

BIG 5 SPORTING GOODS CORP

Form DEF 14A

May 01, 2006

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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

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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**BIG 5 SPORTING GOODS CORPORATION
2525 EAST EL SEGUNDO BOULEVARD
EL SEGUNDO, CALIFORNIA 90245**

May 8, 2006

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 20, 2006 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. The election of two Class A directors to the Company s Board of Directors, each to hold office until the 2009 annual meeting of stockholders (and until each such director s successor shall have been duly elected and qualified); and
2. 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 2005 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, please complete, sign, date and return the Proxy Card in the enclosed envelope. 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

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**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 20, 2006**

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 20, 2006 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. The election of two Class A directors to the Company's Board of Directors, each to hold office until the 2009 annual meeting of stockholders (and until each such director's successor shall have been duly elected and qualified); and
2. 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 27, 2006 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. TO ENSURE THAT YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING, YOU ARE URGED TO COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE POSTAGE PAID ENVELOPE PROVIDED, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON.

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 8, 2006

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**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 20, 2006**

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 for use at the Annual Meeting of the Company's stockholders to be held on June 20, 2006 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) the election of two Class A directors to the Company's Board of Directors, each to hold office until the 2009 annual meeting of stockholders (and until each such director's successor shall have been duly elected and qualified) and (ii) 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 8, 2006. The address of the principal executive offices of the Company is 2525 East El Segundo Boulevard, El Segundo, California 90245.

ANNUAL MEETING

Record Date; Outstanding Shares; Quorum

Only holders of record of the Company's common stock at the close of business on April 27, 2006 (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 22,705,977 shares of common stock outstanding and entitled to vote, held of record by 133 stockholders. A majority, or 11,352,989, 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.

Voting of Proxies; Votes Required

Stockholders are requested to complete, date, sign and return the accompanying Proxy Card in the enclosed envelope. All properly executed, returned and unrevoked Proxy Cards will be voted in accordance with the instructions indicated thereon. Executed but unmarked Proxy Cards will be voted FOR the election of each director nominee listed on the Proxy Card. The Company's Board of Directors 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 the Proxy Cards, stockholders confer discretionary authority on the proxies (who are persons designated by the Board of Directors) to vote all shares covered by the Proxy Cards in their discretion on any other matter that may properly come before the Annual Meeting, including any motion made for adjournment of the Annual Meeting.

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 subsequent valid Proxy Card or (iii) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting

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will not, by itself, revoke a proxy). Any notice of revocation sent to the Company must include the stockholder's name.

Elections of directors are determined by a plurality of shares of common stock represented in person or by proxy and voting at the Annual Meeting.

Abstentions; Broker Non-Votes; Withheld Votes

A stockholder may vote to abstain on any other proposals which may properly come before the Annual Meeting. If a stockholder votes to abstain, such stockholder's shares will be counted as present at the meeting for purposes of determining a quorum on all matters and for purposes of calculating the vote, but will not be considered to be votes cast with respect to such matters. 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 to vote on one or more matters, 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 with respect to such matters. Therefore, abstentions and broker non-votes will have no effect on the outcome of the election of directors. In addition, in the election of directors, a stockholder may withhold such stockholder's vote. Withheld votes will be excluded from the vote and will have no effect on the outcome of such election.

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. The directors, officers and employees of the Company may solicit proxies by mail, telephone, telegram, letter, facsimile, via the Internet or in person. Following the original mailing of the proxies and other soliciting materials, the Company will request that brokers, custodians, nominees and other record holders forward copies of the Proxy Statement and other soliciting materials to persons for whom they hold shares of common stock and request authority for the exercise of proxies. In such cases, the Company will reimburse such record holders for their reasonable expenses.

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ELECTION OF DIRECTORS

General

The Board of Directors consists of three classes, consisting of 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 2006 (Class A), the year 2007 (Class B) and the year 2008 (Class C). The terms of the Class A directors elected at the Annual Meeting will expire in 2009. Each director holds office until such director's successor is duly elected and qualified. At each annual meeting of stockholders (including the Annual Meeting), directors elected to succeed those directors whose terms then expire will be elected 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.

Only members of Class A, Mr. G. Michael Brown and Mr. David Jessick, are nominees for election to the Board of Directors at the Annual Meeting. Each Class A director elected will hold office until the 2009 annual meeting of stockholders (and until such director's successor shall have been duly elected and qualified). Both of the nominees currently serve on the Board of Directors of the Company.

