

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)  
 QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2019

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-49850

**BIG 5 SPORTING GOODS CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

2525 East El Segundo Boulevard  
El Segundo, California

(Address of Principal Executive Offices)

95-4388794

(I.R.S. Employer Identification No.)

90245

(Zip Code)

Registrant's telephone number, including area code: (310) 536-0611

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	BGFV	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

There were 21,684,601 shares of common stock, with a par value of \$0.01 per share outstanding as of July 23, 2019.

**BIG 5 SPORTING GOODS CORPORATION**  
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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

**BIG 5 SPORTING GOODS CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share amounts)

	June 30, 2019	December 30, 2018
<b>ASSETS</b>		
Current assets:		
Cash	\$ 6,594	\$ 6,765
Accounts receivable, net of allowances of \$41 and \$28, respectively	13,728	14,184
Merchandise inventories, net	318,604	294,900
Prepaid expenses	9,746	9,224
Total current assets	<u>348,672</u>	<u>325,073</u>
Operating lease right-of-use assets, net	262,288	—
Property and equipment, net	71,617	76,488
Deferred income taxes	13,841	14,543
Other assets, net of accumulated amortization of \$1,902 and \$1,772, respectively	3,446	3,457
Total assets	<u>\$ 699,864</u>	<u>\$ 419,561</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 114,964	\$ 80,613
Accrued expenses	58,053	67,659
Current portion of operating lease liabilities	61,352	—
Current portion of finance lease liabilities	2,151	2,322
Total current liabilities	<u>236,520</u>	<u>150,594</u>
Operating lease liabilities, less current portion	213,180	—
Finance lease liabilities, less current portion	4,375	4,823
Long-term debt	62,437	65,000
Deferred rent, less current portion	—	14,615
Other long-term liabilities	8,485	9,668
Total liabilities	<u>524,997</u>	<u>244,700</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value, authorized 50,000,000 shares; issued 25,334,814 and 25,074,307 shares, respectively; outstanding 21,684,601 and 21,424,094 shares, respectively	253	250
Additional paid-in capital	119,145	118,351
Retained earnings	97,996	98,787
Less: Treasury stock, at cost; 3,650,213 shares	<u>(42,527)</u>	<u>(42,527)</u>
Total stockholders' equity	<u>174,867</u>	<u>174,861</u>
Total liabilities and stockholders' equity	<u>\$ 699,864</u>	<u>\$ 419,561</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**BIG 5 SPORTING GOODS CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)

	13 Weeks Ended		26 Weeks Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Net sales	\$ 240,965	\$ 239,951	\$ 486,251	\$ 474,129
Cost of sales	167,848	164,680	337,258	326,132
Gross profit	73,117	75,271	148,993	147,997
Selling and administrative expense	72,179	74,656	144,790	148,144
Operating income (loss)	938	615	4,203	(147)
Interest expense	738	793	1,514	1,449
Income (loss) before taxes	200	(178)	2,689	(1,596)
Income tax expense (benefit)	172	70	997	(39)
Net income (loss)	<u>\$ 28</u>	<u>\$ (248)</u>	<u>\$ 1,692</u>	<u>\$ (1,557)</u>
Earnings (loss) per share:				
Basic	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ 0.08</u>	<u>\$ (0.07)</u>
Diluted	<u>\$ 0.00</u>	<u>\$ (0.01)</u>	<u>\$ 0.08</u>	<u>\$ (0.07)</u>
Weighted-average shares of common stock outstanding:				
Basic	<u>21,118</u>	<u>20,985</u>	<u>21,074</u>	<u>20,964</u>
Diluted	<u>21,143</u>	<u>20,985</u>	<u>21,100</u>	<u>20,964</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**BIG 5 SPORTING GOODS CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands, except share amounts)

13 Weeks Ended June 30, 2019							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock, At Cost	Total	
	Shares	Amount					
Balance as of March 31, 2019	21,624,472	\$ 252	\$ 118,666	\$ 99,044	\$ (42,527)	\$ 175,435	
Net income	—	—	—	28	—	28	
Dividends on common stock (\$0.05 per share)	—	—	—	(1,076)	—	(1,076)	
Issuance of nonvested share awards	72,464	1	(1)	—	—	—	
Share-based compensation	—	—	480	—	—	480	
Forfeiture of nonvested share awards	(12,335)	—	—	—	—	—	
Balance as of June 30, 2019	<u>21,684,601</u>	<u>\$ 253</u>	<u>\$ 119,145</u>	<u>\$ 97,996</u>	<u>\$ (42,527)</u>	<u>\$ 174,867</u>	
13 Weeks Ended July 1, 2018							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock, At Cost	Total	
	Shares	Amount					
Balance as of April 1, 2018	21,415,758	\$ 250	\$ 116,761	\$ 108,501	\$ (42,527)	\$ 182,985	
Net loss	—	—	—	(248)	—	(248)	
Dividends on common stock (\$0.15 per share)	—	—	—	(3,211)	—	(3,211)	
Issuance of nonvested share awards	17,442	—	—	—	—	—	
Exercise of share option awards	64	—	—	—	—	—	
Share-based compensation	—	—	562	—	—	562	
Forfeiture of nonvested share awards	(2,140)	—	—	—	—	—	
Balance as of July 1, 2018	<u>21,431,124</u>	<u>\$ 250</u>	<u>\$ 117,323</u>	<u>\$ 105,042</u>	<u>\$ (42,527)</u>	<u>\$ 180,088</u>	
26 Weeks Ended June 30, 2019							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock, At Cost	Total	
	Shares	Amount					
Balance as of December 30, 2018	21,424,094	\$ 250	\$ 118,351	\$ 98,787	\$ (42,527)	\$ 174,861	
Cumulative adjustment from change in accounting principle, net of tax	—	—	—	(339)	—	(339)	
Net income	—	—	—	1,692	—	1,692	
Dividends on common stock (\$0.10 per share)	—	—	—	(2,144)	—	(2,144)	
Issuance of nonvested share awards	338,256	4	(4)	—	—	—	
Share-based compensation	—	—	1,018	—	—	1,018	
Forfeiture of nonvested share awards	(18,655)	—	—	—	—	—	
Retirement of common stock for payment of withholding tax	(59,094)	(1)	(220)	—	—	(221)	
Balance as of June 30, 2019	<u>21,684,601</u>	<u>\$ 253</u>	<u>\$ 119,145</u>	<u>\$ 97,996</u>	<u>\$ (42,527)</u>	<u>\$ 174,867</u>	
26 Weeks Ended July 1, 2018							
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock, At Cost	Total	
	Shares	Amount					
Balance as of December 31, 2017	21,345,159	\$ 249	\$ 116,495	\$ 112,424	\$ (42,099)	\$ 187,069	
Cumulative adjustment from change in accounting principle, net of tax	—	—	—	575	—	575	
Net loss	—	—	—	(1,557)	—	(1,557)	
Dividends on common stock (\$0.30 per share)	—	—	—	(6,400)	—	(6,400)	
Issuance of nonvested share awards	213,062	2	(2)	—	—	—	
Exercise of share option awards	6,564	—	31	—	—	31	
Share-based compensation	—	—	1,164	—	—	1,164	
Forfeiture of nonvested share awards	(4,570)	—	—	—	—	—	
Retirement of common stock for payment of withholding tax	(53,343)	(1)	(365)	—	—	(366)	
Purchases of treasury stock	(75,748)	—	—	—	(428)	(428)	
Balance as of July 1, 2018	<u>21,431,124</u>	<u>\$ 250</u>	<u>\$ 117,323</u>	<u>\$ 105,042</u>	<u>\$ (42,527)</u>	<u>\$ 180,088</u>	

See accompanying notes to unaudited condensed consolidated financial statements.

**BIG 5 SPORTING GOODS CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	26 Weeks Ended	
	June 30, 2019	July 1, 2018
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 1,692	\$ (1,557)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,822	9,553
Share-based compensation	1,018	1,164
Amortization of other assets	131	46
ROU asset gain on disposal	(110)	—
Noncash lease expense	29,658	—
Deferred income taxes	824	521
Changes in operating assets and liabilities:		
Accounts receivable, net	606	(1,138)
Merchandise inventories, net	(23,704)	(31,717)
Prepaid expenses and other assets	(890)	84
Accounts payable	29,431	10,747
Operating lease liabilities	(34,248)	—
Accrued expenses and other long-term liabilities	(8,604)	(9,583)
Net cash provided by (used in) operating activities	<u>5,626</u>	<u>(21,880)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(3,956)	(5,160)
Net cash used in investing activities	<u>(3,956)</u>	<u>(5,160)</u>
<b>Cash flows from financing activities:</b>		
Borrowings under revolving credit facility	98,048	136,796
Payments under revolving credit facility	(100,611)	(91,145)
Changes in book overdraft	4,738	(11,771)
Principal payments under finance lease liabilities	(1,510)	(893)
Proceeds from exercise of share option awards	—	31
Purchases of treasury stock	—	(428)
Tax withholding payments for share-based compensation	(221)	(366)
Dividends paid	(2,285)	(6,456)
Net cash (used in) provided by financing activities	<u>(1,841)</u>	<u>25,768</u>
Net decrease in cash	(171)	(1,272)
Cash at beginning of period	6,765	7,170
Cash at end of period	<u>\$ 6,594</u>	<u>\$ 5,898</u>
<b>Supplemental disclosures of non-cash investing and financing activities:</b>		
Property and equipment acquired under finance leases	\$ 864	\$ 644
Property and equipment additions unpaid	\$ 1,267	\$ 1,471
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$ 1,478	\$ 1,275
Income taxes paid	\$ 47	\$ 20

See accompanying notes to unaudited condensed consolidated financial statements.

**BIG 5 SPORTING GOODS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Description of Business**

Big 5 Sporting Goods Corporation (the “Company”) is a leading sporting goods retailer in the western United States, operating 434 stores and an e-commerce platform as of June 30, 2019. The Company provides a full-line product offering in a traditional sporting goods store format that averages approximately 11,000 square feet. The Company’s product mix includes athletic shoes, apparel and accessories, as well as a broad selection of outdoor and athletic equipment for team sports, fitness, camping, hunting, fishing, tennis, golf, winter and summer recreation and roller sports. The Company is a holding company that operates as one reportable segment through Big 5 Corp., its 100%-owned subsidiary, and Big 5 Services Corp., which is a 100%-owned subsidiary of Big 5 Corp. Big 5 Services Corp. provides a centralized operation for the issuance and administration of gift cards and returned merchandise credits (collectively, “stored-value cards”).

The accompanying interim unaudited condensed consolidated financial statements (“Interim Financial Statements”) of the Company and its 100%-owned subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and are presented in accordance with the requirements of Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, these Interim Financial Statements do not include all of the information and notes required by GAAP for complete financial statements. These Interim Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 30, 2018 included in the Company’s Annual Report on Form 10-K. In the opinion of management, the Interim Financial Statements included herein contain all adjustments, including normal recurring adjustments, considered necessary to present fairly the Company’s financial position, the results of operations and cash flows for the periods presented.

The operating results and cash flows of the interim periods presented herein are not necessarily indicative of the results to be expected for any other interim period or the full year.

**(2) Summary of Significant Accounting Policies**

*Consolidation*

The accompanying Interim Financial Statements include the accounts of Big 5 Sporting Goods Corporation, Big 5 Corp. and Big 5 Services Corp. Intercompany balances and transactions have been eliminated in consolidation.

*Reporting Period*

The Company follows the concept of a 52-53 week fiscal year, which ends on the Sunday nearest December 31. Fiscal year 2019 is comprised of 52 weeks and ends on December 29, 2019. Fiscal year 2018 was comprised of 52 weeks and ended on December 30, 2018. The fiscal interim periods in fiscal 2019 and 2018 are each comprised of 13 weeks.

*Recently Adopted Accounting Updates*

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize on the balance sheet assets and liabilities for leases with lease terms of more than 12 months. Consistent with prior GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend primarily on its classification as a finance or operating lease. However, unlike prior GAAP—which required only finance (formerly capital) leases to be recognized on the balance sheet—the new ASU requires both types of leases to be recognized on the balance sheet. The ASU took effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. This standard can be applied at the beginning of the earliest period presented using the modified retrospective approach, which includes certain practical expedients that an entity may elect to apply, including an election to use certain transition relief. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases* and ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, which make improvements to Accounting Standards Codification (“ASC”) 842 and allow entities to not restate comparative periods in transition to ASC 842 and instead report the comparative periods under ASC 840.

**BIG 5 SPORTING GOODS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

The Company adopted ASC 842 using the modified retrospective approach at the beginning of the first quarter of fiscal 2019, coinciding with the standard's effective date. In accordance with ASC 842, the Company did not restate comparative periods in transition to ASC 842 and instead reported comparative periods under ASC 840. Adoption of the standard resulted in the initial recognition of operating lease right-of-use ("ROU") assets of \$262.9 million and operating lease liabilities of \$279.7 million as of December 31, 2018. These amounts are based on the present value of such commitments using the Company's incremental borrowing rate ("IBR"), which was determined through the development of a synthetic credit rating. The adoption of this standard did not have a material impact on the Company's interim unaudited condensed consolidated statements of operations, shareholders' equity or cash flows, and had no material impact on beginning retained earnings in fiscal 2019. The Company has implemented new lease administration and accounting software and has developed and mapped new and existing controls in the context of the Company's control environment. In addition, the Company completed its evaluation of the practical expedients offered and enhanced disclosures required in ASC 842, as well as identified arrangements that contain embedded leases, among other activities, to account for the adoption of this standard. The Company elected the transition package of practical expedients permitted within the new standard which, among other things, allowed it to carryforward the historical lease classification. The Company did not elect the practical expedient to use hindsight in determining the lease term and in assessing impairment of ROU assets.

