensation. The Compensation Committee's decision regarding annual base salaries, any equity awards and any annual incentive bonus received by each named executive officer is a subjective one that is made by the Compensation Committee in its discretion after an overall assessment of all of the factors it deems appropriate. Factors that have historically been considered by the Compensation Committee when determining compensation to be paid to each named executive officer include the Company's overall financial performance in the prior year, the executive's individual performance of his duties as evaluated at the subjective discretion of the Compensation Committee and the Chief Executive Officer, cost of living increases and the Chief Executive Officer's recommendations.

In addition, with respect to individual performance, the Chief Executive Officer interacts with all of the other named executive officers on a near daily basis throughout the year, and his subjective views on each such executive officer's performance are reflected in his recommendations to the Compensation Committee. Furthermore, members of the Compensation Committee (while serving on the Compensation Committee, other Board committees or while attending meetings and functions of the Company's Board generally) also interact frequently with the Chief Executive Officer, other named executive officers and certain other executive officers, and have available other data relating to the performance of the business units or functions for which each named executive officer is responsible. As a result, the Compensation Committee members also form their own subjective views on each executive's performance throughout the year, and these assessments, along with the Chief Executive Officer's recommendations, are considered in setting overall and relative salary and bonus levels and equity grants. Using those assessments, the Compensation Committee will, at the Chief Executive Officer's recommendation or when it otherwise deems it appropriate, modify compensation levels to reflect individual performance.

As noted above, our named executive officers have an average tenure of 29 years with us. Consequently, the Company believes that, as a practical matter, the skills, scope of duties and relative contributions of these officers tend to be more consistent from year to year in comparison to the executive officers of companies for which there has been more turnover. Accordingly, the year-over-year compensation levels, and the compensation levels of our named executive officers relative to one another, tend to reflect that fact.

The Company retained an independent compensation consultant, Frederic W. Cook & Co., Inc. (Cook), in designing the 2007 Plan and designing the amendment and restatement of the 2007 Plan in 2011. The Company also retained Cook in 2010 to advise regarding the implementation of a voluntary deferral plan for equity grants to non-employee directors. The Compensation Committee and the Company have not otherwise used outside consultants in determining or recommending the amount or form of executive or director compensation. The work of Cook did not raise any conflict of interest.

Internal Revenue Code Section 162(m) generally disallows a tax deduction to reporting companies for compensation over \$1,000,000 paid to each of the company's chief executive officer and the four other most highly compensated officers, except for compensation that is performance based. Section 162(m) has not been a factor in the design of our executive compensation program because the compensation of our executives other than our Chief Executive Officer has not approached \$1,000,000, and the compensation of our Chief Executive Officer, except for stock options which are performance based compensation, has in certain years exceeded \$1,000,000 only by a minor amount.

Elements of Compensation

Salary

As noted above, because we set base salaries in March of each year, salary increases (if any) for a fiscal year tend to be reflective of the Company's performance in the prior fiscal year.

Our Compensation Committee generally reviews the base salaries of our named executive officers annually. The salaries of our named executive officers are determined in the sole discretion of the Compensation Committee, after receiving recommendations from our Chief Executive Officer. As noted above, the Compensation Committee considers individual and Company performance, as well as factors such as publicly available information on executive compensation, including industry comparisons and competitive data, each executive's role and responsibilities, and the responsibility levels of the executives relative to one another. We believe that the salaries of our named executive officers are at or below the median of salaries paid by other companies in the market with whom we compete for talent. The Compensation Committee approved moderate increases in base salaries for 2013 and 2014 as a result of the Company's improved 2012 and 2013 financial performance. The Compensation Committee approved a modest increase of 2.2% in base salaries for 2015, a smaller percentage and dollar increase than 2013 and 2014, in light of the Company's 2014 financial performance.

Bonuses

As noted above, since bonuses for each fiscal year are primarily based upon the Company's EBITDA in that fiscal year, and are determined and paid in March of the following year, bonuses shown as compensation for a given fiscal year reflect the Company's performance in that fiscal year.

We intend that bonuses paid to our named executive officers will reward them for the achievement of successful financial performance over a relatively short period of time (typically one fiscal year). The bonuses of our named executive officers are determined in the sole discretion of the Compensation Committee, after receiving recommendations from our Chief Executive Officer.

Although the Company does not set specific Company or individual performance targets for purposes of determining the bonuses, the total amount of the annual bonuses paid to our salaried employees (except for store managers) has historically been correlated with the amount of our earnings before interest, taxes, depreciation and amortization, or EBITDA, with the total amount of this bonus pool increasing or decreasing in relative proportion to the increase or decrease in EBITDA. For example, in 2013 EBITDA was 51% higher than in 2012, and the overall bonus pool increased by 49%. Conversely, in 2014 EBITDA decreased by 31% in comparison to 2013, and the total amount of the bonus pool accordingly decreased by 29%. In 2015, our adjusted EBITDA (which excluded the one-time costs of our publicly-disclosed proxy contest and related matters) increased by 6.2% in comparison to 2014, and the overall bonus pool increased by 5.0%.

Over the past ten years, the total amount of the bonus pool has represented between 5.0% and 5.6% of our EBITDA. For 2015, the overall Company bonus pool was 5.5% of our adjusted EBITDA (which excluded the one-time costs of our publicly-disclosed proxy contest and related matters).

The Compensation Committee varies the bonus pool as a percentage of EBITDA (as well as the percentage of the bonus pool allocable to named executive officers) slightly from year to year based on a variety of factors, including but not limited to the number of salaried employees who will be paid from the bonus pool and the Company's actual EBITDA. If EBITDA is abnormally low compared with historical patterns, the Compensation

Committee may set the overall bonus pool as a percentage of EBITDA at slightly above 5% in order to allow the Company to pay participating employees amounts determined to be reasonable while still reflecting a reduction in the overall bonus pool (and absolute amounts of the bonuses) in light of the lower EBITDA. The converse may be true in years where EBITDA is abnormally high compared with historical patterns. For example, the bonus pool as a percentage of EBITDA was 5.3% for 2013 and amounted to approximately \$3.6 million. Although the bonus pool as a percentage of EBITDA was 5.5% for 2014, the absolute size of the pool decreased substantially to approximately \$2.6 million. This naturally resulted in substantial reductions of bonuses for named executive officers for 2014 as compared to 2013.

In addition, the Compensation Committee determined that the reductions in bonuses for 2014 should be borne somewhat disproportionately by our senior executive officers, including named executive officers, in part to protect the bonuses of various lower compensated employees. Thus, for 2014, when EBITDA decreased by 31% and the amount of total bonuses paid decreased by 29%, the bonuses paid to the named executive officers as a group decreased by 30%. Our Chief Executive Officer received a 33% reduction in bonus for 2014. Bonuses paid to the named executive officers as a group for 2015 increased by 4.4% compared with 2014 in light of the 6.2% improvement in our adjusted EBITDA for 2015 (which excluded the one-time costs of our publicly-disclosed proxy cost and related matters).

Bonus payments to each of our named executive officers are based on his individual contributions to the success of our business for the year, and fairness and proportionality of the named executive officer's compensation when compared with the compensation for the year of our Chief Executive Officer and the other named executive officers, as determined by the Compensation Committee at its discretion. These practices have been essentially uniform since the Company's initial public offering in 2002. We believe that the bonuses paid to our named executive officers are at or below the median range of bonuses paid by other companies in the market with whom we compete for talent.

Long-Term Incentive Compensation (Equity Awards)

As noted above, because we award equity grants in March of each year, the size and value of the equity grants shown as compensation for a given fiscal year tend to be reflective of the Company's performance in the prior fiscal year.

Our stockholder-approved equity compensation plan permits a variety of equity-based awards. We believe that awards of equity-based compensation (both stock options and restricted stock awards) to named executive officers provide a valuable long-term incentive for them, and help align their interests with the stockholders' interests.