Each proxy received will be voted for the election of the persons named below, unless the stockholder signing such proxy withholds authority to vote for one or more of these nominees in the manner described in the proxy. Although it is not contemplated that any nominee named below will decline or be unable to serve as a director, in the event any nominee declines or is unable to serve as a director, the proxies will be voted by the proxy holders as directed by the Board of Directors. 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 election of the nominees listed below. Withheld votes will also have no effect on the election of the nominees. The two nominees receiving the highest number of votes from holders of shares of common stock represented and voting at the Annual Meeting will be elected to the Board of Directors.

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

Except as set forth below, there are no family relationships between any director, nominee or executive officer and any other director, nominee or executive officer of the Company. Except as disclosed under Employment Agreements, 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).

Directors Whose Terms Expire in 2006 and are Nominees for Reelection at the Annual Meeting (Class A Directors)

G. Michael Brown has served as a director since 2002. Mr. Brown has been a senior litigation partner with the law firm Musick, Peeler & Garrett LLP since 2001. Prior to that, Mr. Brown was a partner at the law firm Berger, Kahn, Shafton, Moss, Figler, Simon & Gladstone from 1996 to 2001. Age: 53.

David R. Jessick has served as a director since March 2006. Mr. Jessick served as consultant to the chief executive and senior financial staff at Rite Aid Corporation 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 director of Pathmark Stores Inc., Dollar Financial Corp., Source Interlink Companies Inc., World Kitchen, Inc., and Pinnacle Foods Corp. Age: 52.

Table of Contents**Directors Whose Terms Will Expire in 2007 (Class C Directors)**

Sandra N. Bane has served as a director since 2002. Since 1999, Mrs. Bane has been a principal of Bane Consulting, a business consulting firm. Mrs. Bane retired from KPMG LLP as an audit partner in 1998 after 23 years with the firm. While at KPMG LLP, Mrs. 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. Mrs. Bane is also a member of the board of directors of PETCO Animal Supplies, Inc. and Transamerica Premier Investment Funds, a mutual fund company, and serves as a member of the board for several nonprofit institutions in her community. She is also a member of the AICPA and the California Society of Certified Public Accountants. Age: 53.

Michael D. Miller, Ph.D. has served as a director since 1997. Dr. Miller is a mathematical consultant at The RAND Corporation, an independent nonprofit research and analysis organization. He retired from The RAND Corporation as a senior mathematician in 2002 after 25 years with the organization. Dr. Miller has also taught mathematics at the University of California, Los Angeles since 1973. Dr. Miller is Steven G. Miller's brother. Age: 56.

Directors Whose Terms Will Expire in 2008 (Class C Directors)

Jennifer Holden Dunbar has served as a director since February 2004. Since March 2005, Ms. Dunbar has served as Principal, Co-Founder and Managing Director of Dunbar Partners, LLC, an investment and advisory services company. Since 1994, Ms. Dunbar has also served as the President of Willow III, Inc., a personal holding company. From 1994 to 1998, Ms. Dunbar was a partner of Leonard Green & Partners, L.P., a private equity firm, which she joined in 1989. Age: 43.

Steven G. Miller has served as Chairman of the Board, Chief Executive Officer and President since 2002, 2000 and 1992, respectively. Steven G. Miller has also served as a director since 1992. In addition, Steven G. Miller served as Chief Operating Officer from 1992 to 2000 and as Executive Vice President, Administration from 1988 to 1992. Steven G. Miller is Michael D. Miller's brother. Age: 54.

Board Meetings and Committees

The Board of Directors of the Company held seven meetings during the fiscal year ended January 1, 2006 and acted by unanimous written consent on two occasions. During the fiscal year ended January 1, 2006, 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). It is the policy of the Board of Directors that directors who are nominees for election to the Board of Directors at the Corporation's annual meeting of stockholders should attend such annual meeting, except in the case of extenuating or exceptional circumstances. All of the directors then serving, other than Ms. Bane, attended the Company's 2005 annual meeting of stockholders.