*Recently Issued Accounting Updates*

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurements (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This standard removes, modifies, and adds certain disclosure requirements for fair value measurements. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. While the Company is currently in the process of evaluating the effects of this standard on the consolidated financial statements, the Company plans to adopt ASU No. 2018-13 in the first quarter of fiscal 2020, coinciding with the standard's effective date, and expects the impact from this standard to be immaterial.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The Company's accounting for the service element of a hosting arrangement that is a service contract is not affected by the proposed amendments and will continue to be expensed as incurred in accordance with existing guidance. This standard does not expand on existing disclosure requirements except to require a description of the nature of hosting arrangements that are service contracts. This standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted, including adoption in any interim period for which financial statements have not been issued. Entities can choose to adopt the new guidance prospectively or retrospectively. The Company plans to adopt the updated disclosure requirements of ASU No. 2018-15 prospectively in the first quarter of fiscal 2020, coinciding with the standard's effective date, and expects the impact from this standard to be immaterial.

Other recently issued accounting updates are not expected to have a material impact on the Company's Interim Financial Statements.

*Use of Estimates*

Management makes a number of estimates and assumptions relating to the reporting of assets, liabilities and stockholders' equity and the disclosure of contingent assets and liabilities at the date of the Interim Financial Statements and reported amounts of revenue and expense during the reporting period to prepare these Interim Financial Statements in conformity with GAAP. Certain items subject to such estimates and assumptions include the carrying amount of merchandise inventories, property and equipment, lease assets and lease liabilities; valuation allowances for receivables, sales returns and deferred income tax assets; estimates related to stored-value cards and the valuation of share-based compensation awards; and obligations related to litigation, self-insurance liabilities and employee benefits. Actual results could differ significantly from these estimates under different assumptions and conditions.

*Revenue Recognition*

The Company operates solely as a sporting goods retailer, which includes both retail stores and an e-commerce platform, that offers a broad range of products in the western United States and online. Generally, all revenue is recognized when control of the promised goods is transferred to customers, in an amount that reflects the consideration in exchange for those goods. Accordingly, the Company implicitly enters into a contract with customers to deliver merchandise inventory at the point of sale. Collectibility is reasonably assured since the Company only extends immaterial credit purchases to certain municipalities and local school districts.



**BIG 5 SPORTING GOODS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

In accordance with ASC 606, *Revenue from Contracts with Customers*, the Company disaggregates net sales into the following major merchandise categories to depict the nature and amount of revenue and related cash flows:

	13 Weeks Ended		26 Weeks Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands)			
Hard goods	\$ 133,779	\$ 129,013	\$ 237,217	\$ 233,464
Athletic and sport footwear	64,412	67,199	135,625	136,552
Athletic and sport apparel	41,913	42,590	110,465	101,036
Other sales	861	1,149	2,944	3,077
Net sales	\$ 240,965	\$ 239,951	\$ 486,251	\$ 474,129

Substantially all of the Company's revenue is for single performance obligations for the following distinct items:

- Retail store sales
- E-commerce sales
- Stored-value cards

For performance obligations related to retail store and e-commerce sales contracts, the Company typically transfers control, for retail stores, upon consummation of the sale when the product is paid for and taken by the customer and, for e-commerce sales, when the product is tendered for delivery to the common carrier. For performance obligations related to stored-value cards, the Company typically transfers control at a point in time upon redemption of the stored-value card through consummation of a future sales transaction. The Company accounts for shipping and handling relative to e-commerce sales as fulfillment activities, and not a separate performance obligation. Accordingly, the Company recognizes revenue for only one performance obligation, the sale of the product, at shipping point (when the customer gains control). Revenue associated with e-commerce sales is not material.

The Company recognized \$1.5 million and \$3.7 million in stored-value card redemption revenue for the 13 and 26 weeks ended June 30, 2019, respectively, compared to \$1.7 million and \$3.9 million in stored-value card redemption revenue for the 13 and 26 weeks ended July 1, 2018, respectively. The Company also recognized \$0.1 million and \$0.2 million in stored-value card breakage revenue for the 13 and 26 weeks ended June 30, 2019, respectively, and for the 13 and 26 weeks ended July 1, 2018, respectively. The Company had outstanding stored-value card liabilities of \$6.1 million and \$7.0 million as of June 30, 2019 and December 30, 2018, respectively, which are included in accrued expenses. Based upon historical experience, stored-value cards are predominantly redeemed in the first two years following their issuance date.

The Company recorded, as prepaid expense, estimated right-of-return merchandise cost of \$1.0 million and \$1.4 million related to estimated sales returns as of June 30, 2019 and December 30, 2018, respectively, and the Company recorded, as accrued expense, an allowance for sales returns reserve of \$1.8 million and \$2.6 million as of June 30, 2019 and December 30, 2018, respectively.

*Share-Based Compensation*

The Company accounts for its share-based compensation in accordance with ASC 718, *Compensation—Stock Compensation*. The Company recognizes compensation expense on a straight-line basis over the requisite service period using the fair-value method for share option awards, nonvested share awards and nonvested share unit awards granted with service-only conditions. See Note 10 to the Interim Financial Statements for a further discussion on share-based compensation.

*Valuation of Merchandise Inventories, Net*

The Company's merchandise inventories are made up of finished goods and are valued at the lower of cost or net realizable value using the weighted-average cost method that approximates the first-in, first-out ("FIFO") method. Average cost includes the direct purchase price of merchandise inventory, net of vendor allowances and cash discounts, in-bound freight-related expense and allocated overhead expense associated with the Company's distribution center.

**BIG 5 SPORTING GOODS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

Management regularly reviews inventories and records valuation reserves for damaged and defective merchandise, merchandise items with slow-moving or obsolescence exposure and merchandise that has a carrying value that exceeds net realizable value. Because of its merchandise mix, the Company has not historically experienced significant occurrences of obsolescence.

Inventory shrinkage is accrued as a percentage of merchandise sales based on historical inventory shrinkage trends. The Company performs physical inventories of its stores at least once per year and cycle counts inventories at its distribution center throughout the year. The reserve for inventory shrinkage primarily represents an estimate for inventory shrinkage for each store since the last physical inventory date through the reporting date.

These reserves are estimates, which could vary significantly, either favorably or unfavorably, from actual results if future economic conditions, consumer demand and competitive environments differ from expectations.

*Valuation of Long-Lived Assets*

In accordance with ASC 360, *Property, Plant, and Equipment*, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Long-lived assets are reviewed for recoverability at the lowest level in which there are identifiable cash flows ("asset group"), usually at the store level. Each store typically requires net investments of approximately \$0.5 million in long-lived assets to be held and used, subject to recoverability testing. The carrying amount of an asset group is not considered recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset group. If the asset group is determined not to be recoverable, then an impairment charge will be recognized in the amount by which the carrying amount of the asset group exceeds its fair value, determined using discounted cash flow valuation techniques and an evaluation of current market value rentals for ROU assets associated with the asset group, as contemplated in ASC 820, *Fair Value Measurements*.

The Company determines the sum of the undiscounted cash flows expected to result from the asset group by projecting future revenue, gross margin and operating expense for each store under evaluation for impairment. The estimates of future cash flows involve management judgment and are based upon assumptions about expected future operating performance. Assumptions used in these forecasts are consistent with internal planning, and include assumptions about sales growth rates, gross margins and operating expense in relation to the current economic environment and future expectations, competitive factors in various markets and inflation. The actual cash flows could differ from management's estimates due to changes in business conditions, operating performance and economic conditions.

The Company did not recognize any impairment charges in the first half of fiscal 2019 or 2018.

*Leases*

The Company adopted ASC 842 as of December 31, 2018, using the modified retrospective approach and applying transitional relief allowing entities to initially apply the requirements at the adoption date by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, results and disclosures for the reporting periods beginning on December 31, 2018 are reported and presented under ASC 842, while prior period amounts and disclosures are not adjusted and continue to be reported and presented under ASC 840, *Leases*. Additionally, the Company elected:

1. A package of practical expedients allowing the Company to:
  - a. carry forward its historical lease classification (i.e., it is not necessary to reclassify any existing leases at the adoption date),
  - b. avoid reassessing whether any expired or existing contracts are or contain leases, and
  - c. avoid reassessing initial direct costs for any existing leases.
2. A practical expedient allowing the Company to not separate lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) from nonlease components (e.g., common area maintenance costs), primarily impacting the Company's real estate lease population. The election of this practical expedient eliminates the burden of separately estimating the real estate lease and nonlease costs on a relative stand-alone basis.
3. A practical expedient related to land easements, allowing the Company to carry forward the accounting treatment for land easements on existing agreements and eliminated the need to reassess existing lease contracts to determine if land easements are separate leases under ASC 842.

**BIG 5 SPORTING GOODS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

The Company did not elect a practical expedient which would allow the Company to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and to assess impairment of the entity's ROU assets, since election of this expedient could make adoption more complex given that re-evaluation of the lease term and impairment consideration affect other aspects of lease accounting.

In accordance with ASC 842, the Company determines if an arrangement is a lease at inception. The Company has operating and finance leases for the Company's retail store facilities, distribution center, corporate offices, information technology hardware and distribution center delivery tractors. Operating leases are included in operating lease ROU assets and operating lease liabilities, current and noncurrent, on the interim unaudited condensed consolidated balance sheet. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the interim unaudited condensed consolidated balance sheets. Lease liabilities are calculated using the effective interest method, regardless of classification, while the amortization of ROU assets varies depending upon classification. Finance lease classification results in a front-loaded expense recognition pattern over the lease term which amortizes the ROU asset by recognizing interest expense and amortization expense as separate components of lease expense and calculates the amortization expense component on a straight-line basis. Conversely, operating lease classification results in a straight-line expense recognition pattern over the lease term and recognizes lease expense as a single expense component, which results in amortization of the ROU asset that equals the difference between lease expense and interest expense. Lease expense for finance and operating leases are included in cost of sales or selling and administrative expense, based on the use of the leased asset, on the interim unaudited condensed consolidated statement of operations. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are not material; the Company recognizes lease expense for these leases on a straight-line basis over the remaining lease term.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. As the Company's leases generally do not provide an implicit rate, the Company uses a collateralized IBR to determine the present value of lease payments. The collateralized IBR is based on a synthetic credit rating that is externally prepared on an annual basis, and which the Company adjusts quarterly with a yield curve that approximates the Company's market risk profile. The operating lease ROU asset also includes any prepaid lease payments made and is reduced by lease incentives such as tenant improvement allowances. The operating lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For fiscal 2018, the Company evaluated and classified its leases as either operating or capital leases for financial reporting purposes, in accordance with ASC 840.

Certain of the leases for the Company's retail store facilities provide for payments based on future sales volumes at the leased location, which are not measurable at the inception of the lease. Under both ASC 840 and 842, these contingent rents are expensed as they accrue.

In accordance with ASC 840, deferred rent represents the difference between rent paid and the amounts expensed for operating leases. Certain leases have scheduled rent increases, and certain leases include an initial period of free or reduced rent as an inducement to enter into the lease agreement ("rent holidays"). The Company recognized rent expense for rent increases and rent holidays on a straight-line basis over the term of the underlying leases, without regard to when rent payments are made. The calculation of straight-line rent begins on the possession date and extends through the "reasonably assured" lease term as defined in ASC 840 and may exceed the initial non-cancelable lease term.

Additionally, in accordance with ASC 840, landlord allowances for tenant improvements, or lease incentives, were recorded as deferred rent and amortized on a straight-line basis over the "reasonably assured" lease term as a component of rent expense.

See Note 5 to the Notes to the Interim Financial Statements for a further discussion on leases.

**BIG 5 SPORTING GOODS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**(3) Fair Value Measurements**

The carrying values of cash, accounts receivable, accounts payable and accrued expenses approximate the fair values of these instruments due to their short-term nature. The carrying amount for borrowings under the revolving credit facility approximates fair value because of the variable market interest rate charged to the Company for these borrowings. When the Company recognizes impairment on certain of its underperforming stores, the carrying values of these stores, including ROU assets, are reduced to their estimated fair values.

As of June 30, 2019 and December 30, 2018, the Company's only significant assets or liabilities measured at fair value on a nonrecurring basis subsequent to their initial recognition were assets subject to long-lived asset impairment related to certain underperforming stores. The Company estimated the fair values of these long-lived assets based on the Company's own judgments about the assumptions that market participants would use in pricing the asset and on observable market data, when available. The Company classified these fair value measurements as Level 3 inputs, which are unobservable inputs for which market data are not available and that are developed using the best information available about pricing assumptions used by market participants in accordance with ASC 820.