We periodically grant equity-based awards to some or all of our named executive officers, typically in connection with their annual performance and compensation reviews in March of each year. We do not necessarily grant equity awards to our named executive officers annually; we want our named executive officers to understand that such grants are not an entitlement. Our Compensation Committee determines the size of each grant, after receiving recommendations from our Chief Executive Officer. In determining the size of equity awards to named executive officers, consideration is given to the value of total direct compensation, the Company's recent financial performance, individual performance, the number and value of stock options and restricted shares previously granted to the named executive officer and the relative proportion of long-term incentives within the total compensation mix.

However, with respect to considerations of Company performance, because such grants typically occur in March following the named executive officers' annual employment reviews, and as they are not intended as bonus compensation for the prior year, they will be reflected in the Summary Compensation Table below for the year following the fiscal year for which Company financial performance was considered in connection with the award. For example, the value of equity awards given in March 2013 (and reflected as compensation for 2013) increased by 28% compared to 2012, primarily reflecting the increase in the Company's stock price from March 2012 to March 2013, which was partially offset by a reduction in the number of shares granted. Similarly, the value of equity awards given in March 2014 (and reflected as compensation for 2014) increased by 22% compared to 2013, primarily reflecting an increase in the number of shares granted as a result of the Company's

improved 2013 financial performance. The value of equity grants given in March 2015 (and reflected as compensation for 2015) decreased by 15% compared to 2014, reflecting the decrease in the Company's stock price from March 2014 to March 2015.

In all cases, the value actually realized by the named executive officers will depend upon the market price of our common stock at the time of any sale, which cannot occur until shares vest.

Our Compensation Committee generally considers equity grants to named executive officers and other employees at committee meetings which coincide with the employees' annual performance and compensation reviews. The Compensation Committee generally considers equity grants to select newly-hired executives at committee meetings which coincide with the next regularly-scheduled quarterly board meeting following the date of hire. In the case of stock options, the exercise price of each stock option granted is the closing price of our stock on the day of the meeting. We do not intend to grant stock options while in possession of material non-public information, except pursuant to a pre-existing policy under which options are granted to non-employee directors upon the date of first election or appointment to the Board.

We believe that unvested equity awards are a valuable tool to encourage employee retention, and, accordingly, our equity awards (both stock options and restricted stock) to our named executive officers generally vest over a four year period.

Although the long-term incentive represented by equity awards has been a significant component of the compensation of our named executive officers, we believe that the value of our equity awards to our named executive officers, on an annualized basis, is relatively modest, and is reasonable and appropriate, when compared to the size of equity awards to similar officers of other companies in the market with whom we compete for talent. We also believe that these equity awards have resulted in minimal stock dilution. For example, during fiscal years 2013, 2014 and 2015, such equity awards to named executive officers represented 0.3%, 0.1% and 0.1%, respectively, of shares outstanding as of the grant dates.

We believe that stock options can be an important component of a well-designed compensation package for our named executive officers in order to achieve successful results, since the executives can realize value on their stock options only if the stock price increases, and the long-term incentive of stock options is important in realizing our goal of continuity and stability of our executive team.

Following the initial adoption of our 2007 Equity Plan, our Compensation Committee began to reassess the appropriate balance of stock options and restricted stock awards in our executives' overall compensation. We believe restricted stock provides a further enhancement to retention, as restricted stock generally maintains a greater value than stock options during cyclical downturns in our stock price, our industry or the stock market and general economy, and it also pays dividends. We also believe that inclusion of restricted stock in our equity award packages more closely aligns the interests of our named executive officers with those of stockholders, in light of the volatility of the stock market and the additional volatility of stock option value relative to changes in market value of the underlying stock. We note that the inclusion of restricted stock as a component of equity compensation for officers is a continuing trend among public companies.

For these reasons, in recent years we have elected to use restricted stock grants (rather than stock options) as part of our long term incentive compensation strategy for our named executive officers.

We will continue to evaluate which equity award vehicles achieve the best balance between continuing our successful practice of providing equity-based compensation and creating and maintaining long term stockholder value.

Change in Control Payments

Our named executive officers have employment or other agreements that provide that they will receive payments and other benefits in the event of a termination of employment following a change in control.

The employment agreement of Steven G. Miller, our Chairman of the Board, President and Chief Executive Officer, contains a change in control provision. This provision permits him to receive the change in control payments if he leaves for any reason within six months after the change in control. Mr. Miller must resign to

receive the change in control payments, so this provision is not a true single trigger provision. The reason for this provision is that a change in control of a publicly traded corporation would almost invariably affect the powers, role, and reporting relationships of its principal executive officer. If a change in control of our Company occurs, Mr. Miller's employment agreement gives him the right to depart from the Company and receive the change in control payments if he deems his position to have been negatively affected by the change in control, without the need to demonstrate an objective, adverse effect such as reduction in compensation. If the change is not negative, the employment agreement allows him to stay with the Company and no severance payments will be made. We believe this provision is desirable from our standpoint because it enables Mr. Miller, our Chief Executive Officer, to focus solely on the best interests of our stockholders in the event of a possible, threatened or pending change in control, without undue concern for his own personal interests.

Mr. Miller's employment agreement also contains provisions for payment on dismissal without cause or quitting for good reason, which could apply after as well as before a change in control. In March 2009, this employment agreement was amended whereby Mr. Miller voluntarily agreed to reduce his lump sum severance payment for these termination events. See Employment Agreements and Change in Control Provisions.

We have entered into a severance agreement with Barry D. Emerson, our Senior Vice President, Chief Financial Officer and Treasurer (our Principal Financial Officer), which provides that he will receive certain payments if we terminate his employment other than for cause. These provisions can operate after as well as before a change in control. These provisions were the result of arm's length negotiations between us and Mr. Emerson when we hired him.

In August 2015, the Company entered into change of control severance agreements with Mr. Emerson, Richard A. Johnson, Executive Vice President, Boyd O. Clark, Senior Vice President, Buying, and Gary S. Meade, Senior Vice President, General Counsel and Secretary. Each agreement provides for the payment of severance and other benefits to the named executive officer in the event of a termination of their employment by the Company without cause or by the named executive officer for good reason, in either case, upon or within two years following a change of control. We believe the terms of these agreements are desirable from our standpoint because they enable these named executive officers to focus solely on the best interests of our stockholders in the event of a possible, threatened or pending change in control, without undue concern for their own personal interests.

In addition, the vesting of all stock options and restricted stock granted under the 2007 Plan, including those to our named executive officers and directors, will accelerate upon a change of control of the Company.

We do not expect to provide gross up payments to our named executive officers if they receive payments in connection with a change in control which would cause them to be subject to the excise tax of Internal Revenue Code Section 4999, which we refer to as the **Golden Parachute Excise Tax**. Our Chief Executive Officer's employment agreement and our named executive officers' change of control severance agreements specifically provide that payments in connection with a change in control will be reduced to the extent necessary to prevent them from being subject to the Golden Parachute Excise Tax. With respect to our Chief Financial Officer, we do not expect that any payments made to him under his separate severance agreement will be large enough to trigger the Golden Parachute Excise Tax.