The Board of Directors consists of three classes: Class A directors, Class B directors and Class C directors. The terms of office of the Class A directors, Class B directors and Class C directors expire in the year 2006 (Class A), the year 2007 (Class B) and the year 2008 (Class C). Directors are elected to three-year terms. Each director holds office until such director's successor is duly elected and qualified. It is the policy of the Board of Directors that a majority of the Board of Directors shall be independent as that term is defined in Marketplace Rule 4200(a)(15) of the Nasdaq National Market's listing standards. The Board of Directors has determined that Sandra N. Bane, G. Michael Brown, Jennifer Holden Dunbar and David Jessick, each of whom is a current member of the Board of Directors, are independent.

Executive Sessions of Independent Directors

To promote open discussion among the independent directors, the independent directors meet in executive session at least two times per year, either before or after regularly-scheduled board meetings. The Chair of the Audit Committee presides at these executive sessions. Any independent director may request that

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an executive session of the independent members of the Board of Directors be scheduled. Following such meetings, the Chair of the Audit Committee (or another designated director) will discuss with the Chairman of the Board and the Chief Executive Officer, to the extent appropriate, matters emanating from the executive sessions. The independent directors met twice during the fiscal year ended January 1, 2006.

Director Qualifications and Nominations Process

The Board of Directors has formed a nominating committee to make recommendations to the Board of Directors for nominations. It is the policy of the Board of Directors that, in addition to being approved by a majority of the Board of Directors, each nominee must first be recommended by the nominating committee.

The policy of the nominating 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 of Directors as a whole. In evaluating the suitability of individual candidates for election or re-election to the Board of Directors, the nominating committee and the Board of Directors 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 committee and the Board of Directors evaluate each individual in the context of the composition and needs of the Board of Directors as a whole, including the independence requirements imposed by the Nasdaq Stock Market's National Market 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. In determining whether to recommend a director for re-election, the nominating committee and the Board of Directors also consider the director's past attendance at, and participation in, meetings of the Board of Directors and its committees and contributions to its activities. The nominating committee and the Board of Directors use the Board's network of contacts to compile a list of potential candidates, but may also engage, if they deem appropriate, a professional search firm.

Stockholders who have beneficially owned more than five percent of the Corporation'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 committee and the Board of Directors 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 Amended and Restated 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 committee nor the Board of Directors 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.

Audit Committee

The Board of Directors has a standing audit committee, which is chaired by Sandra N. Bane and currently consists of Ms. Bane, Ms. Dunbar and Mr. Jessick. Each of the members of the audit committee is independent as that term is defined in Marketplace Rule 4200(a)(15) of the Nasdaq National Market's listing standards and meets the additional audit committee independence requirements set forth in Marketplace Rule 4350(d)(2) of the Nasdaq National Market's listing standards. The Board of Directors has determined that Ms. Bane qualifies as an audit committee financial expert as defined in the rules of the Securities and Exchange Commission.

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On February 10, 2004, the Board of Directors adopted an amended and restated written charter for the audit committee to comply with the requirements of the Sarbanes-Oxley Act of 2002, as well as the requirements of the Securities and Exchange Commission and the Nasdaq Stock Market's National Market.

Among other things, the functions of the audit committee are 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 § 10A(i) of the Securities Exchange Act of 1934, as amended;

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 auditors the Company's audited financial statements, including the adequacy and effectiveness of the Company's internal accounting controls;

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

review the independence and performance of the Company's independent auditors; 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 audit committee held twenty-eight meetings during the fiscal year ended January 1, 2006, and acted once by unanimous written consent.

Compensation Committee

The Board of Directors has a standing compensation committee, which is chaired by G. Michael Brown and currently consists of Mr. Brown, Ms. Bane and Ms. Dunbar. Each of the members of the compensation committee is independent within the meaning of Marketplace Rule 4200(a)(15) of the Nasdaq National Market's listing standards. Among other things, the function of the compensation committee is to review and recommend to the Board of Directors the compensation and benefits of the Company's executive officers and to administer the Company's 2002 Stock Incentive Plan. Grants of stock options under the Company's 2002 Stock Incentive Plan to, and compensation for, executive officers are approved by Ms. Bane and Ms. Dunbar, with Mr. Brown either recusing himself or abstaining. Ms. Bane and Ms. Dunbar each is a non-employee director within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and an outside director within the meaning of Section 162(m) of the Internal Revenue Code. The compensation committee held three meetings during the fiscal year ended January 1, 2006, and acted by unanimous written consent on two occasions.