**(4) Accrued Expenses**

The major components of accrued expenses are as follows:

	June 30, 2019	(In thousands)	December 30, 2018
Payroll and related expense	\$ 21,483		\$ 22,348
Occupancy expense		8,137	11,220
Sales tax		7,161	10,198
Other		21,272	23,893
Accrued expenses	<u>\$ 58,053</u>		<u>\$ 67,659</u>

**(5) Leases**

The Company's operating leases have remaining reasonably certain lease terms of up to 13 years, which typically include options to extend the leases for up to 5 years. The Company's finance leases have remaining reasonably certain lease terms of up to 5 years.

The adoption of ASC 842 resulted in recording a non-cash transitional adjustment to ROU assets and operating lease liabilities of \$262.9 million and \$279.7 million, respectively, as of December 31, 2018. The difference between the ROU assets and operating lease liabilities at transition primarily represented existing deferred rent and tenant improvement allowances, which were derecognized, and existing prepaid rent balances. The Company derecognized deferred rent and tenant improvement allowances of \$9.2 million and \$7.6 million, respectively, in connection with the non-cash transitional adjustment. As a result of adopting ASC 842, the Company also recorded a decrease to retained earnings, which the Company did not consider material, of \$0.3 million, net of tax, as of December 31, 2018, reflecting the cumulative effect related to store asset impairment. The adoption of this standard did not materially impact the Company's consolidated net earnings, shareholders' equity or cash flows.

In the first half of fiscal 2019, the Company recorded a non-cash increase of \$28.7 million to ROU assets and operating lease liabilities resulting primarily from lease reassessments.

Certain of the leases for the Company's retail store facilities provide for payments based on future sales volumes at the leased location, which are not measurable at the inception of the lease, and others include rental payments adjusted periodically for inflation. The Company expenses such variable amounts in the period incurred, which is the period in which it becomes probable that the specified target that triggers the variable lease payments will be achieved. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**BIG 5 SPORTING GOODS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

In the fourth quarter of fiscal 2016, the Company entered into an assignment agreement for a certain store lease. In consideration for the assignment, the Company received an assignment fee of \$4.3 million. The assignment is accounted for as a sublease arrangement and the assignment fee has been deferred into accrued expenses and other long-term liabilities in the accompanying interim unaudited condensed consolidated balance sheets. The remaining balance of this deferred lease revenue as of the end of the second quarter of fiscal 2019 was \$1.5 million, and \$0.9 million per year will be recognized ratably into revenue over the remaining lease term of approximately 18 months.

In accordance with ASC 842, the components of lease expense were as follows:

	<u>13 Weeks Ended</u>	<u>26 Weeks Ended</u>
	<u>June 30,</u>	<u>June 30,</u>
	<u>2019</u>	<u>2019</u>
	(In thousands)	
Lease expense:		
Amortization of right-of-use assets	\$ 706	\$ 1,386
Interest on lease liabilities	95	195
Finance lease expense	801	1,581
Operating lease expense	20,003	39,825
Variable lease expense	77	179
Sublease income	(329)	(645)
Total lease expense	<u>\$ 20,552</u>	<u>\$ 40,940</u>

In accordance with ASC 842, other information related to leases was as follows:

	<u>13 Weeks Ended</u>	<u>26 Weeks Ended</u>
	<u>June 30,</u>	<u>June 30,</u>
	<u>2019</u>	<u>2019</u>
	(Dollars in thousands)	
Operating cash flows from operating leases	\$ 19,702	\$ 45,435
Operating cash flows from finance leases	95	218
Financing cash flows from finance leases	645	1,510
Cash paid for amounts included in the measurement of lease liabilities	<u>\$ 20,442</u>	<u>\$ 47,163</u>
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ —	\$ 864
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 22,858	\$ 28,691

**BIG 5 SPORTING GOODS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

In accordance with ASC 842, maturities of finance and operating lease liabilities as of June 30, 2019 were as follows:

Year Ending:	Finance Leases	(In thousands)		Operating Leases
2019	\$ 1,130	\$	37,458	
2020		2,593	82,145	
2021		1,669	59,767	
2022		1,220	47,341	
2023		495	33,518	
Thereafter		—	64,683	
Undiscounted cash flows	\$ 7,107	\$	324,912	
Reconciliation of lease liabilities:				
Weighted-average remaining lease term		3.3 years		5.3 years
Weighted-average discount rate		4.9%		6.5%
Present values	\$ 6,526	\$	274,532	
Lease liabilities - current		2,151		61,352
Lease liabilities - long-term		4,375		213,180
Lease liabilities - total	\$ 6,526	\$	274,532	
Difference between undiscounted and discounted cash flows	\$ 581	\$	50,380	

In accordance with ASC 840, rent expense for operating leases consisted of the following:

	13 Weeks Ended July 1, 2018	26 Weeks Ended July 1, 2018
	(In thousands)	
Rent expense	\$ 19,401	\$ 38,728
Contingent rent	90	201
Total rent expense	\$ 19,491	\$ 38,929

In accordance with ASC 840, future minimum lease payments under non-cancelable leases as of December 30, 2018 were as follows:

Year Ending:	Capital Leases	Operating Leases	Total
	(In thousands)		
2019	\$ 2,668	\$ 81,876	\$ 84,544
2020	2,179	70,657	72,836
2021	1,472	54,863	56,335
2022	1,057	42,267	43,324
2023	539	31,241	31,780
Thereafter	—	54,386	54,386
Total minimum lease payments <sup>(1)</sup>	7,915	\$ 335,290	\$ 343,205
Imputed interest		(770)	
Present value of minimum lease payments	\$ 7,145		

<sup>(1)</sup> Minimum lease payments have not been reduced by sublease rentals of \$0.3 million due in the future under non-cancelable subleases.

**BIG 5 SPORTING GOODS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

**(6) Long-Term Debt**

On October 18, 2010, the Company, Big 5 Corp. and Big 5 Services Corp. entered into a credit agreement with Wells Fargo Bank, National Association (“Wells Fargo”), as administrative agent, and a syndicate of other lenders, which was amended on October 31, 2011, December 19, 2013 and September 29, 2017 (as so amended, the “Credit Agreement”), and has a maturity date of September 29, 2022.

The Credit Agreement provides for a revolving credit facility (the “Credit Facility”) with an aggregate committed availability of up to \$140.0 million, which amount may be increased at the Company’s option up to a maximum of \$165.0 million. The Company may also request additional increases in aggregate availability, up to a maximum of \$200.0 million, in which case the existing lenders under the Credit Agreement will have the option to increase their commitments to accommodate the requested increase. If such existing lenders do not exercise that option, the Company may (with the consent of Wells Fargo, not to be unreasonably withheld) seek other lenders willing to provide such commitments. The Credit Agreement includes a provision which permits the Company to elect to reduce the aggregate committed availability under the Credit Agreement to \$100.0 million for a three-month period each calendar year. The Credit Facility includes a \$25.0 million sublimit for issuances of letters of credit and a \$20.0 million sublimit for swingline loans.

The Company may borrow under the Credit Facility from time to time, provided the amounts outstanding will not exceed the lesser of the then aggregate availability (as discussed above) and the Borrowing Base (such lesser amount being referred to as the “Loan Cap”). The “Borrowing Base” generally is comprised of the sum, at the time of calculation, of (a) 90.00% of eligible credit card receivables; plus (b) the cost of eligible inventory (other than eligible in-transit inventory), net of inventory reserves, multiplied by 90.00% of the appraised net orderly liquidation value of eligible inventory (expressed as a percentage of the cost of eligible inventory); plus (c) the lesser of (i) the cost of eligible in-transit inventory, net of inventory reserves, multiplied by 90.00% of the appraised net orderly liquidation value of eligible in-transit inventory (expressed as a percentage of the cost of eligible in-transit inventory), or (ii) \$10.0 million, minus (d) certain reserves established by Wells Fargo in its role as the Administrative Agent in its reasonable discretion.

Generally, the Company may designate specific borrowings under the Credit Facility as either base rate loans or LIBO rate loans. The applicable interest rate on the Company’s borrowings is a function of the daily average, over the preceding fiscal quarter, of the excess of the Loan Cap over amounts borrowed (such amount being referred to as the “Average Daily Availability”). Those loans designated as LIBO rate loans bear interest at a rate equal to the applicable adjusted LIBO rate plus an applicable margin as shown in the table below. Those loans designated as base rate loans bear interest at a rate equal to the applicable margin for base rate loans (as shown below) plus the highest of (a) the Federal funds rate, as in effect from time to time, plus one-half of one percent (0.50%), (b) the LIBO rate, plus one percentage point (1.00%), or (c) the rate of interest in effect for such day as announced from time to time within Wells Fargo as its “prime rate.” The applicable margin for all loans is a function of Average Daily Availability for the preceding fiscal quarter as set forth below.

Level	Average Daily Availability	LIBO Rate Applicable Margin	Base Rate Applicable Margin
I	Greater than or equal to \$70,000,000	1.25%	0.25%
II	Less than \$70,000,000	1.375%	0.50%

The commitment fee assessed on the unused portion of the Credit Facility is 0.20% per annum.

Obligations under the Credit Facility are secured by a general lien and perfected security interest in substantially all of the Company’s assets. The Credit Agreement contains covenants that require the Company to maintain a fixed charge coverage ratio of not less than 1.0:1.0 in certain circumstances, and limit the ability to, among other things, incur liens, incur additional indebtedness, transfer or dispose of assets, change the nature of the business, guarantee obligations, pay dividends or make other distributions or repurchase stock, and make advances, loans or investments. The Company may declare or pay cash dividends or repurchase stock only if, among other things, no default or event of default then exists or would arise from such dividend or repurchase of stock and, after giving effect to such dividend or repurchase, certain availability and/or fixed charge coverage ratio requirements are satisfied. The Credit Agreement contains customary events of default, including, without limitation, failure to pay when due principal amounts with respect to the Credit Facility, failure to pay any interest or other amounts under the Credit Facility for five days after becoming due, failure to comply with certain agreements or covenants contained in the Credit Agreement, failure to satisfy certain judgments against the Company, failure to pay when due (or any other default which does or may lead to the acceleration of) certain other material indebtedness in principal amount in excess of \$5.0 million, and certain insolvency and bankruptcy events.

**BIG 5 SPORTING GOODS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

As of June 30, 2019, the Company had long-term revolving credit borrowings of \$62.4 million and letter of credit commitments of \$0.5 million outstanding, compared with borrowings of \$65.0 million and letter of credit commitments of \$0.5 million as of December 30, 2018. Total remaining borrowing availability, after subtracting letters of credit, was \$77.1 million and \$74.5 million as of June 30, 2019 and December 30, 2018, respectively.

**(7) Income Taxes**

Under the asset and liability method prescribed under ASC 740, *Income Taxes*, the Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The realizability of deferred tax assets is assessed throughout the year and a valuation allowance is recorded if necessary to reduce net deferred tax assets to the amount more likely than not to be realized. As of June 30, 2019 and December 30, 2018, the Company had a valuation allowance for deferred income tax assets of \$1.2 million related to unused California Enterprise Zone Tax Credits, which the Company will no longer be able to carry forward beyond 2024 as a result of California's termination of this program.

The Company files a consolidated federal income tax return and files tax returns in various state and local jurisdictions. The statutes of limitations for consolidated federal income tax returns are open for fiscal years 2015 and after, and state and local income tax returns are open for fiscal years 2014 and after.

The provision for income taxes for the 26 weeks ended June 30, 2019 and July 1, 2018 reflects the write-off of deferred tax assets of \$0.4 million and \$0.2 million, respectively, related to share-based compensation.

As of June 30, 2019 and December 30, 2018, the Company had no unrecognized tax benefits including those that, if recognized, would affect the Company's effective income tax rate over the next 12 months. The Company's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense. As of June 30, 2019 and December 30, 2018, the Company had no accrued interest or penalties.

**(8) Earnings Per Share**

The Company calculates earnings per share in accordance with ASC 260, *Earnings Per Share*, which requires a dual presentation of basic and diluted earnings per share. Basic earnings per share is calculated by dividing net income by the weighted-average shares of common stock outstanding, reduced by shares repurchased and held in treasury, during the period. Diluted earnings per share represents basic earnings per share adjusted to include the potentially dilutive effect of outstanding share option awards, nonvested share awards and nonvested share unit awards. During periods of net loss, diluted loss per share is equal to basic loss per share because the antidilutive effect of potential common shares is disregarded.