All Other Compensation

All other compensation to our named executive officers includes, among other things, Company contributions and other allocations made on behalf of the individuals under the Company's defined contribution plan. We have also provided perquisites to our named executive officers that have an annual incremental cost to us of \$10,000 or more, which consist of the value attributable to personal use of Company-provided automobiles and payments of group term life insurance premiums.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary (\$)(1)	Bonus (\$)(2)	Stock Awards (\$)(3)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)(4)	Total (\$)	Change in Pension Value and
Steven G. Miller	2015	\$ 520,192	\$ 208,000	\$ 98,876	0	0	0	\$26,866	\$853,934	
Chairman of the Board,	2014	\$ 507,692	\$ 200,000	\$ 116,052	0	0	0	\$27,132	\$850,876	
President and Chief Executive Officer	2013	\$ 496,539	\$ 300,000	\$ 98,048	0	0	0	\$29,490	\$924,077	
Barry D. Emerson	2015	\$ 359,654	\$ 125,500	\$ 39,030	0	0	0	\$22,506	\$546,690	
Senior Vice President, Chief Financial Officer and Treasurer	2014	\$ 351,538	\$ 120,000	\$ 45,810	0	0	0	\$23,255	\$540,603	
	2013	\$ 342,231	\$ 165,000	\$ 36,768	0	0	0	\$25,673	\$569,672	
Boyd O. Clark	2015	\$ 270,115	\$ 159,500	\$ 39,030	0	0	0	\$23,031	\$491,676	
Senior Vice President, Buying	2014	\$ 264,000	\$ 152,500	\$ 45,810	0	0	0	\$23,940	\$486,250	
	2013	\$ 256,923	\$ 212,000	\$ 36,768	0	0	0	\$22,844	\$528,535	
Richard A. Johnson	2015	\$ 270,115	\$ 134,500	\$ 39,030	0	0	0	\$23,609	\$467,254	
Executive Vice President	2014	\$ 264,000	\$ 128,500	\$ 45,810	0	0	0	\$24,200	\$462,510	
	2013	\$ 256,923	\$ 178,500	\$ 36,768	0	0	0	\$25,739	\$497,930	
Gary S. Meade	2015	\$ 232,231	\$ 78,500	\$ 39,030	0	0	0	\$22,536	\$372,297	
Senior Vice President, General Counsel and Secretary	2014	\$ 226,731	\$ 75,000	\$ 45,810	0	0	0	\$23,122	\$370,663	
	2013	\$ 220,654	\$ 103,000	\$ 36,768	0	0	0	\$25,235	\$385,657	

(1) The amounts in this Salary column reflect amounts actually earned in the applicable fiscal year. Such amounts reflect a blended amount based on the base salary in effect prior to any annual salary increase (which typically occurs in March of each year) and the higher base salary for the remainder of the year. Each of the named executive officers received salary increases that were effective March 28, 2016, resulting in the following new base annual salaries:

Steven G. Miller: \$535,000

Barry D. Emerson: \$371,500

Boyd O. Clark: \$279,000

Richard A. Johnson: \$279,000

Gary S. Meade: \$240,500

- (2) The amounts in this Bonus column reflect amounts earned in the applicable fiscal year but not paid until the following fiscal year.
- (3) The dollar value of Stock Awards shown represents the aggregate grant date fair value of the restricted stock granted calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or FASB ASC Topic 718, on the basis of the Company's common stock price on the grant dates and without any adjustment for estimated forfeitures. Each Stock Award represents the grant of one restricted share of our common stock without the payment of an exercise price or other cash consideration, which grant is scheduled to vest over a four-year period. The amounts reported in the Stock Awards column do not necessarily reflect the dollar amounts of compensation actually realized or that may be realized. The actual value that a named executive officer will realize on each Stock Award will depend on the price per share of our common stock at the time shares underlying the Stock Awards are sold.
- (4) The amounts in the All Other Compensation column include (a) the value attributable to personal use of a Company-provided automobile, which in fiscal 2015 were the following amounts: Mr. Miller: \$19,213, Mr. Emerson: \$13,934, Mr. Clark: \$15,147, Mr. Johnson: \$16,208, and Mr. Meade: \$14,565, (b) Company contributions and other allocations made on behalf of the individual under the Company's defined contribution plan, which in or for fiscal 2015 were the following amounts: Mr. Miller: \$6,730, Mr. Emerson:

\$7,935, Mr. Clark: \$7,405, Mr. Johnson: \$7,081, and Mr. Meade: \$7,695, and (c) Company payments of group term life insurance premiums for the individual, which in fiscal 2015 were the following amounts: Mr. Miller: \$923, Mr. Emerson: \$637, Mr. Clark: \$479, Mr. Johnson: \$320, and Mr. Meade: \$276.

Stock Options and Equity Compensation

Effective April 24, 2007, the Board of Directors adopted the initial version of our 2007 Plan which replaced and superseded our 2002 Stock Incentive Plan (the **2002 Plan**), and in April 2011 the Board approved the current amended and restated version of the 2007 Plan. The original 2007 Plan was initially approved by our stockholders at our 2007 annual meeting of stockholders, and an amendment and restatement of the 2007 Plan was approved by our stockholders at our 2011 annual meeting of stockholders. After giving effect to the amendment and restatement of the 2007 Plan in 2011, the aggregate amount of shares authorized for issuance under the 2007 Plan was 3,649,250 shares, but with such amount to automatically increase by the number of shares that had been subject to outstanding awards as of April 24, 2007 under the 2002 Plan that are or were forfeited or cancelled, or otherwise expire, after the April 24, 2007 initial effective date of the 2007 Plan.

The 2007 Plan is administered by our Compensation Committee. The Compensation Committee has broad discretion and power in operating the 2007 Plan and in determining which of our employees, directors, and consultants shall participate, and the terms of individual awards. Awards under the 2007 Plan may consist of options, stock appreciation rights, restricted stock, other stock unit awards, performance awards, dividend equivalents or any combination of the foregoing. Any shares that are subject to awards of options or stock appreciation rights shall be counted against this limit as one share for every one share granted. Awards of restricted stock or restricted stock units and other awards that are not awards of stock options or stock appreciation rights (including shares delivered in settlement of dividend rights) shall be counted against this limit as 2.5 shares for every share granted. The aggregate number of shares available under the 2007 Plan and the number of shares subject to outstanding options and stock appreciation rights will be increased or decreased to reflect any changes in the outstanding common stock of the Company by reason of any recapitalization, spin-off, reorganization, reclassification, stock dividend, stock split, reverse stock split, or similar transaction. If any shares subject to an award under the 2007 Plan or the 2002 Plan described below are forfeited or expire, or are terminated without issuance of shares, the shares shall again be available for award under the 2007 Plan. Any shares that again become available for grant shall be added back as one share if such shares were subject to options or stock appreciation rights granted under the 2007 Plan or the 2002 Plan and as 2.5 shares if such shares were subject to awards other than options or stock appreciation rights granted under the 2007 Plan.

Under the 2007 Plan, no participant may be granted in any fiscal year of the Company (a) options or stock appreciation rights with respect to more than 500,000 shares, (b) restricted stock, performance awards or other stock unit awards that are denominated in shares with respect to more than 250,000 shares, or (c) performance awards or stock unit awards that are valued by reference to cash having a maximum dollar value of more than \$2,000,000.

Under the 2007 Plan, the exercise price for an option or stock appreciation right cannot be less than 100% of the fair market value of the underlying shares on the grant date. The 2007 Plan does not permit the repricing of options or stock appreciation rights.

Prior to the adoption of the 2007 Plan, our equity-based awards were principally made under the 2002 Plan, which was adopted by our Board and approved by our stockholders in 2002 before our initial public offering. The 2002 Plan was administered by our Compensation Committee. Awards under the 2002 Plan consisted solely of stock options, and the exercise price of all options that were issued under the 2002 Plan was 100% of the fair market value of the underlying shares on the grant date.

On approval of the 2007 Plan by our stockholders in June 2007, the 2002 Plan was terminated, and no new awards were thereafter made under the 2002 Plan. However, awards previously granted continue to be outstanding under their terms. As described above, if any option outstanding under the 2002 Plan is forfeited, expires, or is terminated without issuance of the underlying shares, the underlying shares shall become available for grant under the 2007 Plan.