Nominating Committee

The Board of Directors has a standing nominating committee, which is chaired by Ms. Dunbar and currently consists of Ms. Dunbar and Mr. Jessick. Each of the members of the nominating committee is independent within the meaning of Marketplace Rule 4200(a)(15) of the Nasdaq National Market's listing standards. Among other things, the function of the nominating committee is to identify, screen, review and recommend to the Board of Directors 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, as well as to

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recommend to the Board directors to serve on each Board committee. The nominating committee was formed in 2006 and therefore did not meet during the fiscal year ended January 1, 2006.

Compensation of 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 \$20,000 for service on the Board of Directors, plus \$2,500 for attendance at each regularly scheduled meeting of the Board of Directors or each committee meeting not otherwise held on the day of a board meeting, and \$1,000 for attendance by telephone at any specially called board meeting or committee meeting. The Chairs of the Audit Committee and Compensation Committee receive additional annual retainers of \$10,000 and \$5,000, respectively. In addition, in 2004, the Company adopted a policy pursuant to which each non-employee director was initially granted options to purchase 10,000 shares of the Company's common stock and will annually be granted options to purchase 5,000 shares of such stock. The options will have an exercise price equal to the fair market value of the Company's common stock on the date of grant and will vest in four equal annual installments. Initial grants under the policy were made in August 2004 and annual grants thereafter 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 such meetings. Dr. Miller has waived his right to receive his director fees and stock options.

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 of Directors, the Chairman of the Board, the Chair of the Audit Committee or the Chair of the Compensation 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, 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.

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 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, www.big5sportinggoods.com.

Litigation Involving Directors and Officers

On August 12, 2005, the Company was served with a complaint filed in the California Superior Court in the County of Los Angeles, entitled William Childers v. Sandra N. Bane, et al., Case No. BC337945 (*Childers*), alleging breach of fiduciary duty, violation of the Company's bylaws and unjust enrichment by certain executive officers. On November 17, 2005, the plaintiff filed an amended complaint in this action. The amended complaint was brought as a purported derivative action on behalf of the Company against all of the members of its board of directors and certain executive officers. The amended complaint alleges that the directors breached their fiduciary duties and violated the Company's bylaws by, among other things, failing to hold an annual stockholders' meeting on a timely basis and allegedly ignoring certain unspecified internal control problems, and that certain executive officers were unjustly enriched by their receipt of certain compensation items. The amended complaint seeks an order requiring that an annual meeting of stockholders be held, an award of unspecified damages in favor of the Company and against the individual defendants and an award of attorneys' fees. On January 20, 2006, the Company filed a demurrer to the amended complaint (as did the individual director and officer defendants). At a hearing on April 3, 2006, the court sustained the demurrers and granted the plaintiff leave to further amend the complaint and to seek limited discovery.

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hearing is currently scheduled for June 26, 2006. The Company believes that the amended complaint is without merit and intends to defend the suit vigorously.

Compensation Committee Interlocks and Insider Participation

For the fiscal year ended January 1, 2006, the compensation committee consisted of G. Michael Brown, as Chair, Sandra N. Bane and John G. Danhagl, none of whom is or has been an officer or employee of the Company or any of its subsidiaries. Mr. Danhagl has subsequently been replaced on the compensation committee by Jennifer Holden Dunbar. Ms. Bane and Ms. Dunbar do not (and Mr. Danhagl did not) have any relationship requiring disclosure under any paragraph of Item 404 of Regulation S-K. Mr. Brown is a partner at the law firm of Musick, Peeler & Garrett LLP. From time to time, the Company retains Musick, Peeler & Garrett LLP to handle various litigation matters.

No interlocking relationship existed between the Board of Directors or the compensation committee of the Company and the board of directors or compensation committee of any other company.

Compensation Committee Report on Executive Compensation

The compensation committee of the Board of Directors is responsible for making recommendations to the Board of Directors regarding the annual salaries and other compensation of the executive officers of the Company and providing assistance and recommendations with respect to compensation plans. The compensation committee also has the authority to administer and make award grants under the Company's 1997 Management Equity Plan and 2002 Stock Incentive Plan.