**BIG 5 SPORTING GOODS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

The following table sets forth the computation of basic and diluted earnings per common share:

	13 Weeks Ended		26 Weeks Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
	(In thousands, except per share data)			
Net income (loss)	\$ 28	\$ (248)	\$ 1,692	\$ (1,557)
Weighted-average shares of common stock outstanding:				
Basic	21,118	20,985	21,074	20,964
Dilutive effect of common stock equivalents arising from share option, nonvested share and nonvested share unit awards	25	—	26	—
Diluted	21,143	20,985	21,100	20,964
Basic earnings (loss) per share	\$ 0.00	\$ (0.01)	\$ 0.08	\$ (0.07)
Diluted earnings (loss) per share	\$ 0.00	\$ (0.01)	\$ 0.08	\$ (0.07)
Antidilutive share option awards excluded from diluted calculation	542	110	482	261
Antidilutive nonvested share and nonvested share unit awards excluded from diluted calculation	489	301	448	280

The computation of diluted earnings per share for the 13 and 26 weeks ended June 30, 2019 excludes all potential share option awards since the exercise prices of all share option awards exceeded the average market price of the Company's common shares, and the effect of their inclusion would have been antidilutive (i.e., including such share option awards would result in higher earnings per share). The computation of diluted earnings per share for the 13 and 26 weeks ended July 1, 2018 excludes all potential share option awards since the Company reported a net loss, and the effect of their inclusion would have been antidilutive.

The computation of diluted earnings per share for the 13 and 26 weeks ended June 30, 2019 does not include certain nonvested share awards and nonvested share unit awards that were outstanding and antidilutive, since the grant date fair values of these nonvested share awards and nonvested share unit awards exceeded the average market price of the Company's common shares. The computation of diluted earnings per share for the 13 and 26 weeks ended July 1, 2018 excludes all potential nonvested share awards and nonvested share unit awards since the Company reported a net loss, and the effect of their inclusion would have been antidilutive.

**(9) Commitments and Contingencies**

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's results of operations or financial condition.

**(10) Share-based Compensation**

In April 2019, the Company adopted the 2019 Equity Incentive Plan (the "2019 Plan"), as described in its Current Report on Form 8-K filed on June 11, 2019, and stopped making grants under its 2007 Equity and Performance Incentive Plan, as amended and restated in April 2011 and April 2016 (the "2007 Plan"). As of June 30, 2019, 3,860,678 shares remained available for future grant under the 2019 Plan, which includes an authorized increase of 3,300,000 shares from the amount available under the 2007 Plan as previously in effect.

At its discretion, the Company grants share option awards, nonvested share awards and nonvested share unit awards to certain employees, as defined by ASC 718, *Compensation—Stock Compensation*, under the Company's 2019 Plan, and accounts for its share-based compensation in accordance with ASC 718. The Company recognized \$0.5 million and \$1.0 million in share-based compensation expense for the 13 and 26 weeks ended June 30, 2019, respectively, compared to \$0.6 million and \$1.2 million in share-based compensation expense for the 13 and 26 weeks ended July 1, 2018, respectively.

**BIG 5 SPORTING GOODS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

*Share Option Awards*

Share option awards granted by the Company generally vest and become exercisable in four equal annual installments of 25% per year with a maximum life of ten years. The exercise price of share option awards is equal to the quoted market price of the Company's common stock on the date of grant. In the first half of fiscal 2019, the Company granted 243,800 share option awards with a weighted-average grant-date fair value of \$1.36 per option. In the first half of fiscal 2018, the Company granted 254,900 share option awards with a weighted-average grant-date fair value of \$1.23 per option.

A summary of the status of the Company's share option awards is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
Outstanding at December 30, 2018	362,310	\$ 7.51		
Granted	243,800	4.07		
Exercised	—	—		
Forfeited or Expired	(81,885)	6.76		
Outstanding at June 30, 2019	524,225	\$ 6.03	8.70	\$ —
Exercisable at June 30, 2019	107,849	\$ 10.00	6.62	\$ —
Vested and Expected to Vest at June 30, 2019	512,004	\$ 6.06	8.68	\$ —

The aggregate intrinsic value represents the total pretax intrinsic value, based upon the Company's most recent closing stock price of \$1.95 as of June 30, 2019, which would have been received by the option holders had all option holders exercised their option awards as of that date.

The fair value of each share option award on the date of grant is estimated using the Black-Scholes method based on the following weighted-average assumptions:

	13 Weeks Ended		26 Weeks Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Risk-free interest rate	—	2.9%	2.6%	2.6%
Expected term	—	5.1 years	5.7 years	5.1 years
Expected volatility	—	48.0%	53.0%	48.0%
Expected dividend yield	—	7.5%	4.9%	9.5%

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected term of the option award; the expected term represents the weighted-average period of time that option awards granted are expected to be outstanding giving consideration to vesting schedules and historical participant exercise behavior; the expected volatility is based upon historical volatility of the Company's common stock; and the expected dividend yield is based upon the Company's current dividend rate.

As of June 30, 2019, there was \$0.5 million of total unrecognized compensation expense related to nonvested share option awards granted. That expense is expected to be recognized over a weighted-average period of 3.2 years.

*Nonvested Share Awards and Nonvested Share Unit Awards*

Nonvested share awards and nonvested share unit awards granted by the Company vest for employees from the date of grant in four equal annual installments of 25% per year. Nonvested share awards and nonvested share unit awards granted by the Company to non-employee directors for their service as directors, as defined by ASC 718, vest 100% on the earlier of (a) the date of the Company's next annual stockholders meeting following the grant date, or (b) the first anniversary of the grant date.

**BIG 5 SPORTING GOODS CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(continued)**

Nonvested share awards are delivered to the recipient upon their vesting. With respect to nonvested share unit awards, vested shares, including any dividend reinvestments, will be delivered to the recipient on the tenth business day of January following the year in which the recipient's service to the Company is terminated. The total fair value of nonvested share awards which vested during the first half of fiscal 2019 and 2018 was \$0.6 million and \$1.0 million, respectively. The total fair value of nonvested share unit awards which vested during the first half of fiscal 2019 and 2018 was \$0.2 million and \$0.3 million, respectively.

The Company granted 308,584 and 213,062 nonvested share awards in the first half of fiscal 2019 and 2018, respectively. The weighted-average grant-date fair value per share of the Company's nonvested share awards granted in the first half of fiscal 2019 and 2018 was \$3.34 and \$6.99, respectively.

A summary of the status of the Company's nonvested share awards is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Balance at December 30, 2018	434,292	\$ 10.42
Granted	308,584	3.34
Vested	(171,172)	11.00
Forfeited	(18,655)	8.00
Balance at June 30, 2019	553,049	\$ 6.37

To satisfy employee minimum statutory tax withholding requirements for nonvested share awards that vest, the Company withholds and retires a portion of the vesting common shares, unless an employee elects to pay cash. In the first half of fiscal 2019, the Company withheld 59,094 common shares with a total value of \$0.2 million. This amount is presented as a cash outflow from financing activities in the accompanying interim unaudited condensed consolidated statement of cash flows.

The Company granted 72,464 and 34,884 nonvested share unit awards in the first half of fiscal 2019 and 2018, respectively. The weighted-average grant date fair value per share unit of the Company's nonvested share unit awards granted in the first half of fiscal 2019 and 2018 was \$2.07 and \$8.60, respectively.

A summary of the status of the Company's nonvested share unit awards is presented below:

	Units	Weighted-Average Grant-Date Fair Value
Balance at December 30, 2018	26,163	\$ 7.81
Granted	72,464	2.07
Vested	(17,442)	8.60
Forfeited	(8,721)	8.60
Balance at June 30, 2019	72,464	\$ 2.07

As of June 30, 2019, there was \$3.0 million and \$0.1 million of total unrecognized compensation expense related to nonvested share awards and nonvested share unit awards, respectively. That expense is expected to be recognized over a weighted-average period of 2.6 and 0.9 years for nonvested share awards and nonvested share unit awards, respectively.

**(11) Subsequent Event**

On July 25, 2019, the Company's Board of Directors declared a quarterly cash dividend of \$0.05 per share of outstanding common stock, which will be paid on September 13, 2019 to stockholders of record as of August 30, 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of  
Big 5 Sporting Goods Corporation  
El Segundo, California

**Results of Review of Interim Financial Information**

We have reviewed the accompanying condensed consolidated balance sheet of Big 5 Sporting Goods Corporation and subsidiaries (the "Company") as of June 30, 2019, the related condensed consolidated statements of operations and of stockholders' equity for the fiscal 13 and 26 week periods ended June 30, 2019 and July 1, 2018, and of cash flows for the fiscal 26 week periods ended June 30, 2019 and July 1, 2018, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 30, 2018, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2019, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 30, 2018, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

**Basis for Review Results**

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

*/s/ Deloitte & Touche LLP*

Los Angeles, California  
July 31, 2019

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

The following discussion and analysis of the Big 5 Sporting Goods Corporation ("we," "our," "us") financial condition and results of operations includes information with respect to our plans and strategies for our business and should be read in conjunction with our interim unaudited condensed consolidated financial statements and related notes ("Interim Financial Statements") included herein and our consolidated financial statements, related notes, *Risk Factors* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in our Annual Report on Form 10-K for the fiscal year ended December 30, 2018.

Our fiscal year ends on the Sunday nearest December 31. Fiscal 2019 includes 52 weeks and ends on December 29, 2019. Fiscal 2018 included 52 weeks and ended on December 30, 2018. The fiscal interim periods in fiscal 2019 and 2018 are each comprised of 13 weeks.

### Overview

We are a leading sporting goods retailer in the western United States, operating 434 stores and an e-commerce platform under the name "Big 5 Sporting Goods" as of June 30, 2019. We provide a full-line product offering in a traditional sporting goods store format that averages approximately 11,000 square feet. Our product mix includes athletic shoes, apparel and accessories, as well as a broad selection of outdoor and athletic equipment for team sports, fitness, camping, hunting, fishing, tennis, golf, winter and summer recreation and roller sports.

The following table summarizes our store count for the periods presented:

	13 Weeks Ended		26 Weeks Ended	
	June 30, 2019	July 1, 2018	June 30, 2019	July 1, 2018
Beginning stores	433	435	436	435
New stores opened	1	2	1	2
Relocated stores opened	—	—	—	—
Stores closed	—	(1)	(3)	(1)
Relocated stores closed	—	(1)	—	(1)
Ending stores	<u>434</u>	<u>435</u>	<u>434</u>	<u>435</u>

For fiscal 2019, we anticipate opening four new stores and closing five stores.

### Executive Summary

Our net income of \$28,000 for the second quarter of fiscal 2019 compared to a net loss of \$0.2 million for the second quarter of fiscal 2018 primarily reflected the favorable impact of lower selling and administrative expense and higher net sales, partially offset by the impact of lower merchandise margins and reduced distribution costs capitalized into inventory. Same store sales increased 0.7% for the 13 weeks ended June 30, 2019, versus the comparable 13-week period in the prior year. This increase in same store sales compares to a 2.1% decrease in same store sales for the second quarter of fiscal 2018.

- Net sales for the second quarter of fiscal 2019 increased 0.4% to \$241.0 million compared to \$240.0 million for the second quarter of fiscal 2018. The increase in net sales was primarily attributable to an increase in same store sales and added sales from new stores opened since April 1, 2018, partially offset by a reduction in sales from closed stores. Same store sales increased for our major merchandise category of hardgoods, partially offset by decreased same store sales for our footwear and apparel categories.
- Gross profit for the second quarter of fiscal 2019 represented 30.3% of net sales, compared with 31.4% in the second quarter of the prior year. The decrease in gross profit margin resulted mainly from lower merchandise margins and lower distribution costs capitalized into inventory.
- Selling and administrative expense for the second quarter of fiscal 2019 decreased 3.3% to \$72.2 million, or 30.0% of net sales, compared to \$74.7 million, or 31.1% of net sales, for the second quarter of fiscal 2018. The decrease in selling and administrative expense was primarily attributable to a favorable settlement related to the termination of a software contract, lower print advertising expense and lower employee benefit-related expense.

- Net income for the second quarter of fiscal 2019 was \$28,000, or \$0.00 per diluted share, compared to a net loss of \$0.2 million, or \$0.01 per share, for the second quarter of fiscal 2018. The higher earnings were driven primarily by lower selling and administrative expense and higher net sales, partially offset by the impact of lower merchandise margins and reduced distribution costs capitalized into inventory.
- Operating cash flow for the first half of fiscal 2019 was a positive \$5.6 million compared to operating cash flow in the first half of fiscal 2018 of a negative \$21.9 million, due primarily to reduced funding of merchandise inventory and increased net income.
- Capital expenditures for the first half of fiscal 2019 decreased to \$4.0 million from \$5.2 million for the first half of fiscal 2018.
- Borrowings under our revolving credit facility were \$62.4 million as of June 30, 2019, compared with \$90.7 million as of July 1, 2018 and \$65.0 million as of December 30, 2018.
- We paid cash dividends in the first half of fiscal 2019 of \$2.3 million, or \$0.10 per share, compared with \$6.5 million, or \$0.30 per share, in the first half of fiscal 2018.

## Results of Operations

The results of the interim periods are not necessarily indicative of results for the entire fiscal year.