At April 28, 2016, net of cancellations and forfeitures:

options to purchase 1,000,790 shares had been issued under the 2007 Plan,

1,131,150 shares of restricted stock had been awarded under the 2007 Plan, which are counted against the plan limits as 2,827,875 shares, and

70,200 restricted stock units had been awarded under the 2007 Plan, which are counted against the plan limits as 175,500 shares. Also, at April 28, 2016:

801,463 shares had been effectively transferred from the 2002 Plan to the 2007 Plan as described above as a result of forfeitures or cancellations under the 2002 Plan, and

5,575 shares had been removed from the 2007 Plan to cover dividends accrued on restricted stock units awarded under the 2007 Plan. Accordingly, at April 28, 2016,

440,973 shares were available for additional grants under the 2007 Plan. (This figure does not include the additional 2,000,000 shares which will be made available for additional grants if the stockholders approve the amendment and restatement of the 2007 Plan pursuant to Proposal No. 6.)

At April 28, 2016,

75,200 shares remained subject to outstanding options under the 2002 Plan,

329,765 shares remained subject to outstanding options under the 2007 Plan,

379,555 unvested restricted shares were outstanding under the 2007 Plan, which are counted against the plan limits as 948,887.50 shares, and

43,200 unvested restricted stock units were outstanding under the 2007 Plan, which are counted against the plan limits as 108,000 shares.

As noted above, awards of restricted stock and restricted stock units reduce the total shares available for grant under the 2007 Plan by 2.5 shares for every share or unit granted, and any such restricted shares or units that are forfeited before vesting are accordingly added back to the 2007 Plan as 2.5 shares for share or unit so forfeited.

Grants of Plan-Based Awards in Fiscal 2015

Name	Grant Date	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 Underlying Options	All Other Exercise Awards: Number of Securities or Options	Fair Value of Stock and Option Awards (\$)(2)	Grant Date
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Units (#)(1)	Price of Base (\$/Sh)		
Steven G. Miller Chairman of the Board, President and Chief Executive Officer	3/14/2015	0	0	0	0	0	0	7,600	0	0	\$ 98,876
Barry D. Emerson Senior Vice President, Chief Financial Officer and Treasurer	3/14/2015	0	0	0	0	0	0	3,000	0	0	\$ 39,030
Boyd O. Clark Senior Vice President, Buying	3/14/2015	0	0	0	0	0	0	3,000	0	0	\$ 39,030
Richard A. Johnson Executive Vice President	3/14/2015	0	0	0	0	0	0	3,000	0	0	\$ 39,030
Gary S. Meade Senior Vice President, General Counsel and Secretary	3/14/2015	0	0	0	0	0	0	3,000	0	0	\$ 39,030

(1) These shares of restricted stock vest in four equal annual installments beginning on March 14, 2016.

(2) The dollar value of Stock Awards shown represents the aggregate grant date fair value calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or FASB ASC Topic 718, on the basis of the Company's common stock price on the grant dates and without any adjustment for estimated forfeitures. Each Stock Award represents the grant to the named executive officer of one restricted share of our common stock without the payment of an exercise price or other cash consideration, which grant is scheduled to vest over a four-year period. The amounts reported in the Grant Date Fair Value of Stock and Option Awards column do not necessarily reflect the dollar amounts of compensation actually realized or that may be realized. The actual value that a named executive officer will realize on each Stock Award will depend on the price per share of our common stock at the time shares underlying the Stock

Awards are sold.

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Outstanding Equity Awards at Fiscal 2015 Year-End

Name	Option Awards					Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
	Number of Securities Underlying Unexercised Options Exercisable (#)(1)	Number of Securities Underlying Unexercised Options (#)(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)	
Steven G. Miller	30,000	0		\$ 19.12	3/13/2016	19,000	\$ 203,163	
Chairman of the Board, President and Chief Executive Officer	15,000	0		\$ 8.95	3/3/2018			
	15,000	0		\$ 4.82	3/2/2019			
Barry D. Emerson	20,000	0		\$ 19.12	3/13/2016	7,350	\$ 78,504	
Senior Vice President, Chief Financial Officer and Treasurer	10,000	0		\$ 25.22	3/12/2017			
	4,011	0		\$ 4.82	3/2/2019			
Boyd O. Clark	15,000	0		\$ 7.63	8/4/2021	7,350	\$ 78,504	
Senior Vice President, Buying								
Richard A. Johnson	12,000	0		\$ 19.12	3/13/2016	7,350	\$ 78,504	
Executive Vice President								
Gary S. Meade	12,000	0		\$ 19.12	3/13/2016	7,350	\$ 78,504	
Senior Vice President, General Counsel and Secretary								

- (1) The vesting dates of the options reported in the second column are as follows: Mr. Miller's options vested in forty-eight equal monthly installments, beginning on April 1, 2006, April 1, 2008 and April 1, 2009, respectively; Mr. Emerson's options vested in four equal annual installments, beginning on March 13, 2007, March 12, 2008 and March 2, 2010, respectively; Mr. Clark's options vested in four equal annual installments beginning August 4, 2012; Mr. Johnson's options vested in four equal annual installments beginning March 13, 2007; and Mr. Meade's options vested in four equal annual installments, beginning on March 13, 2007.

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- (2) The vesting dates of the unvested restricted shares reported in the seventh column are as follows: Mr. Miller's shares vest or vested on March 14, 2016 (7,900 shares), March 14, 2017 (5,400 shares), March 14, 2018 (3,800 shares), and March 14, 2019 (1,900 shares); Mr. Emerson's, Mr. Clark's, Mr. Johnson's and Mr. Meade's shares each vest or vested on March 14, 2016 (3,000 shares), March 14, 2017 (2,100 shares), March 14, 2018 (1,500 shares), and March 14, 2019 (750 shares).
- (3) The amounts in the Market Value of Shares column are the sum of (a) the fair market value of the shares on January 3, 2016, based upon our most recent closing stock price as of that date of \$9.99 (equal to \$189,810.00 for Mr. Miller and \$73,426.50 for each other named executive officer), plus (b) dividends that accrued on the shares as of January 3, 2016 (equal to \$13,352.50 for Mr. Miller and \$5,077.50 for each other named executive officer).

Option Exercises and Stock Vested in Fiscal 2015

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting \$(1)
Steven G. Miller Chairman of the Board, President and Chief Executive Officer			9,375	\$ 131,631
Barry D. Emerson Senior Vice President, Chief Financial Officer and Treasurer			3,150	\$ 44,057
Boyd O. Clark, Senior Vice President, Buying			2,950	\$ 41,170
Richard A. Johnson Executive Vice President			3,150	\$ 44,057
Gary S. Meade Senior Vice President, General Counsel and Secretary			3,150	\$ 44,057

- (1) The amounts in the Value Realized on Vesting column are the sum of (a) the fair market value of the shares on March 14, 2015, based upon our most recent closing stock price as of that date of \$13.01 (equal to \$121,968.75 for Mr. Miller, \$38,379.50 for Mr. Clark, and \$40,981.50 for each other named executive officer), plus (b) dividends that accrued on the shares prior to vesting (equal to \$9,661.88 for Mr. Miller, \$2,790.00 for Mr. Clark, and \$3,075.00 for each other named executive officer).

Employment Agreements and Change in Control Provisions

The Company has an employment agreement with Steven G. Miller, our Chairman of the Board, President and Chief Executive Officer. His original agreement was executed in 2002 prior to our becoming a publicly-traded company.

In December 2008, Mr. Miller's employment agreement was amended and restated for the principal purpose of complying with the provisions of Section 409A of the Internal Revenue Code and related regulations and guidance. In general, the changes reflected in that restatement related to the timing of payments to Mr. Miller under his employment agreement following certain events. The restatement also updated various other provisions, including conforming Mr. Miller's base salary to his then current base salary, but did not materially affect the scope or amounts of compensation or benefits that Mr. Miller is entitled to receive under his agreement.

In March 2009, in an effort to align Mr. Miller's severance package more closely with current standards, the employment agreement was further amended whereby Mr. Miller voluntarily agreed to reduce the lump sum severance payment he is to receive upon certain termination events from four years annual compensation to three years annual compensation. In addition, the amendment revised the method of determining such annual compensation for that purpose as provided below.