The Company's compensation policy is based on linking executive compensation to the Company's objectives of growth through increased earnings and maximizing stockholder value. The compensation committee monitors compensation levels for comparable retail companies and evaluates annual compensation on the basis of these compensation trends, the performance of the Company and the job performance of the individual executives to determine whether adjustments to base salary or bonuses, or both, are appropriate.

The compensation committee believes that stock ownership by key executives provides valuable performance incentives and helps to align the interests of key executives with the interests of the Company's stockholders in maximizing stockholder value. While certain executive officers, including the Company's Chief Executive Officer and President, have significant equity ownership in the Company, the compensation committee believes that additional option grants are appropriate to further align the interests of the Company's executive officers with the interests of the Company's stockholders. To facilitate these objectives, the Company adopted the 2002 Stock Incentive Plan, pursuant to which the Company may grant stock options to executives (as well as other employees and directors). The terms of the stock options grants are determined by the compensation committee based upon the position and responsibilities of the key executive, as well as a review of competitive equity compensation of officers of comparable retail companies.

In accordance with the terms of his employment agreement, Steven G. Miller's base salary was initially set in 2002 at \$375,000 and was increased to \$395,000 in 2003. His base salary was increased by the compensation committee in 2004 to \$415,000 and in 2005 to \$433,000 (with bonuses for 2004 and 2005 of \$615,000 and \$415,000, respectively), based on comparable compensation packages provided to executives in similarly situated companies and the compensation committee's subjective assessment of his performance. See Employment Agreements. In addition, in order to further align Steven G. Miller's interests with those of the Company's stockholders, the compensation committee awarded him options to purchase 30,000 shares of the Company's common stock in each of the years 2003, 2004 and 2006. Mr. Miller also received specified perquisites.

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to publicly-traded corporations for compensation in excess of \$1,000,000 paid for any fiscal year to certain executive officers, including the chief executive officer. However, the statute exempts qualifying performance-based compensation from the deduction limit if certain requirements are met. Although the Company believes that, in general, its compensation practices should be cost-efficient with respect to taxes, the Company reserves the authority

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to award compensation that is not deductible under Section 162(m) to the Company's executive officers to the extent consistent with other compensation objectives. For purposes of Section 162(m), no executive officer of the Company received annual compensation for the fiscal year ended January 1, 2006 in excess of \$1,000,000.

COMPENSATION COMMITTEE OF
THE BOARD OF DIRECTORS

G. Michael Brown (Chair)
Sandra N. Bane
Jennifer Holden Dunbar

April 20, 2006

No portion of this Compensation 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 Securities Exchange Act of 1934, as amended (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 Directors Whose Terms Will Expire in 2008 (Class C Directors)). Executive officers serve at the discretion of the Board of Directors, subject to rights, if any, under contracts of employment. See Employment Agreements.

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: 48.

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 Thrifty Corporation's Vice President, General Counsel and Secretary since 1992 and Thrifty Corporation's Vice President - Legal Affairs since 1979. Age: 59.

Richard A. Johnson has served as Senior Vice President, Store Operations since 1992. Prior to that, Mr. Johnson was Vice President, Store Operations since 1982. Age: 60.

Thomas J. Schlauch has served as Senior Vice President, Buying since 1992. Prior to that, Mr. Schlauch served as Head of Buying from 1990 to 1992 and as Vice President, Buying from 1982 to 1990. Age: 61.

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: 49.

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The following table summarizes the compensation of the Company's Chief Executive Officer and each of the Company's four other most highly compensated executive officers for the fiscal year ended January 1, 2006 (collectively, the Named Executive Officers):

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation(1)		Long-Term Compensation Awards	
		Salary(\$)	Bonus(\$)	Securities Underlying Options(#)	All Other Compensation (\$)(2)
Steven G. Miller Chairman of the Board, President and Chief Executive Officer	2005	433,000	415,000		12,742
	2004	415,000	615,000	30,000	12,410
	2003	395,000	615,000	30,000	12,542
Thomas J. Schlauch Senior Vice President, Buying	2005	243,000	200,000		12,742
	2004	233,000	217,000	10,000	12,410
	2003	221,000	200,000	10,000	12,595
Richard A. Johnson Senior Vice President, Store Operations	2005	217,000	180,000		12,742
	2004	207,000	197,000	10,000	12,410
	2003	195,000	180,000	10,000	11,426
Gary S. Meade Senior Vice President, General Counsel and Secretary	2005	177,000	100,000		12,742
	2004	167,000	98,000	10,000	12,051
	2003	155,000	85,000	10,000	12,260
Jeffrey L. Fraley Senior Vice President, Human Resources	2005	148,000	84,000		12,742
	2004	140,000	87,000	8,000	12,410
	2003	131,000	79,000	8,000	12,410

(1) Excludes perquisites and other personal benefits, securities or property. The aggregate amount of such compensation is less than the lesser of either \$50,000 or 10 percent of the total of annual salary and bonus reported for each of the Named Executive Officers.