13 weeks ended June 30, 2019 Compared to 13 Weeks Ended July 1, 2018

The following table sets forth selected items from our interim unaudited condensed consolidated statements of operations by dollar and as a percentage of our net sales for the periods indicated:

	13 Weeks Ended			
	June 30, 2019		July 1, 2018	
	(Dollars in thousands)			
Net sales	\$ 240,965	100.0%	\$ 239,951	100.0%
Cost of sales <sup>(1)</sup>	167,848	69.7	164,680	68.6
Gross profit	73,117	30.3	75,271	31.4
Selling and administrative expense <sup>(2)</sup>	72,179	30.0	74,656	31.1
Operating income	938	0.3	615	0.3
Interest expense	738	0.3	793	0.3
Income (loss) before income taxes	200	0.0	(178)	(0.0)
Income tax expense	172	0.0	70	0.0
Net income (loss)	\$ 28	0.0%	\$ (248)	(0.0)%

<sup>(1)</sup> Cost of sales includes the cost of merchandise, net of discounts or allowances earned, freight, inventory reserves, buying, distribution center expense, including depreciation and amortization, and store occupancy expense. Store occupancy expense includes rent, amortization of leasehold improvements, common area maintenance, property taxes and insurance.

<sup>(2)</sup> Selling and administrative expense includes store-related expense, other than store occupancy expense, as well as advertising, depreciation and amortization, expense associated with operating our corporate headquarters and impairment charges, if any.

*Net Sales.* Net sales increased by \$1.0 million, or 0.4%, to \$241.0 million in the second quarter of fiscal 2019 from \$240.0 million in the second quarter last year. The change in net sales reflected the following:

- Same store sales increased by \$1.7 million, or 0.7%, for the 13 weeks ended June 30, 2019, versus the comparable 13-week period in the prior year, primarily reflecting increased sales for our major merchandise category of hardgoods that were largely attributable to higher sales of ammunition products, partially offset by decreases in same store sales for our footwear and apparel categories. The increase in same store sales compares to a 2.1% decrease in same store sales for the second quarter of fiscal 2018. Same store sales for a period consist of sales for stores that operated throughout the period and the full corresponding prior-year period and sales from e-commerce. Same store sales comparisons exclude sales from stores closed during the comparable periods. Sales from e-commerce in the second quarter of fiscal 2019 and 2018 were not material.
- A reduction in sales from closed stores was largely offset by added sales from new stores opened since April 1, 2018.

- We experienced a higher average sale per transaction and decreased customer transactions in the second quarter of fiscal 2019 compared to the same period last year.
- Net and same store sales comparisons year over year reflected the unfavorable impact of a calendar shift related to the Easter holiday, when our stores are closed, into the second quarter of fiscal 2019 from the first quarter of fiscal 2018.

*Gross Profit.* Gross profit decreased by \$2.2 million, or 2.9%, to \$73.1 million, or 30.3% of net sales, in the 13 weeks ended June 30, 2019, from \$75.3 million, or 31.4% of net sales, in the 13 weeks ended July 1, 2018. The change in gross profit was primarily attributable to the following:

- Merchandise margins, which exclude buying, occupancy and distribution expense, decreased by an unfavorable 80 basis points compared with the second quarter of last year when merchandise margins increased by a favorable 42 basis points. The decrease primarily reflects a shift in sales mix towards lower-margin ammunition products.
- Distribution expense, including costs capitalized into inventory, increased by \$0.9 million, or an unfavorable 35 basis points, in the second quarter of fiscal 2019 compared to the prior year. The increase primarily reflected lower costs capitalized into inventory corresponding to the decrease in merchandise inventories compared with the second quarter of last year.
- Store occupancy expense increased by \$0.1 million, or an unfavorable 1 basis point, year over year in the second quarter of fiscal 2019.
- Net sales increased by \$1.0 million, or 0.4%, compared with the second quarter of last year.

*Selling and Administrative Expense.* Selling and administrative expense decreased by \$2.5 million to \$72.2 million, or 30.0% of net sales, in the 13 weeks ended June 30, 2019 from \$74.7 million, or 31.1% of net sales, in the second quarter last year. The change in selling and administrative expense was primarily attributable to the following:

- Administrative expense decreased by \$1.1 million, primarily attributable to a favorable settlement related to the termination of a software contract.
- Advertising expense decreased by \$0.8 million due mainly to lower newspaper advertising.
- Store-related expense, excluding occupancy, decreased by \$0.6 million due primarily to reductions in certain employee benefit-related expenses such as health and welfare expense, partially offset by increased employee labor expense. Our labor expense continues to reflect the incremental impact of legislated minimum wage rate increases primarily in California, where over fifty percent of our stores are located. In April 2016, California passed legislation to enact additional state-wide minimum wage rate increases from \$10.00 to \$15.00 per hour to be implemented in annual increments through fiscal 2022, with annual increases of \$0.50 per hour effective in fiscal 2017 and fiscal 2018, and annual increases of \$1.00 per hour effective in fiscal 2019 through fiscal 2022. Additionally, certain other jurisdictions within California, including Los Angeles and San Francisco, as well as various other states in which we do business, are implementing their own scheduled increases. We estimate that the impact of the California state-wide minimum wage rate increase of \$1.00 per hour effective in January 2019, combined with the impact of the additional minimum wage rate increases in certain other jurisdictions within California and other states, caused our labor expense to increase by approximately \$0.6 million for the second quarter of fiscal 2019 compared with the second quarter of fiscal 2018.

*Interest Expense.* Interest expense decreased by \$0.1 million in the second quarter of fiscal 2019 compared to the second quarter of fiscal 2018. Interest expense reflects a decrease in average debt levels of \$23.9 million to \$59.1 million in the second quarter of fiscal 2019 from \$83.0 million in the second quarter of fiscal 2018, partially offset by an increase in average interest rates of approximately 60 basis points to 3.9% in the second quarter of fiscal 2019 from 3.3% in the second quarter of fiscal 2018.

*Income Taxes.* The provision for income taxes increased to \$0.2 million for the second quarter of fiscal 2019 from \$0.1 million for the second quarter of fiscal 2018. The income tax provision for the second quarter of fiscal 2019 reflected write-offs of deferred tax assets related to share-based compensation of \$0.1 million, and the provision for income taxes for the second quarter of fiscal 2018 reflected lower-than-anticipated income for the period.

The following table sets forth selected items from our interim unaudited condensed consolidated statements of operations by dollar and as a percentage of our net sales for the periods indicated:

	26 Weeks Ended			
	June 30, 2019		July 1, 2018	
	(Dollars in thousands)			
Net sales	\$ 486,251	100.0%	\$ 474,129	100.0%
Cost of sales (1)	337,258	69.4	326,132	68.8
Gross profit	148,993	30.6	147,997	31.2
Selling and administrative expense (2)	144,790	29.8	148,144	31.2
Operating income (loss)	4,203	0.8	(147)	0.0
Interest expense	1,514	0.3	1,449	0.3
Income (loss) before income taxes	2,689	0.5	(1,596)	(0.3)
Income tax expense (benefit)	997	0.2	(39)	0.0
Net income (loss)	\$ 1,692	0.3%	\$ (1,557)	(0.3)%

(1) Cost of sales includes the cost of merchandise, net of discounts or allowances earned, freight, inventory reserves, buying, distribution center expense, including depreciation and amortization, and store occupancy expense. Store occupancy expense includes rent, amortization of leasehold improvements, common area maintenance, property taxes and insurance.

(2) Selling and administrative expense includes store-related expense, other than store occupancy expense, as well as advertising, depreciation and amortization, expense associated with operating our corporate headquarters and impairment charges, if any.

**Net Sales.** Net sales increased by \$12.2 million, or 2.6%, to \$486.3 million in the first half of fiscal 2019 from \$474.1 million in the first half of last year. The change in net sales reflected the following:

- Same store sales increased by \$12.4 million, or 2.7%, for the 26 weeks ended June 30, 2019, versus the comparable 26-week period in the prior year, primarily reflecting increased sales for our major merchandise categories of apparel and hardgoods, partially offset by a decrease in same store sales for our footwear category. Same store sales in the first half of fiscal 2019 reflected higher sales of winter-related products as a result of favorable cold weather conditions experienced in most of our markets in the winter months of fiscal 2019 in contrast to the unseasonably dry and warm weather conditions experienced in the prior year, as well as higher sales of ammunition products in the second quarter of fiscal 2019. The increase in same store sales compares to a 4.9% decrease in same store sales for the first half of fiscal 2018. Same store sales for a period consist of sales for stores that operated throughout the period and the full corresponding prior-year period and sales from e-commerce. Same store sales comparisons exclude sales from stores closed during the comparable periods. Sales from e-commerce in the first half of fiscal 2019 and 2018 were not material.
- We experienced increased customer transactions and a higher average sale per transaction in the first half of fiscal 2019 compared to the same period last year.
- A reduction in sales from closed stores was offset by added sales from new stores opened since December 31, 2017.

**Gross Profit.** Gross profit increased by \$1.0 million, or 0.7%, to \$149.0 million, or 30.6% of net sales, in the 26 weeks ended June 30, 2019, from \$148.0 million, or 31.2% of net sales, in the 26 weeks ended July 1, 2018.

The change in gross profit was primarily attributable to the following:

- Net sales increased by \$12.2 million, or 2.6%, compared with the first half of last year.
- Merchandise margins, which exclude buying, occupancy and distribution expense, decreased by an unfavorable 39 basis points compared with the first half of last year when merchandise margins decreased by an unfavorable 9 basis points. The decrease primarily reflects a shift in sales mix towards lower-margin ammunition products in the second quarter of fiscal 2019, partially offset by increased sales of higher-margin winter-related products in the first quarter of fiscal 2019.
- Distribution expense, including costs capitalized into inventory, increased by \$2.7 million, or an unfavorable 45 basis points, in the first half of fiscal 2019 compared to the prior year. The increase primarily reflected lower distribution costs capitalized into inventory corresponding to the decrease in merchandise inventories compared with the first half of last year.
- Store occupancy expense increased by \$0.3 million year over year in the first half of fiscal 2019. Store occupancy expense decreased by a favorable 19 basis points as a percentage of net sales.



*Selling and Administrative Expense.* Selling and administrative expense decreased by \$3.3 million to \$144.8 million, or 29.8% of net sales, in the 26 weeks ended June 30, 2019 from \$148.1 million, or 31.2% of net sales, in the first half last year. The change in selling and administrative expense was primarily attributable to the following:

- Advertising expense decreased by \$2.5 million due mainly to lower newspaper advertising.
- Administrative expense decreased by \$1.2 million, primarily attributable to a favorable settlement related to the termination of a software contract.
- Store-related expense, excluding occupancy, increased by \$0.3 million due primarily to increased employee labor expense and higher payment card fees reflecting higher sales volume versus the prior year, partially offset by reductions in certain employee benefit-related expenses such as health and welfare expense. Our labor expense continues to reflect the incremental impact of legislated minimum wage rate increases primarily in California, where over fifty percent of our stores are located. In April 2016, California passed legislation to enact additional state-wide minimum wage rate increases from \$10.00 to \$15.00 per hour to be implemented in annual increments through fiscal 2022, with annual increases of \$0.50 per hour effective in fiscal 2017 and fiscal 2018, and annual increases of \$1.00 per hour effective in fiscal 2019 through fiscal 2022. Additionally, certain other jurisdictions within California, including Los Angeles and San Francisco, as well as various other states in which we do business, are implementing their own scheduled increases. We estimate that the impact of the California state-wide minimum wage rate increase of \$1.00 per hour effective in January 2019, combined with the impact of the additional minimum wage rate increases in certain other jurisdictions within California and other states, caused our labor expense to increase by approximately \$1.2 million for the first half of fiscal 2019 compared with the same period last year.

*Interest Expense.* Interest expense increased by \$0.1 million in the first half of fiscal 2019 compared to the first half of fiscal 2018. Interest expense reflects an increase in average interest rates of approximately 80 basis points to 4.0% in the first half of fiscal 2019 from 3.2% in the first half of fiscal 2018, largely offset by a decrease in average debt levels of \$17.7 million to \$58.1 million in the first half of fiscal 2019 from \$75.8 million in the first half of fiscal 2018.

*Income Taxes.* The provision for income taxes increased to an expense of \$1.0 million for the first half of fiscal 2019 from a benefit of \$39,000 for the first half of fiscal 2018, primarily reflecting higher pre-tax income in the first half of fiscal 2019 compared to a pre-tax loss in the first half of fiscal 2018. Our effective tax rate was 37.1% for the first half of fiscal 2019 and 2.4% for the first half of fiscal 2018, reflecting write-offs of deferred tax assets related to share-based compensation of \$0.4 million and \$0.2 million, respectively.

#### Liquidity and Capital Resources

Our principal liquidity requirements are for working capital, capital expenditures and cash dividends. We fund our liquidity requirements primarily through cash on hand, cash flows from operations and borrowings from our revolving credit facility.

As of June 30, 2019, we had \$6.6 million of cash compared with \$5.9 million as of July 1, 2018. Our cash flows from operating, investing and financing activities are summarized as follows:

	26 Weeks Ended	
	June 30, 2019	July 1, 2018
(In thousands)		
Net cash provided by (used in):		
Operating activities	\$ 5,626	\$ (21,880)
Investing activities	(3,956)	(5,160)
Financing activities	(1,841)	25,768
Net decrease in cash	<u>\$ (171)</u>	<u>\$ (1,272)</u>

*Operating Activities.* Operating cash flows for the first half of fiscal 2019 and 2018 were a positive \$5.6 million and a negative \$21.9 million, respectively. The increased cash flow from operating activities for the first half of fiscal 2019 compared to the same period last year primarily reflects reduced funding of merchandise inventory and increased net income.