Mr. Miller's employment agreement provides that he will serve as Chairman of the Board of Directors, Chief Executive Officer and President for a term of four years from any given date, such that there shall always be a minimum of at least four years remaining under his employment agreement. The employment agreement provides for Mr. Miller to receive an annual base salary of \$473,000, subject to annual increase based on comparable compensation packages provided to executives in similarly situated companies, and to participate in

a bonus plan to be established by the Compensation Committee. His annual base salary has since increased to \$535,000, effective March 2016. In practice, his bonuses have been determined in the discretion of the Compensation Committee. Mr. Miller is also entitled to use of a Company automobile. In addition, as long as Mr. Miller serves as an officer, the Company will use its best efforts to ensure that he continues to serve on the Board and on the board of directors of the Company's wholly-owned subsidiary, Big 5 Corp.

If Mr. Miller's employment is terminated for any reason, the employment agreement provides that he shall receive all accrued and unpaid salary and vacation pay plus a cash bonus for services rendered during that calendar year through the termination date equal to the greater of (a) the last annual cash bonus paid to Mr. Miller and (b) the average of the annual cash bonuses paid to Mr. Miller during the immediately preceding three full fiscal years, pro rated through the termination date.

If Mr. Miller's employment is terminated due to his death, in addition to the salary, vacation pay and pro rated cash bonus discussed above, the employment agreement provides for accelerated vesting of options that would have been exercisable during the 24 months following the termination date and the continuation of family medical benefits for the four years following the termination date. The table below reflects the estimated amount of payments and other benefits payable under Mr. Miller's employment agreement on a termination due to death (other than any accrued and unpaid salary and vacation pay), assuming that the termination occurred on January 3, 2016 and based upon our most recent closing stock price as of that date of \$9.99.

Table Showing Benefits on a Termination Due to Death

Name	Pro Rated Cash Bonus	Value of Option Acceleration	Value of Medical Continuation	Total
Steven G. Miller	\$ 213,333	0	\$ 26,932	\$ 240,265

If Mr. Miller's employment is terminated due to his disability, in addition to the salary, vacation pay and pro rated cash bonus discussed above, the employment agreement provides that the Company will pay Mr. Miller on the fifth business day following the termination date a lump sum severance payment in an amount equal to his base salary for two years and an additional amount equal to two times the greater of (i) the last annual cash bonus paid to Mr. Miller and (ii) the average annual cash bonus paid to him during the prior three fiscal years. In addition, the employment agreement provides for accelerated vesting of options that would have been exercisable during the 24 months following the termination date and the continuation of specified benefits for the four years following the termination date. The table below reflects the estimated amount of payments and other benefits payable under Mr. Miller's employment agreement on a termination due to disability (other than any accrued and unpaid salary and vacation pay), assuming that the termination occurred on January 3, 2016 and based upon our most recent closing stock price as of that date of \$9.99.

Table Showing Benefits on a Termination Due to Disability

Name	Pro Rated Cash Bonus	Cash Severance	Value of Option Acceleration	Value of Medical Continuation	Value of Perquisites(1)	Total
Steven G. Miller	\$ 213,333	\$ 1,511,667	0	\$ 56,402	\$ 76,852	\$ 1,858,254

(1) The amount in the Value of Perquisites column includes the value attributable to personal use of a Company-provided automobile in the annual amount of \$19,213 for four years.

If Mr. Miller terminates the employment agreement for good reason at any time, or for any reason within six months of a change in control, or if the Company terminates the employment agreement without cause at any time, in addition to the salary, vacation pay and pro rated cash bonus discussed above, the employment agreement provides the Company will pay Mr. Miller on the fifth business day following the termination date a lump sum severance payment in an amount equal to three times his annual compensation. For this purpose, Mr. Miller's annual compensation will be deemed to equal the average annual compensation received by Mr. Miller for each of the five years immediately preceding the year in which the termination date falls, as

reflected on Mr. Miller's Forms W-2 for those years. In addition, the employment agreement provides for accelerated vesting of all of his options and the continuation of specified benefits for the four years following the termination date. However, the employment agreement provides that payments in connection with the change in control will be reduced to the extent necessary to prevent them from being subject to the Golden Parachute Excise Tax. The table below reflects the estimated amount of payments and other benefits payable under Mr. Miller's employment agreement on a termination by Mr. Miller for good reason or due to a change in control or a termination by the Company without cause (other than any accrued and unpaid salary and vacation pay), assuming that the termination occurred on January 3, 2016 and based upon our most recent closing stock price as of that date of \$9.99.

Table Showing Benefits on a Termination by the Employee for Good Reason or Due to a Change in Control or a Termination by the Company Without Cause

Name	Pro Rated Cash Bonus	Cash Severance	Value of Option Acceleration	Value of Medical Continuation	Value of Perquisites(1)	Total
Steven G. Miller (2)	\$ 213,333	\$ 3,072,032	0	\$ 56,402	\$ 76,852	\$ 3,418,619

- (1) The amount in the Value of Perquisites column includes the value attributable to personal use of a Company-provided automobile in the annual amount of \$19,213 for four years.
- (2) Payments in connection with a change in control may be less than those shown in this table, since Mr. Miller's employment agreement provides such payments will be reduced to the extent necessary to prevent them from being subject to the Golden Parachute Excise Tax. If Mr. Miller terminates the employment agreement without good reason or the Company terminates the employment agreement for cause, Mr. Miller is entitled to receive the salary, vacation pay and pro rated cash bonus discussed above.

The employment of our Chief Financial Officer, Barry D. Emerson, with us is governed by an employment offer letter dated August 16, 2005, which is referred to as the Offer Letter. The Offer Letter provided for Mr. Emerson to receive a starting annual base salary of \$275,000 and a minimum starting annual bonus of \$125,000. As a result of periodic annual increases, Mr. Emerson's annual base salary has since been increased to \$371,500. His annual incentive bonuses have been set at the discretion of the Compensation Committee from the overall bonus pool. Pursuant to the Offer Letter, Mr. Emerson received an initial stock option grant and has been and continues to be eligible for additional stock option grants comparable to those provided to other senior vice presidents of the Company. In addition, the Offer Letter provides that Mr. Emerson receives use of a Company automobile.

Pursuant to the Offer Letter, we and Mr. Emerson have entered into a Severance Agreement that provides that his employment is at will but that, if we terminate his employment other than for cause (as defined in the Severance Agreement), Mr. Emerson will receive a severance package which will include one year's base salary and one year's health coverage for him and his family. Payment of the severance benefit is conditioned upon the execution of a release by Mr. Emerson of all claims he may have against us. Mr. Emerson is also party to a Change of Control Severance Agreement, which is discussed in detail below. In the event that a termination of employment would result in any duplicate payments or benefits under the Severance Agreement and under the Change of Control Severance Agreement, Mr. Emerson would not be entitled to receive such duplicate payments or benefits under the Severance Agreement. The table below reflects the estimated amount of payments and other benefits payable under Mr. Emerson's severance agreement, assuming that the termination occurred on January 3, 2016.

Table Showing Benefits on a Termination Other than for Cause

Name	Cash Severance	Value of Medical Continuation	Total
Barry D. Emerson	\$ 361,500	\$ 19,996	\$ 381,496

On August 5, 2015, the Company entered into a Change of Control Severance Agreement with each of the following: Mr. Emerson; Richard A. Johnson, Executive Vice President; Boyd O. Clark, Senior Vice President, Buying; and Gary S. Meade, Senior Vice President, General Counsel and Secretary. Each agreement provides for the payment of severance and other benefits to the named executive officer in the event of a termination of their employment by the Company without cause or by the named executive officer for good reason, in either case, upon or within two years following a change of control of the Company (cause, good reason and change of control are all defined in the Change of Control Severance Agreement). In the event of a qualifying termination, each agreement provides for a severance package which will include: (a) a lump sum cash payment equal to two times the sum of the named executive officer's annual base salary (based on the rate in effect immediately prior to the termination date or the rate in effect immediately prior to the change of control, whichever is greater) and annual bonus (based on the average of the three most recent annual bonuses paid before the termination date or the change of control, whichever is greater); (b) a lump sum cash payment equal to a pro rata portion of the named executive officer's annual bonus; (c) a lump sum cash payment equal to any unpaid annual bonus which the named executive officer would have received for any fiscal year that ends on or before the termination date had the named executive officer remained employed through the payment date (determined using the same method of determining annual bonuses in prior fiscal years); (d) Company-paid COBRA premium payments for up to eighteen months following the termination date; (e) Company-paid outplacement services for up to twelve months following the termination date; and (f) accelerated vesting of all outstanding equity awards that vest solely based on the passage of time.