(2) Represents matching and profit-sharing contributions under the Company's 401(k) plan, and insurance premiums paid by the Company on split-dollar executive life insurance policies. The Company discontinued such insurance policies in October 2003.

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There were no options granted to the Named Executive Officers during the fiscal year ended January 1, 2006.
Aggregated Option/SAR Exercise in Last Fiscal Year and FY-END Option/SAR Values

Name	Shares		Number of Securities Underlying Unexercised Options/SARs At Fiscal Year-End (#) Exercisable/Unexercisable	Value of Unexercised In-The-Money Options/SARs At Fiscal Year-End (\$) Exercisable/Unexercisable(1)
	Acquired on Exercise (#)	Value Realized (\$)		
Steven G. Miller			35,000/25,000	244,375/100,625
Thomas J. Schlauch			7,500/12,500	57,500/57,500
Richard A. Johnson			7,500/12,500	57,500/57,500
Gary S. Meade			7,500/12,500	57,500/57,500
Jeffrey L. Fraley			6,000/10,000	46,000/46,000

(1) Based on a fair market value per share equal to the closing price per share of \$21.89 on December 30, 2005.

Employment Agreements

The Company has an employment agreement with Steven G. Miller, who currently serves as Chairman of the Board, President and Chief Executive Officer.

Steven G. 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 Steven G. Miller to receive an annual base salary of \$375,000, subject to annual increase based on comparable compensation packages provided to executives in similarly situated companies, and to participate in a bonus plan based on standards to be established by the compensation committee. His annual base salary has since been increased to \$443,000 for 2006. Steven G. Miller is also entitled to specified perquisites. In addition, as long as Steven G. Miller serves as an officer, the Company will use its best efforts to ensure that he continues to serve on the Company's Board of Directors and on the board of directors of the Company's wholly owned subsidiary, Big 5 Corp.

If Steven G. Miller's employment is terminated due to his death, the employment agreement provides for accelerated vesting of options that would have been exercisable during half of the remaining scheduled term of the employment agreement and the continuation of family medical benefits for the remaining scheduled term of the employment agreement. If Steven G. Miller's employment is terminated due to his disability, the employment agreement provides that the Company will pay Steven G. Miller his remaining base salary for half of the remaining scheduled term of the employment agreement and an additional payment equal to two times the greater of (i) his last annual cash bonus or (ii) the average annual cash bonus paid during the last three fiscal years. In addition, the employment agreement provides for accelerated vesting of options that would have been exercisable during half of the remaining scheduled term of the employment agreement and the continuation of specified benefits for such term.

If Steven G. Miller terminates the employment agreement for good reason or for any reason within six months of a change in control, or if the Company terminates the employment agreement without cause, the employment agreement provides the Company will pay Steven G. Miller his remaining base salary during the remaining scheduled term of the employment agreement and an additional payment equal to three times the greater of (i) his last annual cash bonus or

(ii) the average annual cash bonus paid during the last three fiscal

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years. In addition, the employment agreement provides for accelerated vesting of all of his options and the continuation of specified benefits during the remaining scheduled term of the employment agreement.

If Steven G. Miller terminates the employment agreement without good reason or the Company terminates the employment agreement for cause, Steven G. Miller is entitled to receive all accrued and unpaid salary and other compensation and all accrued and unused vacation and sick pay.