*Investing Activities.* Net cash used in investing activities for the first half of fiscal 2019 and 2018 was \$4.0 million and \$5.2 million, respectively. Capital expenditures, excluding non-cash acquisitions, represented all of the cash used in investing activities for each period. Capital expenditures for both periods include store-related remodeling, distribution center investments, new store investments and computer hardware and software purchases.

*Financing Activities.* Financing cash flows for the first half of fiscal 2019 and 2018 were a negative \$1.8 million and a positive \$25.8 million, respectively. For the first half of fiscal 2019, net cash was used primarily to pay down borrowings under our revolving credit facility and to fund dividend payments. For the first half of fiscal 2018, net cash was provided primarily from increased borrowings under our revolving credit facility, partially offset by dividend payments.

As of June 30, 2019, we had revolving credit borrowings of \$62.4 million and letter of credit commitments of \$0.5 million outstanding. These balances compare to revolving credit borrowings of \$90.7 million and letter of credit commitments of \$0.4 million outstanding as of July 1, 2018 and revolving credit borrowings of \$65.0 million and letter of credit commitments of \$0.5 million outstanding as of December 30, 2018. Our lower debt levels as of June 30, 2019 compared with July 1, 2018 largely reflect higher net sales and lower merchandise inventory, including the timing of payments, in the first half of fiscal 2019.

In each of the first three quarters of fiscal 2018 we paid a quarterly cash dividend of \$0.15 per share of outstanding common stock, and in the fourth quarter of fiscal 2018, and in each of the first two quarters of fiscal 2019 we paid a quarterly cash dividend of \$0.05 per share of outstanding common stock. On July 25, 2019, our Board of Directors declared a quarterly cash dividend of \$0.05 per share of outstanding common stock, which will be paid on September 13, 2019 to stockholders of record as of August 30, 2019.

We did not repurchase any shares of common stock in the first half of fiscal 2019 pursuant to our current share repurchase program. In the first half of fiscal 2018, we repurchased 75,748 shares of common stock for \$0.4 million pursuant to that program. Since the inception of our initial share repurchase program in May 2006 through June 30, 2019, we have repurchased a total of 3,528,972 shares for \$41.8 million.

*Credit Agreement.* On October 18, 2010, we entered into a credit agreement with Wells Fargo Bank, National Association (“Wells Fargo”), as administrative agent, and a syndicate of other lenders, which was amended on October 31, 2011, December 19, 2013 and September 29, 2017 (as so amended, the “Credit Agreement”), and has a maturity date of September 29, 2022.

The Credit Agreement provides for a revolving credit facility (the “Credit Facility”) with an aggregate committed availability of up to \$140.0 million, which amount may be increased at our option up to a maximum of \$165.0 million. We may also request additional increases in aggregate availability, up to a maximum of \$200.0 million, in which case the existing lenders under the Credit Agreement will have the option to increase their commitments to accommodate the requested increase. If such existing lenders do not exercise that option, we may (with the consent of Wells Fargo, not to be unreasonably withheld) seek other lenders willing to provide such commitments. The Credit Facility includes a provision which permits us to elect to reduce the aggregate committed availability under the Credit Agreement to \$100.0 million for a three-month period each calendar year. The Credit Facility includes a \$25.0 million sublimit for letters of credit and a \$20.0 million sublimit for swingline loans.

We may borrow under the Credit Facility from time to time, provided the amounts outstanding will not exceed the lesser of the then aggregate availability (as discussed above) and the Borrowing Base (such lesser amount being referred to as the “Loan Cap”). The “Borrowing Base” generally is comprised of the sum, at the time of calculation, of (a) 90.00% of our eligible credit card receivables; plus (b) the cost of our eligible inventory (other than our eligible in-transit inventory), net of inventory reserves, multiplied by 90.00% of the appraised net orderly liquidation value of eligible inventory (expressed as a percentage of the cost of eligible inventory); plus (c) the lesser of (i) the cost of our eligible in-transit inventory, net of inventory reserves, multiplied by 90.00% of the appraised net orderly liquidation value of our eligible in-transit inventory (expressed as a percentage of the cost of eligible in-transit inventory), or (ii) \$10.0 million, minus (d) certain reserves established by Wells Fargo in its role as the Administrative Agent in its reasonable discretion.

Generally, we may designate specific borrowings under the Credit Facility as either base rate loans or LIBO rate loans. The applicable interest rate on our borrowings is a function of the daily average, over the preceding fiscal quarter, of the excess of the Loan Cap over amounts borrowed (such amount being referred to as the “Average Daily Availability”). Those loans designated as LIBO rate loans bear interest at a rate equal to the then applicable adjusted LIBO rate plus an applicable margin as shown in the table below. Those loans designated as base rate loans bear interest at a rate equal to the applicable margin for base rate loans (as shown below) plus the highest of (a) the Federal funds rate, as in effect from time to time, plus one-half of one percent (0.50%), (b) the LIBO rate, plus one percentage point (1.00%), or (c) the rate of interest in effect for such day as announced from time to time within Wells Fargo as its “prime rate.” The applicable margin for all loans is a function of Average Daily Availability for the preceding fiscal quarter as set forth below.

Level	Average Daily Availability	LIBO Rate Applicable Margin	Base Rate Applicable Margin
I	Greater than or equal to \$70,000,000	1.25%	0.25%
II	Less than \$70,000,000	1.375%	0.50%

The commitment fee assessed on the unused portion of the Credit Facility is 0.20% per annum.

Obligations under the Credit Facility are secured by a general lien and perfected security interest in substantially all of our assets. Our Credit Agreement contains covenants that require us to maintain a fixed charge coverage ratio of not less than 1.0:1.0 in certain circumstances, and limit our ability to, among other things, incur liens, incur additional indebtedness, transfer or dispose of assets, change the nature of the business, guarantee obligations, pay dividends or make other distributions or repurchase stock, and make advances, loans or investments. We may declare or pay cash dividends or repurchase stock only if, among other things, no default or event of default then exists or would arise from such dividend or repurchase of stock and, after giving effect to such dividend or repurchase, certain availability and/or fixed charge coverage ratio requirements are satisfied. The Credit Agreement contains customary events of default, including, without limitation, failure to pay when due principal amounts with respect to the Credit Facility, failure to pay any interest or other amounts under the Credit Facility for five days after becoming due, failure to comply with certain agreements or covenants contained in the Credit Agreement, failure to satisfy certain judgments against us, failure to pay when due (or any other default which does or may lead to the acceleration of) certain other material indebtedness in principal amount in excess of \$5.0 million, and certain insolvency and bankruptcy events.

As of June 30, 2019, we had long-term revolving credit borrowings of \$62.4 million and letter of credit commitments of \$0.5 million outstanding, compared with borrowings of \$65.0 million and letter of credit commitments of \$0.5 million as of December 30, 2018. Total remaining borrowing availability under the Credit Agreement, after subtracting letters of credit, was \$77.1 million and \$74.5 million as of June 30, 2019 and December 30, 2018, respectively.

*Future Capital Requirements.* We had cash on hand of \$6.6 million as of June 30, 2019. We expect capital expenditures for fiscal 2019, excluding non-cash acquisitions, to range from approximately \$9.0 million to \$13.0 million primarily to fund the opening of new stores, store-related remodeling, distribution center investments and computer hardware and software purchases. For fiscal 2019, we anticipate opening four new stores and closing five stores.

We currently pay quarterly cash dividends, subject to declaration by our Board of Directors. On July 25, 2019, our Board of Directors declared a quarterly cash dividend of \$0.05 per share of outstanding common stock, which will be paid on September 13, 2019 to stockholders of record as of August 30, 2019.

As of June 30, 2019, a total of \$15.3 million remained available for share repurchases under our current share repurchase program. We consider several factors in determining when and if we make share repurchases including, among other things, our alternative cash requirements, existing business conditions and the market price of our stock.

We believe we will be able to fund our cash requirements from cash on hand, operating cash flows and borrowings from our revolving credit facility, for at least the next 12 months.

*Contractual Obligations.* Our material contractual obligations include operating lease commitments associated with our leased properties and other occupancy expense, finance lease obligations, borrowings under our Credit Facility and other liabilities. Operating lease commitments consist principally of leases for our retail store facilities, distribution center and corporate offices. These leases frequently include options which permit us to extend the terms beyond the initial fixed lease term, and we intend to renegotiate most of these leases as they expire. Operating lease commitments also consist of IT systems hardware and distribution center delivery tractors. Additional information regarding our operating and finance leases is available in Notes 2 and 5 to the Interim Financial Statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q.

In the first half of fiscal 2019, our revolving credit borrowings decreased by \$2.6 million from the end of fiscal 2018. Our lower debt levels in fiscal 2019 compared with the prior year end largely reflect our higher sales in fiscal 2019.

In the ordinary course of business, we enter into arrangements with vendors to purchase merchandise in advance of expected delivery. Because most of these purchase orders do not contain any termination payments or other penalties if cancelled, they are not included as outstanding contractual obligations.

#### **Critical Accounting Estimates**

As discussed in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of our Annual Report on Form 10-K for the fiscal year ended December 30, 2018, we consider our estimates on inventory valuation, long-lived assets and self-insurance liabilities to be the most critical in understanding the judgments that are involved in preparing our consolidated financial statements. There have been no significant changes to these estimates in the 26 weeks ended June 30, 2019.

#### Operating Lease Liabilities

We adopted Accounting Standards Codification (“ASC”) 842, *Leases*, as of December 31, 2018, coinciding with the standard’s effective date.

We have operating and finance leases for the Company’s retail store facilities, distribution center, corporate offices, information technology hardware and distribution center delivery tractors. In accordance with ASC 842, we determine if an arrangement is a lease at inception. Operating lease liabilities are calculated using the effective interest method and recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. As our leases generally do not provide an implicit rate, we use a collateralized incremental borrowing rate (“IBR”) to determine the present value of lease payments. The collateralized IBR is based on a synthetic credit rating that is externally prepared on an annual basis, and which we adjust quarterly with a yield curve that approximates our market risk profile.

Our adoption of ASC 842 resulted in the initial recognition of operating lease liabilities of \$279.7 million as of December 31, 2018.

#### Seasonality and Impact of Inflation

We experience seasonal fluctuations in our net sales and operating results. Seasonality in our net sales influences our buying patterns which directly impacts our merchandise inventory and accounts payable levels and cash flows. We purchase merchandise for seasonal activities in advance of a season and supplement our merchandise assortment as necessary and when possible during the season. Our efforts to replenish products during a season are not always successful. In the fourth fiscal quarter, which includes the holiday selling season and the start of the winter selling season, we normally experience higher inventory purchase volumes and increased expense for staffing and advertising. If we miscalculate the consumer demand for our products generally or for our product mix in advance of a season, particularly the fourth quarter, our net sales can decline, which can harm our financial performance. A significant shortfall from expected net sales, particularly during the fourth quarter, can negatively impact our annual operating results.

In fiscal 2018, and during the first half of fiscal 2019, the impact of inflation and tariffs on products we purchase was minimal. We have evolved our product mix to include more branded merchandise which we believe gives us added flexibility to adjust selling prices for purchase cost increases. If we are unable to adjust our selling prices for purchase cost increases that might occur, then our merchandise margins will decline, which will adversely impact our operating results. We do not believe that inflation or tariffs had a material impact on our operating results for the reporting periods.

#### Recently Issued Accounting Updates

See Note 2 to the Interim Financial Statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q.

#### Forward-Looking Statements

This document includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, among other things, our financial condition, our results of operations, our growth strategy and the business of our company generally. In some cases, you can identify such statements by terminology such as “may,” “could,” “project,” “estimate,” “potential,” “continue,” “should,” “expects,” “plans,” “anticipates,” “believes,” “intends” or other such terminology. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results. These risks and uncertainties include, among other things, changes in the consumer spending environment, fluctuations in consumer holiday spending patterns, increased competition from e-commerce retailers, breach of data security or other unauthorized disclosure of sensitive personal or confidential information, the competitive environment in the sporting goods industry in general and in our specific market areas, inflation, product availability and growth opportunities, changes in the current market for (or regulation of) firearm-related products, disruption in product flow, seasonal fluctuations, weather conditions, changes in cost of goods, operating expense fluctuations, increases in labor and benefit-related expense, changes in laws or regulations, including those related to tariffs and duties, lower-than-expected profitability of our e-commerce platform or cannibalization of sales from our existing store base which could occur as a result of operating our e-commerce platform, litigation risks, stockholder campaigns and proxy contests, risks related to our leveraged financial condition, changes in interest rates, credit availability, higher expense associated with sources of credit resulting from uncertainty in financial markets and economic conditions in general. Those and other risks and uncertainties are more fully described in Part II, Item 1A, *Risk Factors*, in this report and in Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K and other filings with the Securities and Exchange Commission. We caution that the risk factors set forth in this report are not exclusive. In addition, we conduct our business in a highly competitive and rapidly changing environment. Accordingly, new risk factors may arise. It is not possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on our business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. We undertake no obligation to revise or update any forward-looking statement that may be made from time to time by us or on our behalf.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Because we are a smaller reporting company, as defined by Rule 12b-2 of the Exchange Act, we are not required to provide the information under this Item.