The named executive officer's right to receive the severance payments and benefits described above is subject to his delivery and non-revocation of an effective general release of claims in favor of the Company. In addition, to the extent that any change of control payment or benefit would be subject to an excise tax imposed in connection with the Golden Parachute Excise Tax, such payments and/or benefits may be subject to a best pay cap reduction to the extent necessary so that the named executive officer receives the greater of the (i) net amount of the change of control payments and benefits reduced such that such payments and benefits will not be subject to the excise tax and (ii) net amount of the change of control payments and benefits without such reduction. The table below reflects the estimated amount of payments and other benefits payable under each named executive officer's severance agreement, assuming that the termination occurred on January 3, 2016.

Table Showing Benefits on a Termination Without Cause or For Good Reason Following a Change of Control

Name	Cash Severance	Annual Bonus(1)	Value of Medical Continuation	Value of Outplacement Services(2)	Value of Equity Acceleration(3)	Total
Barry D. Emerson	\$ 986,333	\$ 125,500	\$ 29,994	\$ 7,000	\$ 78,504	\$ 1,227,331
Boyd O. Clark	\$ 880,000	\$ 159,500	\$ 29,994	\$ 7,000	\$ 78,504	\$ 1,154,998
Richard A. Johnson	\$ 827,000	\$ 134,500	\$ 21,151	\$ 7,000	\$ 78,504	\$ 1,068,155
Gary S. Meade	\$ 631,333	\$ 78,500	\$ 21,151	\$ 7,000	\$ 78,504	\$ 816,488

- (1) Because the amounts in the Annual Bonus column are to be determined using the same method of determining annual bonuses in prior fiscal years, the amounts shown in this column reflect the actual bonus payments made to the named executive officers in March 2016 for bonuses earned in fiscal 2015, which were determined using the same method of determining annual bonuses in prior fiscal years.
- (2) The amounts shown in the Value of Outplacement Services column are estimates determined after consultation with an outplacement services company.
- (3) The amounts in the Value of Equity Acceleration column are the sum of (a) the fair market value of unvested equity on January 3, 2016, based upon our most recent closing stock price as of that date of \$9.99 (equal to \$73,426.50 for each named executive officer), plus (b) dividends that accrued on the unvested equity as of January 3, 2016 (equal to \$5,077.50 for each named executive officer).

Compensation of Directors

Our Board of Directors sets directors' compensation based on its review of publicly-available information about what other companies pay their directors.

Directors who are also employees of the Company are compensated as officers of the Company and receive no additional compensation for serving as directors.

Non-employee directors receive an annual retainer of \$30,000 for service on the Board, plus \$2,500 for attendance at each regularly scheduled meeting of the Board or each committee meeting not otherwise held on the day of a board meeting or other committee meeting, \$1,000 for attendance at each committee meeting held on the day of a board meeting or other committee meeting, and \$1,000 for attendance by telephone at any specially called telephonic board meeting or committee meeting. The Chairs of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee receive additional annual retainers of \$10,000, \$7,500 and \$5,000, respectively. Each non-employee director is granted options to purchase 10,000 shares of the Company's common stock upon his or her initial appointment or election to the Board. The options have an exercise price equal to the fair market value of the Company's common stock on the date of grant and vest in four equal annual installments beginning with the first anniversary of the date of grant. Effective July 2014, each non-employee director is annually granted 4,200 restricted shares of the Company's common stock or, at such non-employee director's election, 4,200 restricted stock units. This restricted stock and these restricted stock units vest one hundred percent (100%) on the first anniversary of the date of grant, although the stock underlying such restricted stock units will not become deliverable until the 10th business day of January following the calendar year in which the director's service on the Board terminates for any reason. (Prior to July 2014, each non-employee director was annually granted options to purchase 3,000 shares of the Company's common stock and annually granted 3,000 restricted shares of the Company's common stock or, at such non-employee director's election, 3,000 restricted stock units, and these options, this restricted stock and these restricted stock units vested in four equal annual installments beginning with the first anniversary of the date of grant.) Annual grants have been and will be made on the date of the Company's annual meeting of stockholders. Directors are also reimbursed for all out-of-pocket expenses incurred in attending meetings.

Director Compensation for Fiscal 2015

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)(4)	Option Awards \$(3)(4)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Sandra N. Bane	\$ 75,000	\$ 61,572	0	0	0	0	\$ 136,572
Dominic P. DeMarco	\$ 71,000	\$ 61,572	0	0	0	0	\$ 132,572
Nicholas Donatiello, Jr.	\$ 18,603	\$ 61,572	\$ 62,246	0	0	0	\$ 142,421
Jennifer H. Dunbar	\$ 73,500	\$ 61,572	0	0	0	0	\$ 135,072
Robert C. Galvin	\$ 38,484	\$ 61,824	\$ 58,195	0	0	0	\$ 158,503
Van B. Honeycutt	\$ 81,500	\$ 61,572	0	0	0	0	\$ 143,072
David R. Jessick	\$ 66,500	\$ 61,572	0	0	0	0	\$ 128,072

- (1) The fees earned for fiscal 2015 by Mr. DeMarco were paid in cash to Stadium Capital Management GP, LP, at the direction of Mr. DeMarco.
- (2) The dollar value of Stock Awards (including restricted stock and restricted stock units) shown represents the aggregate grant date fair value calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or FASB ASC Topic 718, on the basis of the Company's common stock price on the grant dates and without any adjustment for estimated forfeitures. Each Stock Award entitles the director to receive one restricted share of our common stock (subject to vesting), in the

case of a grant of restricted stock without the payment of an exercise price or other cash consideration. In the case of restricted stock units, each Stock Award represents the right to receive one share of our common stock at a specified time, subject to satisfaction of the applicable vesting conditions. The amounts reported in the Stock Awards column do not necessarily reflect the dollar amounts of compensation actually realized or that may be realized. The actual value that a director will realize on each Stock Award will depend on the price per share of our common stock at the time shares underlying the Stock Awards are sold.

- (3) The dollar value of Option Awards shown represents the aggregate grant date fair value calculated in accordance with FASB ASC Topic 718, on the basis of the fair value of the option on the grant dates and without any adjustment for estimated forfeitures. Each Option Award entitles the director to purchase one share of our common stock at the time of vesting upon payment of the applicable exercise price. The amounts reported in the Option Awards column do not necessarily reflect the dollar amounts of compensation actually realized or that may be realized. The actual value, if any, that a director may realize with respect to each option will depend on the excess of the stock price over the exercise price on the date the option is exercised and the shares underlying such option are sold.
- (4) Prior to 2008, our non-employee directors received annual stock option awards and, commencing in 2008, a combination of stock option and restricted stock awards. As of 2011, each non-employee director could elect to receive restricted stock units in lieu of such restricted stock awards. The following table shows, as of January 3, 2016, the total number of shares of our common stock subject to unvested restricted stock and restricted stock units, and vested and unvested stock option awards outstanding for each non-employee director:

Director	Total Unvested Restricted Stock and Restricted Stock Unit Awards Outstanding	Total Option Awards Outstanding
Sandra N. Bane	9,099	32,000
Dominic P. DeMarco	9,099	19,000
Nicholas Donatiello, Jr.	4,280	10,000
Jennifer H. Dunbar	9,099	28,300
Robert C. Galvin	4,280	10,000
Van B. Honeycutt	7,950	16,000
David R. Jessick	9,099	42,000

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon review of copies of Section 16(a) reports furnished to the Company during or with respect to the year ended January 3, 2016, the Company believes that all Section 16(a) reporting requirements were timely met by its directors and officers during fiscal 2015.

TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS

Procedures

Our Audit Committee's written charter requires that the Audit Committee review on an ongoing basis and approve or disapprove all related party transactions that are required to be disclosed by Item 404 of Regulation S-K. The written Audit Committee Meeting Planner prepared and approved by the Audit Committee provides that this will occur annually at the first quarterly Audit Committee meeting each year and at such other times as needed. During each such review, the Company's General Counsel discusses the requirements of Item 404 of Regulation S-K and reports on all related party transactions or arrangements that have been determined to require review, following which the Audit Committee formally approves or disapproves each such transaction or arrangement. The items described below were approved by the Audit Committee following this policy and procedure, except for those payments or transactions consummated pursuant to agreements that were entered into prior to our initial public offering and the establishment of the Audit Committee, which occurred in 2002.

The Company has no formal policy regarding the standards to be applied by the Audit Committee in determining whether to approve or disapprove related party transactions. However, in determining whether a proposed related party transaction is in the best interests of the Company and whether to approve or disapprove the transaction, our Audit Committee has generally considered, among other factors, the terms that it believed would be available to the Company in an arms-length transaction with an unrelated third party. In particular, the Audit Committee has historically required that (i) the terms of the relevant transaction be, in the opinion of the Audit Committee, no less favorable to the Company than those likely to be available from an unaffiliated third party and (ii) the Company would be expected to obtain a comparable or more favorable result than it would in an arms-length transaction with an unrelated third party. In applying this standard, the Audit Committee also considers whether the transaction would be conducted in the same manner as it would be for such an unrelated third party. Other factors typically considered by the Audit Committee in making such determination include the benefit of the transaction to the Company (including the cost, nature, quantity and quality of the goods or services involved), and the terms, conditions and circumstances of the transaction. In making such a determination, the Audit Committee relies on information provided to it by Company management as well as the general knowledge and experience of Audit Committee members.

Fiscal 2015 Transactions

G. Michael Brown was a director of the Company until his retirement from the Board in June 2015. Mr. Brown is a partner of the law firm of Musick, Peeler & Garrett LLP, which the Company retains from time to time to handle various litigation matters. The Company received services from the law firm of Musick, Peeler & Garrett LLP amounting to \$0.7 million in fiscal year 2015, and amounts due to Musick, Peeler & Garrett LLP totaled \$41,000 as of January 3, 2016.

Prior to his death in fiscal 2008, the Company had an employment agreement with Robert W. Miller, co-founder of the Company and the father of Steven G. Miller, Chairman of the Board, President, Chief Executive Officer and a director of the Company. The employment agreement provided for Robert W. Miller to receive an annual base salary of \$350,000. The employment agreement further provided that, following his death, the Company will pay his surviving wife \$350,000 per year and provide her specified benefits for the remainder of her life. During fiscal 2015, the Company made a payment of \$350,000 to Robert W. Miller's wife. The Company recognized expense of \$0.3 million in fiscal 2015 to provide for a liability for the future obligations under this agreement. Based upon actuarial valuation estimates related to this agreement, the Company recorded a liability of \$1.5 million as of January 3, 2016.

Bradley A. Johnson, the son of Richard A. Johnson, the Company's Executive Vice President, is employed by the Company as a Division Merchandise Manager. For his services in 2015, Bradley A. Johnson earned cash compensation (salary and bonus) of \$174,238, received employee benefits customary for similarly-situated Company employees, and was awarded 1,200 restricted shares of Company common stock (vesting over 4 years). The salary and bonus received by Bradley A. Johnson is consistent with those paid to other Company employees with similar responsibilities.

In addition to the indemnification provisions contained in the Company's Charter and Bylaws, the Company has indemnification agreements with each of its directors and executive officers. These agreements, among other things, provide for indemnification of the Company's directors and executive officers for expenses, judgments, fines and settlement amounts (collectively, "Liabilities") incurred by any such person in any action or proceeding arising out of such person's services as a director or executive officer or at the Company's request, if the applicable director or executive officer acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company. These agreements also require the Company to advance expenses incurred by any of its directors or executive officers in connection with any proceeding against such individual with respect to which such individual may be entitled to indemnification by the Company. In fiscal 2015, the Company did not advance any amounts to directors and executive officers under this provision.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding beneficial ownership of the Company's common stock as of April 28, 2016 by:

each of the named executive officers in the Summary Compensation Table on page 29;

each of the Company's directors;

each person, or group of affiliated persons, who is known by the Company to beneficially own more than 5% the Company's common stock; and

all current directors and executive officers as a group.

Except as otherwise indicated in the footnotes below, each beneficial owner has the sole power to vote and to dispose of all shares held by that holder. Percentage ownership is based on 21,861,315 shares of common stock outstanding as of April 28, 2016.

Name(1)	Beneficial Ownership of Common Stock	
	Shares	Percent (%) (2)
Steven G. Miller.	1,209,690 (3)	5.5
Sandra N. Bane	38,750 (4)	*
Dominic P. DeMarco	16,750 (5)	*
Nicholas Donatiello, Jr	2,500 (6)	*
Jennifer H. Dunbar	54,193 (7)	*
Robert C. Galvin		
Van B. Honeycutt	128,812 (8)	*
David R. Jessick	38,750 (9)	*
Boyd O. Clark	59,863 (10)	*
Barry D. Emerson	37,701 (11)	*
Richard A. Johnson	99,560	*
Gary S. Meade	18,739	*
All directors and executive officers as a group (14 persons)	1,731,041 (12)	7.9
5% Stockholders		
BlackRock, Inc. (13)	1,753,508	8.0
Dimensional Fund Advisors LP (14)	1,432,777	6.6
LSV Asset Management (15)	1,127,095	5.2
Stadium Capital Management, LLC (16)	2,890,811	13.2

* Indicates less than 1%.

To the Company's knowledge, none of the shares held by directors and executive officers have been pledged as security for any obligation.

- (1) The address for each stockholder is 2525 East El Segundo Boulevard, El Segundo, California 90245, except as otherwise indicated below.
- (2) Shares of common stock subject to options that are currently exercisable or exercisable within 60 days of April 28, 2016 are deemed to be outstanding and beneficially owned by the person holding such options or who otherwise has beneficial ownership thereof for the

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purpose of computing the percentage ownership of such person, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

- (3) Includes 741,885 shares of common stock held by Steven G. Miller and Jacquelyne G. Miller, as trustees of the Steven G. Miller and Jacquelyne G. Miller Trust dated September 13, 1990, 374,232 shares of common stock held by Robert W. and Florence Miller Family Partners, L.P., of which Steven G. Miller is a limited partner and shares dispositive power with respect to the shares pursuant to a trading authorization dated

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November 12, 2004 executed by Robert W. Miller and Florence H. Miller, as general partners, and 30,000 shares which may be acquired upon the exercise of options exercisable within 60 days of April 28, 2016. Steven G. Miller disclaims beneficial ownership in the shares owned by Robert W. and Florence Miller Family Partners, L.P. except to the extent of his pecuniary interest therein. Jacquelyne G. Miller shares beneficial ownership of the 741,885 shares of common stock held by the Steven G. Miller and Jacquelyne G. Miller Trust dated September 13, 1990.