On August 16, 2005, Big 5 Corp., the Company's wholly-owned subsidiary, and Barry D. Emerson entered into an employment offer letter (the Offer Letter). The Offer Letter sets forth the terms of Mr. Emerson's employment with the Company, Big 5 Corp. and Big 5 Services Corp., a wholly-owned subsidiary of Big 5 Corp. (together with the Company and Big 5 Corp., the Big 5 Companies). The Offer Letter provides that beginning on or before September 12, 2005, Mr. Emerson was to commence employment as Senior Vice President of each of the Big 5 Companies, and upon the completion of the filings of the Company's Annual Report on Form 10-K for the fiscal year ended January 2, 2005 and its Quarterly Reports on Form 10-Q for the first and second quarters of fiscal 2005, he was to be appointed Chief Financial Officer and Treasurer of each of the Big 5 Companies. Mr. Emerson's employment as Senior Vice President commenced on September 12, 2005 and he became Chief Financial Officer and Treasurer on October 3, 2005. The Offer Letter provides for Mr. Emerson to receive a starting annual base salary of \$275,000 and a minimum starting annual bonus of \$125,000, to be paid in the first quarter of 2006 and prorated based upon the period of employment during the 2005 fiscal year. Mr. Emerson's annual base salary has since been increased to \$300,000 for 2006, and his bonus paid for 2005 was \$100,000. Pursuant to the Offer Letter, on the first day of his employment Mr. Emerson received a stock option grant to acquire 50,000 shares of the Company's common stock, which vests 25% per year over four years and has a term of ten years. Pursuant to the Offer Letter, the exercise price for the options was \$25.05, the closing price of the Company's common stock on the day that Mr. Emerson started work with the Company. In addition, Mr. Emerson will receive specified perquisites, and be eligible for future stock option grants, comparable to those provided to other senior vice presidents of the Company.

The Offer Letter also provides that the Company will enter into a mutually-acceptable severance agreement with Mr. Emerson setting forth the terms of his at will employment. If the Company terminates Mr. Emerson's employment other than for cause (as defined), Mr. Emerson will receive a severance package which will include one year's base salary and one year's health coverage for Mr. Emerson and his family.

Audit Committee Pre-approval Policies and Procedures

The audit committee is required under the Sarbanes-Oxley Act of 2002 and the rules of the Securities and Exchange Commission promulgated thereunder to pre-approve the auditing and permissible non-audit services performed by the Company's independent auditor to provide assurance that the provision of those services does not impair the independence of the auditor. The audit committee has adopted a pre-approval policy to assist it in carrying out this responsibility.

Under the pre-approval policy, the annual audit services engagement terms and fees are subject to the specific pre-approval of the audit committee. The audit committee will approve, if necessary, any changes in terms, conditions and/or fees resulting from changes in audit scope, the Company's organizational structure or other matters. In addition, if the audit committee, after reviewing documentation detailing the specific services to be provided by the independent auditors and having discussions with management, determines that the performance of such services would not impair the independence of the independent auditor, the audit committee may also approve (i) audit-related services that are reasonably related to the performance of the audit or review of the Company's financial statements and that are traditionally performed by the independent auditor, (ii) tax services such as tax compliance, tax planning and tax advice and/or (iii) permissible non-audit services that it believes are routine and recurring services.

All audit and permissible non-audit services provided by KPMG LLP to the Company for the fiscal years 2005 and 2004 were pre-approved in accordance with the Company's pre-approval policies and procedures.

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The aggregate fees billed for professional services provided by KPMG LLP in fiscal years 2005 and 2004 were:

Type of Fees	2005	2004
Audit Fees	2,013,000	1,991,000
Audit-related Fees		
Tax Fees		
All Other Fees	25,000	23,000
Total Fees	2,038,000	2,014,000

In the above table, in accordance with the definitions of the Securities and Exchange Commission, audit fees are fees paid by the Company to KPMG LLP for the audit of the Company's consolidated financial statements included in its annual report on Form 10-K and review of the unaudited financial statements included in its quarterly reports on Form 10-Q or for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

Audit-related Fees are fees billed by KPMG LLP for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements.

Tax Fees are fees for tax compliance, tax advice and tax planning.

All Other Fees are fees billed by KPMG LLP to the Company for any services not included in the first three categories.

Appointment of Auditors for Fiscal 2006

The audit committee has reappointed KPMG LLP as the independent registered public accounting firm to audit the Company's financial statements for fiscal 2006. Representatives of KPMG LLP will be present at the Annual Meeting. They will be given the opportunity to make a statement if they desire to do so, and they will be available to respond to appropriate questions.

Audit Committee Report

The Company's management has primary responsibility for the Company's 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 financial statements prepared by management, expresses an opinion as to whether those financ