**Item 4. Controls and Procedures***Evaluation of Disclosure Controls and Procedures*

We conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, our CEO and CFO have concluded that, as of the end of such period, our disclosure controls and procedures are effective, at a reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

*Changes in Internal Control Over Financial Reporting*

During the fiscal quarter ended June 30, 2019, no changes occurred with respect to our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's results of operations or financial condition.

**Item 1A. Risk Factors**

There have been no material changes to the risk factors identified in Part I, Item 1A, *Risk Factors*, of the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2018.

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

On June 7, 2019, the Company issued a total of 72,464 nonvested share awards and 72,464 nonvested share unit awards to its independent directors, pursuant to the Company's equity compensation program for independent directors. The nonvested share awards and nonvested share unit awards were issued in consideration of services provided by the independent directors. The Company relied upon Section 4(2) of the Securities Act of 1933 for the sale of the securities described above. Each of the directors is an accredited investor who is familiar with the operations and financial results of the Company and understands the risks of acquiring securities in the Company and the securities will be "restricted securities" in the hands of the directors.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Not applicable.

**Item 6. Exhibits**

(a) Exhibits

<b>Exhibit Number</b>	<b>Description of Document</b>
10.1	<a href="#">Form of Stock Option Agreement and Stock Option Grant Notice for use with 2019 Equity Incentive Plan.</a> <sup>(1)</sup>
10.2	<a href="#">Form of Restricted Stock Agreement and Restricted Stock Grant Notice for use with 2019 Equity Incentive Plan.</a> <sup>(1)</sup>
10.3	<a href="#">Form of Restricted Stock Unit Agreement and Restricted Stock Unit Grant Notice for use with 2019 Equity Incentive Plan.</a> <sup>(1)</sup>
15.1	<a href="#">Independent Auditors' Awareness Letter Regarding Interim Financial Statements.</a> <sup>(1)</sup>
31.1	<a href="#">Rule 13a-14(a) Certification of Chief Executive Officer.</a> <sup>(1)</sup>
31.2	<a href="#">Rule 13a-14(a) Certification of Chief Financial Officer.</a> <sup>(1)</sup>
32.1	<a href="#">Section 1350 Certification of Chief Executive Officer.</a> <sup>(1)</sup>
32.2	<a href="#">Section 1350 Certification of Chief Financial Officer.</a> <sup>(1)</sup>
101.INS	XBRL Instance Document. <sup>(1)</sup>
101.SCH	XBRL Taxonomy Extension Schema Document. <sup>(1)</sup>
101.CAL	XBRL Taxonomy Calculation Linkbase Document. <sup>(1)</sup>
101.DEF	XBRL Taxonomy Definition Linkbase Document. <sup>(1)</sup>
101.LAB	XBRL Taxonomy Label Linkbase Document. <sup>(1)</sup>
101.PRE	XBRL Taxonomy Presentation Linkbase Document. <sup>(1)</sup>

<sup>(1)</sup> Filed herewith.

**SIGNATURES**

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

**BIG 5 SPORTING GOODS CORPORATION,**  
a Delaware corporation

Date: July 31, 2019

By: \_\_\_\_\_  
/s/ Steven G. Miller  
Steven G. Miller  
*Chairman of the Board of Directors,  
President and Chief Executive Officer*

Date: July 31, 2019

By: \_\_\_\_\_  
/s/ Barry D. Emerson  
Barry D. Emerson  
*Senior Vice President,  
Chief Financial Officer and Treasurer  
(Principal Financial and  
Accounting Officer)*



**BIG 5 SPORTING GOODS CORPORATION**  
**STOCK OPTION AGREEMENT**

THIS STOCK OPTION AGREEMENT (together with the attached grant notice (the “**Grant Notice**”), the “**Agreement**”) is made and entered into as of the date of grant set forth on the Grant Notice by and between Big 5 Sporting Goods Corporation, a Delaware corporation (the “**Company**”), and the individual (the “**Optionee**”) set forth on the Grant Notice.

A. Pursuant to the Big 5 Sporting Goods Corporation 2019 Equity Incentive Plan (the “**Plan**”), the Administrator has determined that it is to the advantage and best interest of the Company to grant to Optionee an option (the “**Option**”) to purchase the number of shares of the Common Stock of the Company (the “**Shares**” or the “**Option Shares**”) set forth on the Grant Notice, at the exercise price determined as provided herein, and in all respects subject to the terms, definitions and provisions of the Plan, which is incorporated herein by reference.

B. Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings set forth in the Plan.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the Optionee and the Company hereby agree as follows:

1. Grant and Terms of Stock Option.

1.1 Grant of Option. Pursuant to the Grant Notice, the Company has granted to the Optionee the right and option to purchase, subject to the terms and conditions set forth in the Plan and this Agreement, all or any part of the number of shares of the Common Stock of the Company set forth on the Grant Notice at a purchase price per share equal to the exercise price per Share set forth on the Grant Notice. If the Grant Notice indicates (under “Type of Option”) that this Option is an “ISO”, then this Option is intended by the Company and Optionee to be an Incentive Stock Option. However, if the Grant Notice indicates that this Option is a “NQSO”, then this Option is not intended to be an Incentive Stock Option and is instead intended to be a Nonqualified Stock Option.

1.2 Vesting and Exercisability. Subject to the provisions of the Plan and the other provisions of this Agreement, this Option shall vest and become exercisable in accordance with the schedule set forth in the Grant Notice. Notwithstanding the foregoing, in the event of termination of Optionee’s Continuous Status as an Employee, Director or Consultant for any reason, with or without Cause, including as a result of death or Disability, this Option shall immediately cease vesting and shall be cancelled to the extent of the number of Shares as to which this Option has not vested as of the date of termination.

1.3 Term of Option. No portion of this Option may be exercised more than ten years from the date of this Agreement. In the event of termination of Optionee’s Continuous Status as an Employee, Director or Consultant, this Option shall be cancelled as to any unvested Shares as provided in Section 1.2, and shall terminate and be cancelled with respect to any vested Shares on the earlier of (i) the expiration of the ten year period set forth in the first sentence of this Section 1.3, or (ii) 90 days after termination of Optionee’s Continuous Status as an Employee, Director or Consultant (or 12 months in the case of termination as a result of Optionee’s Disability or death); provided, however, if Optionee’s Continuous Status as an Employee, Director or Consultant is terminated for Cause, this entire Option

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shall be cancelled and terminated as of the date of such termination and shall no longer be exercisable as to any Shares, whether or not previously vested.

2. Method of Exercise.

2.1 Delivery of Notice of Exercise. This Option shall be exercisable by written notice in the form attached hereto as Exhibit A which shall state the election to exercise this Option, the number of Shares in respect of which this Option is being exercised, and such other representations and agreements with respect to such Shares as may be required by the Company pursuant to the provisions of this Agreement and the Plan. Such written notice shall be signed by Optionee (or by Optionee's beneficiary or other person entitled to exercise this Option in the event of Optionee's death under the Plan) and shall be delivered to the Secretary of the Company. The written notice shall be accompanied by payment of the exercise price. This Option shall not be deemed exercised until the Company receives such written notice accompanied by the exercise price and any other applicable terms and conditions of this Agreement are satisfied. This Option may not be exercised for a fraction of a Share.

2.2 Restrictions on Exercise. No Shares will be issued pursuant to the exercise of this Option unless and until there shall have been full compliance with all applicable requirements of the Securities Act of 1933, as amended (whether by registration or satisfaction of exemption conditions), all Applicable Laws, and all applicable listing requirements of any national securities exchange or other market system on which the Common Stock is then listed. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be necessary or appropriate, in the judgment of the Administrator, to comply with any Applicable Law.

2.3 Method of Payment. Payment of the exercise price shall be made in full at the time of exercise in cash or by check payable to the order of the Company, or, subject in each case to the advance approval of the Administrator in its sole discretion, (a) by delivery of shares of Common Stock already owned by Optionee having a Fair Market Value equal to the exercise price and held for at least six months (or for such other period as is necessary to avoid accounting charges against the Company's earnings), (b) by a "broker's exercise" involving the sale, at the time of the exercise of the Option, of Shares having a Fair Market Value equal to the exercise price, and the simultaneous remission of the exercise price to the Company, or (c) by any combination of the foregoing. Shares of Common Stock used to satisfy the exercise price of this Option shall be valued at their Fair Market Value determined on the date of exercise (or if such date is not a business day, as of the close of the business day immediately preceding such date). In addition, the Administrator may impose such other conditions in connection with the delivery of shares of Common Stock in satisfaction of the exercise price as it deems appropriate in its sole discretion, including without limitation a requirement that the shares of Common Stock delivered have been held by the Optionee for a specified period of time.

2.4 Notice of Disqualifying Disposition of Incentive Stock Option. If this Option is an Incentive Stock Option and the Optionee sells or otherwise disposes of any of the Shares acquired upon exercise of this Option on or before the later of (i) two years after the date of grant, or (ii) one year after the date such Shares were acquired, the Optionee shall immediately notify the Company in writing of such disposition. The Optionee agrees that he or she may be subject to income tax withholding by the Company on the taxable income recognized as a result of such disposition and that the Optionee shall be required to satisfy such withholding obligations either by making a payment to the Company in cash or by withholding from current earnings of the Optionee.

3. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution or to a beneficiary designated pursuant to the Plan, and may be exercised during the lifetime of Optionee only by Optionee. Subject to all of the other terms and conditions of this Agreement, following the death of Optionee, this Option may, to the extent it remained unexercised (but vested and exercisable by Optionee in accordance with its terms) on the date of death, be exercised by Optionee's beneficiary or other person entitled to exercise this Option in the event of Optionee's death under the Plan. Notwithstanding the first sentence of this Section 3, (i) if this Option is a Nonqualified Stock Option, this Option may be assigned pursuant to a qualified domestic relations order as defined by the Code, and exercised by the spouse of the Optionee who obtained such Option pursuant to such qualified domestic relations order, and (ii) this Option may be assigned, during the Optionee's lifetime, to one or more Family Members. Rights under the assigned portion may be exercised by the person or persons who acquire a proprietary interest in such Option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the Option immediately before such assignment and shall be set forth in such documents issued to the assignee as the Administrator deems appropriate.

4. General.

4.1 Governing Law. This Agreement shall be governed by and construed under the laws of the state of Delaware applicable to agreements made and to be performed entirely in Delaware, without regard to the conflicts of law provisions of Delaware or any other jurisdiction.

4.2 Notices. Any notice required or permitted under this Agreement shall be given in writing by express courier or by postage prepaid, United States registered or certified mail, return receipt requested, to the address set forth below or to such other address for a party as that party may designate by 10 days advance written notice to the other parties. Notice shall be effective upon the earlier of receipt or 3 days after the mailing of such notice.

If to the Company:	Big 5 Sporting Goods Corporation 2525 East El Segundo Boulevard El Segundo, CA 90245 Attention: Senior Vice President and General Counsel
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If to Optionee, at the address set forth on the Grant Notice.

4.3 Community Property. Without prejudice to the actual rights of the spouses as between each other, for all purposes of this Agreement, the Optionee shall be treated as agent and attorney-in-fact for that interest held or claimed by his or her spouse with respect to this Option and the parties hereto shall act in all matters as if the Optionee was the sole owner of this Option. This appointment is coupled with an interest and is irrevocable.

4.4 Modifications. This Agreement may be amended, altered or modified only by a writing signed by each of the parties hereto.

4.5 Application to Other Stock. In the event any capital stock of the Company or any other corporation shall be distributed on, with respect to, or in exchange for shares of Common Stock as a stock dividend, stock split, reclassification or recapitalization in connection with any merger or reorganization or otherwise, all restrictions, rights and obligations set forth in this Agreement shall apply with respect to such other capital stock to the same extent as they are, or would have been applicable, to the Option Shares on or with respect to which such other capital stock was distributed.

4.6 Additional Documents. Each party agrees to execute any and all further documents and writings, and to perform such other actions, which may be or become reasonably necessary or expedient to be made effective and carry out this Agreement.

4.7 No Third-Party Benefits. Except as otherwise expressly provided in this Agreement, none of the provisions of this Agreement shall be for the benefit of, or enforceable by, any third-party beneficiary.

4.8 Successors and Assigns. Except as provided herein to the contrary, this Agreement shall be binding upon and inure to the benefit of the parties, their respective successors and permitted assigns.

4.9 No Assignment. Except as otherwise provided in this Agreement, the Optionee may not assign any of his, her or its rights under this Agreement without the prior written consent of the Company, which consent may be withheld in its sole discretion. The Company shall be permitted to assign its rights or obligations under this Agreement, but no such assignment shall release the Company of any obligations pursuant to this Agreement.

4.10 Severability. The validity, legality or enforceability of the remainder of this Agreement shall not be affected even if one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable in any respect.