- (4) Includes 29,750 shares which may be acquired upon the exercise of options exercisable within 60 days of April 28, 2016.
- (5) Includes 16,750 shares which may be acquired upon the exercise of options exercisable within 60 days of April 28, 2016. Excludes shares beneficially held by Stadium Capital Management, LLC and its affiliated funds, as to which Mr. DeMarco disclaims beneficial ownership.
- (6) Includes 2,500 shares which may be acquired upon the exercise of options exercisable within 60 days of April 28, 2016.
- (7) Includes 19,143 shares of common stock held by Jennifer H. Dunbar, Trustee of the Lilac II Trust dated June 28, 2000 and 26,050 shares which may be acquired upon the exercise of options exercisable within 60 days of April 28, 2016.
- (8) Includes 107,362 shares of common stock held by the Van B. Honeycutt & Diana H. Honeycutt Living Trust dated September 24, 2001 and 11,250 shares which may be acquired upon the exercise of options exercisable within 60 days of April 28, 2016.
- (9) Includes 29,750 shares which may be acquired upon the exercise of options exercisable within 60 days of April 28, 2016.
- (10) Includes 15,000 shares which may be acquired upon the exercise of options exercisable within 60 days of April 28, 2016.
- (11) Includes 20,290 shares of common stock held by The Emerson Family Trust Dated June 3, 2009 and 14,011 shares which may be acquired upon the exercise of options exercisable within 60 days of April 28, 2016.
- (12) Includes 175,061 shares which the directors and executive officers may be deemed to have beneficial ownership with respect to options to purchase the Company's common stock exercisable within 60 days of April 28, 2016.
- (13) The address for BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055, as reported in the Schedule 13G/A filed with the Securities and Exchange Commission on January 25, 2016 by the reporting person. The reporting person's holdings are based upon the holdings disclosed in the Schedule 13G/A, which also states that the reporting person has sole voting power over 1,715,819 of the 1,753,508 shares beneficially held as of that date.
- (14) The address for Dimensional Fund Advisors LP is Building One, 6300 Bee Cave Road, Austin, Texas 78746, as reported in the Schedule 13G filed with the Securities and Exchange Commission on February 9, 2016 by the reporting person. The reporting person's holdings are based upon the holdings disclosed in the Schedule 13G, which also states that the reporting person has sole voting power over 1,371,039 of the 1,432,777 shares beneficially held as of that date.
- (15) The address for LSV Asset Management is 155 N. Wacker Drive, Suite 4600, Chicago, Illinois 60606, as reported in the Schedule 13G filed with the Securities and Exchange Commission on February 12, 2016 by the reporting person. The reporting person's holdings are based upon the holdings disclosed in the Schedule 13G, which also states that the reporting person has sole voting power over 522,795 of

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the 1,127,095 shares beneficially held as of that date.

- (16) The address for Stadium Capital Management, LLC is 199 Elm Street, New Canaan, CT 06840, as reported in the Schedule 13D filed with the Securities and Exchange Commission on August 22, 2011, and amended

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on October 13, 2011, October 26, 2011, May 13, 2013, August 12, 2013, December 18, 2014, January 21, 2015, February 4, 2015, March 17, 2015, May 4, 2015, August 8, 2015 and March 7, 2016 (as so amended, the Schedule 13D). According to the Schedule 13D, Stadium Capital Management, LLC is an investment adviser whose clients, including Stadium Capital Partners, L.P., have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the shares reported above. Stadium Capital Partners, L.P. has such a right with respect to 2,630,539 of the 2,890,811 shares reported above. Alexander M. Seaver and Bradley R. Kent are the managing members of Stadium Capital Management, LLC, and Stadium Capital Management, LLC is the general partner of Stadium Capital Partners, L.P.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information regarding the Company's equity compensation plans as of January 3, 2016. For a description of the material features of these plans, see Executive and Director Compensation and Related Matters Stock Options and Equity Compensation.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders (1)	654,630	\$ 15.16	597,202
Equity compensation plans not approved by security holders			
Total	654,630	\$ 15.16	597,202

- (1) The Company has stock options outstanding under two equity compensation plans: the 2002 Plan and the 2007 Plan. However, except as to outstanding awards, the 2002 Plan was terminated immediately after the Company's 2007 annual meeting of stockholders. Accordingly, no additional options may be granted under that plan. Shares subject to options under the 2002 Plan that are forfeited or cancelled, or otherwise expire without issuance of the underlying shares, shall become available for issuance under the 2007 Plan.

PROPOSAL NO. 4

ADVISORY VOTE ON EXECUTIVE COMPENSATION

(Item No. 4 on Proxy Card)

We are providing stockholders an advisory vote to approve the compensation of our named executive officers, also known as a say-on-pay proposal. The Board has determined to hold these votes annually. The advisory vote is a non-binding vote on the compensation of our named executive officers as described in this Proxy Statement in the Executive and Director Compensation and Related Matters Compensation Discussion and Analysis section, the tabular disclosure regarding such compensation and the Company's accompanying narrative disclosure.

At our 2015 Annual Meeting, more than 90% of the votes cast on our say-on-pay proposal were voted in favor of the proposal. Our Compensation Committee considered the result of this vote and concluded that our pay for performance philosophy is supported by stockholders and that no specific changes to its executive compensation program were warranted.

As noted above in the section entitled Executive and Director Compensation and Related Matters Compensation Discussion and Analysis, our executive compensation program utilizes elements including base salary, annual bonus awards, long term stock-based incentive awards, and health and other benefits to achieve the following goals:

attracting, motivating and rewarding highly talented, qualified and experienced executive officers responsible for our success;

encouraging retention of top executives who may have attractive opportunities at other companies;

providing rewards for successful performance;

aligning annual short term incentive rewards with actual Company operating performance;

using longer-term stock-based incentive awards, which vest over time, to align executive officers' interests with those of the stockholders; and

providing total compensation to each executive officer that is internally equitable and reasonable in light of the executive officer's level of experience and qualifications as well as general market practice, including compensation levels of certain peer companies.

The Board and the Compensation Committee believe that our compensation programs, which align pay with performance and which have been relatively stable over time, have accomplished the foregoing goals.

We strongly encourage stockholders to review this Proxy Statement, and in particular the information contained in the Executive and Director Compensation and Related Matters section, including the tabular and narrative disclosure, for a more detailed discussion of our compensation philosophy, objectives and programs.

In summary, compensation actions in 2015 for our named executive officers included:

Base salaries for 2015 were increased by a modest 2.2%, a smaller percentage and dollar increase than 2013 and 2014, in light of the Company's financial performance in fiscal 2014.

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Annual bonuses for fiscal 2015 (determined and paid in March 2016) were increased from the prior year because the Company's EBITDA for fiscal 2015 increased compared with 2014. Specifically, in 2015, our EBITDA increased by 2.7%, the total amount of bonuses paid to employees increased by 5%, and the amount of bonuses paid to the named executive officers as a group increased by 4.4% (following a substantial decrease in the previous year).

The value of equity grants to named executive officers as a group in 2015 (made in March 2015) decreased by 15% compared to 2014, reflecting the decrease in the Company's stock price from March 2014 to March 2015. As in the past, these equity awards vest over a four-year time frame for retention purposes and to further align management and stockholder interests.

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Required Vote

The adoption of the resolution set forth below approving the Company's compensation of its named executive officers will require the affirmative vote of a majority of the votes cast for or against with respect to this proposal. Abstentions and broker non-votes will have no effect on the outcome of the vote on this proposal.

Recommendation of the Board of Directors

We believe that our compensation program for executive officers is conservative relative to our peers. We also believe this program will help to drive improved Company performance even if economic conditions remain challenging.

ACCORDINGLY, THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE FOLLOWING ADVISORY RESOLUTION:

RESOLVED, that the stockholders approve the compensation of the Company's named executive officers as described in the Executive and Director Compensation and Related Matters section of the Company's Proxy Statement, including the Compensation Discussion and Analysis subsection thereof and the tabular and narrative disclosures therein required by Item 402 of SEC Regulation S-K.