4.11 Equitable Relief. The Optionee acknowledges that, in the event of a threatened or actual breach of any of the provisions of this Agreement, damages alone will be an inadequate remedy, and such breach will cause the Company great, immediate and irreparable injury and damage. Accordingly, the Optionee agrees that the Company shall be entitled to injunctive and other equitable relief, and that such relief shall be in addition to, and not in lieu of, any remedies they may have at law or under this Agreement.

4.12 Arbitration.

4.12.1 General. Any controversy, dispute, or claim between the parties to this Agreement, including any claim arising out of, in connection with, or in relation to the formation, interpretation, performance or breach of this Agreement shall be settled exclusively by arbitration, before a single arbitrator, in accordance with this section 4.12 and the then most applicable rules of the American Arbitration Association. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof. Such arbitration shall be administered by the American Arbitration Association. Arbitration shall be the exclusive remedy for determining any such dispute, regardless of its nature. Notwithstanding the foregoing, either party may in an appropriate matter apply to a court pursuant to California Code of Civil Procedure Section 1281.8, or any comparable provision, for provisional relief, including a temporary restraining order or a preliminary injunction, on the ground that the award to which the applicant may be entitled in arbitration may be rendered ineffectual without provisional relief. Unless mutually agreed by the parties otherwise, any arbitration shall take place in the City of Los Angeles, California.

4.12.2 Selection of Arbitrator. In the event the parties are unable to agree upon an arbitrator, the parties shall select a single arbitrator from a list of nine arbitrators drawn by the parties at random from a list of twenty persons (which shall be retired judges or corporate or litigation attorneys experienced in stock options and buy-sell agreements) provided by the office of the American Arbitration Association having jurisdiction over Los Angeles, California. If the parties are unable to agree upon an arbitrator from the list so drawn, then the parties shall each strike names alternately from the list, with the first to strike being determined by lot. After each party has used four strikes, the remaining name on

the list shall be the arbitrator. If such person is unable to serve for any reason, the parties shall repeat this process until an arbitrator is selected.

4.12.3 Applicability of Arbitration; Remedial Authority. This agreement to resolve any disputes by binding arbitration shall extend to claims against any parent, subsidiary or affiliate of each party, and, when acting within such capacity, any officer, director, shareholder, employee or agent of each party, or of any of the above, and shall apply as well to claims arising out of state and federal statutes and local ordinances as well as to claims arising under the common law. In the event of a dispute subject to this paragraph the parties shall be entitled to reasonable discovery subject to the discretion of the arbitrator. The remedial authority of the arbitrator (which shall include the right to grant injunctive or other equitable relief) shall be the same as, but no greater than, would be the remedial power of a court having jurisdiction over the parties and their dispute. The arbitrator shall, upon an appropriate motion, dismiss any claim without an evidentiary hearing if the party bringing the motion establishes that he or it would be entitled to summary judgement if the matter had been pursued in court litigation. In the event of a conflict between the applicable rules of the American Arbitration Association and these procedures, the provisions of these procedures shall govern.

4.12.4 Fees and Costs. Any filing or administrative fees shall be borne initially by the party requesting arbitration. The Company shall be responsible for the costs and fees of the arbitration, unless the Optionee wishes to contribute (up to 50%) to the costs and fees of the arbitration. Notwithstanding the foregoing, the prevailing party in such arbitration, as determined by the arbitrator, and in any enforcement or other court proceedings, shall be entitled, to the extent permitted by law, to reimbursement from the other party for all of the prevailing party's costs (including but not limited to the arbitrator's compensation), expenses, and attorneys' fees.

4.12.5 Award Final and Binding. The arbitrator shall render an award and written opinion, and the award shall be final and binding upon the parties. If any of the provisions of this paragraph, or of this Agreement, are determined to be unlawful or otherwise unenforceable, in whole or in part, such determination shall not affect the validity of the remainder of this Agreement, and this Agreement shall be reformed to the extent necessary to carry out its provisions to the greatest extent possible and to insure that the resolution of all conflicts between the parties, including those arising out of statutory claims, shall be resolved by neutral, binding arbitration. If a court should find that the arbitration provisions of this Agreement are not absolutely binding, then the parties intend any arbitration decision and award to be fully admissible in evidence in any subsequent action, given great weight by any finder of fact, and treated as determinative to the maximum extent permitted by law.

4.13 Headings. The section headings in this Agreement are inserted only as a matter of convenience, and in no way define, limit, extend or interpret the scope of this Agreement or of any particular section.

4.14 Number and Gender. Throughout this Agreement, as the context may require, (a) the masculine gender includes the feminine and the neuter gender includes the masculine and the feminine; (b) the singular tense and number includes the plural, and the plural tense and number includes the singular; (c) the past tense includes the present, and the present tense includes the past; (d) references to parties, sections, paragraphs and exhibits mean the parties, sections, paragraphs and exhibits of and to this Agreement; and (e) periods of days, weeks or months mean calendar days, weeks or months.

4.15 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.16 Complete Agreement. The Grant Notice, this Agreement and the Plan constitute the parties' entire agreement with respect to the subject matter hereof and supersede all agreements, representations, warranties, statements, promises and understandings, whether oral or written, with respect to the subject matter hereof.

**EXHIBIT A**  
**NOTICE OF EXERCISE OF STOCK OPTION**

Big 5 Sporting Goods Corporation  
2525 East El Segundo Boulevard  
El Segundo, CA 90245  
Attn: Senior Vice President and General Counsel

Ladies and Gentlemen:

The undersigned hereby elects to exercise the option indicated below:

Option Grant Date:  
Type of Option: Incentive Stock Option / Nonqualified Stock Option  
Number of Shares Being Exercised:  
Exercise Price Per Share:  
Total Exercise Price: \$  
Method of Payment:

Enclosed herewith is payment in full of the total exercise price and a copy of the Grant Notice.

My exact name, current address and social security number for purposes of the stock certificates to be issued and the shareholder list of the Company are:

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Social Security Number (last 4 digits): XXX-XX-

Sincerely,

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Optionee's Signature)

**BIG 5 SPORTING GOODS CORPORATION  
STOCK OPTION GRANT NOTICE  
(2019 Equity Incentive Plan)**

Big 5 Sporting Goods Corporation (the “**Company**”), pursuant to its 2019 Equity Incentive Plan (the “**Plan**”), hereby grants to Optionee the option to purchase the number of Shares of the Company set forth below (the “**Option**”). This Option is subject to all of the terms and conditions as set forth in this Grant Notice, the Stock Option Agreement (the “**Option Agreement**”) which is attached hereto, and the Plan, a copy of which has been provided to the Optionee. The Option Agreement and the Plan are deemed to be incorporated herein in their entirety.

Optionee:  
Date of Grant:  
Number of Shares of Common Stock:  
Exercise Price Per Share:  
Initial Vesting Date:  
Type of Option

**Vesting Schedule:** Subject to the restrictions and limitations of the Option Agreement and the Plan, this Option shall vest and become exercisable with respect to \_\_\_\_\_% of the Shares subject to this Option on the Initial Vesting Date. On each subsequent anniversary of the Initial Vesting Date, this Option shall become vested and exercisable with respect to an additional \_\_\_\_\_% of the Shares subject to this Option.

**Acceleration of Vesting Upon a Change of Control:** Upon a Change of Control (as defined in the Grantee's employment agreement, or if no such agreement exists or such agreement has no such definition, then as defined in the Plan), the Shares shall fully vest and all restrictions and limitations on the Shares shall lapse.

**Additional Terms/Acknowledgements:** The undersigned Optionee acknowledges receipt of, and has read and understands and agrees to, the Option Agreement and the Plan. Optionee further acknowledges that as of the Date of Grant, the Option Agreement and the Plan set forth the entire understanding between Optionee and the Company regarding the grant by the Company of the Option referred to in this Grant Notice. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board or the Administrator upon any questions arising under the Plan.

**BIG 5 SPORTING GOODS CORPORATION**

**OPTIONEE:**

By: \_\_\_\_\_ Signature \_\_\_\_\_ Signature \_\_\_\_\_ Date: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**ATTACHMENTS:** Stock Option Agreement

**SPOUSE OF OPTIONEE:**

Spouse has read and understands the Option Agreement and the Plan and is executing this Grant Notice to evidence Spouse's consent and agreement to be bound by all of the terms and conditions of the Option Agreement and the Plan (including those relating to the appointment of the Optionee as agent for any interest that Spouse may have in the Option Shares).

Signature

Optionee Address:



**BIG 5 SPORTING GOODS CORPORATION  
RESTRICTED STOCK AGREEMENT**

THIS RESTRICTED STOCK AGREEMENT (together with the attached grant notice (the "Grant Notice"), the "Agreement") is made and entered into as of the date of grant set forth on the Grant Notice by and between Big 5 Sporting Goods Corporation, a Delaware corporation (the "Company"), and the individual (the "Grantee") set forth on the Grant Notice.

- A. Pursuant to the Big 5 Sporting Goods Corporation 2019 Equity Incentive Plan (the "Plan"), the Committee has determined that it is to the advantage and best interest of the Company to grant to Grantee shares of the Common Stock of the Company (the "Shares") set forth on the Grant Notice, and in all respects subject to the terms, definitions and provisions of the Plan, which is incorporated herein by reference.
- B. Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings set forth in the Plan.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the Grantee and the Company hereby agree as follows:

1. Grant and Terms of Shares.

1.1 Grant of Shares. Pursuant to the Grant Notice, the Company has granted to the Grantee, subject to the terms and conditions set forth in the Plan and this Agreement, the number of shares of the Common Stock of the Company set forth on the Grant Notice.

1.2 Vesting. As of the date of grant set forth in the Grant Notice, all of the Shares (including the right to receive dividends or other distributions in respect thereof) shall be unvested, and shall become vested only in accordance with the schedule set forth in the Grant Notice. While Shares remain unvested, any dividends or distributions that the Grantee otherwise would have had a right to receive with respect to such unvested Shares shall be retained by the Company until such time as such Shares vest. Any such amounts so retained shall not bear interest. Notwithstanding the foregoing, on the termination of Grantee's Continuous Status as an Employee, Director or Consultant for any reason, with or without cause, including as a result of death or Disability, the Shares shall (except as otherwise set forth in any then applicable employment agreement between Grantee and the Company ) immediately cease vesting, and all Shares remaining unvested as of the date of such termination (and all rights to any dividends or distributions with respect thereto retained by the Company as described above) shall be immediately forfeited, terminated and cancelled.

2. General Restrictions on Transfer of Shares.

2.1 No Transfers of Unvested Shares. In no event shall the Grantee transfer any Shares that are not vested (or any right or interest therein) to any person in any manner whatsoever, whether voluntarily or by operation of law or otherwise.

2.2 Invalid Sales. Any purported transfer of Shares made without fully complying with all of the provisions of this Agreement shall be null and void and without force or effect.

3. Compliance with Applicable Laws. No Shares will be issued pursuant to this Agreement unless and until there shall have been full compliance with all applicable requirements of the Securities Act of 1933, as amended (whether by registration or satisfaction of exemption conditions), all applicable laws, and all applicable listing requirements of any national securities exchange or other market system on which the Common Stock is then listed.

4. General.

4.1 Governing Law. This Agreement shall be governed by and construed under the laws of the state of Delaware applicable to agreements made and to be performed entirely in Delaware, without regard to the conflicts of law provisions of Delaware or any other jurisdiction.

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4.2 Notices. Any notice required or permitted under this Agreement shall be given in writing by express courier or by postage prepaid, United States registered or certified mail, return receipt requested, to the address set forth below or to such other address for a party as that party may designate by 10 days advance written notice to the other parties. Notice shall be effective upon the earlier of receipt or 3 days after the mailing of such notice.

If to the Company: Big 5 Sporting Goods Corporation  
2525 East El Segundo Boulevard  
El Segundo, CA 90245  
Attention: Senior Vice President and General Counsel

If to Grantee, at the address set forth on the Company's records.

4.3 Legend. In addition to any other legend which may be required by agreement or applicable laws, each share certificate representing Shares shall have endorsed upon its face a legend in substantially the form set forth below:

**THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO VESTING CONDITIONS AND CERTAIN RESTRICTIONS ON TRANSFER, SALE AND HYPOTHECATION. A COMPLETE STATEMENT OF THE TERMS AND CONDITIONS GOVERNING SUCH RESTRICTIONS IS SET FORTH IN AN AGREEMENT, DATED AS OF \_\_\_\_\_, A COPY OF WHICH IS ON FILE AT THE CORPORATION'S PRINCIPAL OFFICE.**

4.4 Deposit of Certificates. In order to ensure that the Grantee complies with the provisions of this Agreement, and that no transfers of Shares are made in violation hereof, all certificates representing all unvested Shares shall be deposited with the Company or its designee. As Shares become vested, certificates evidencing such Shares shall be delivered to Grantee. At that time the Company shall also deliver to the Grantee any declared but unpaid dividends or distributions with respect to such vested Shares which the Company has retained pursuant to Section 1.2 above.

4.5 Community Property. Without prejudice to the actual rights of the spouses as between each other, for all purposes of this Agreement, the Grantee shall be treated as agent and attorney-in-fact for that interest held or claimed by his or her spouse with respect to any Shares and the parties hereto shall act in all matters as if the Grantee was the sole owner of such Shares. This appointment is coupled with an interest and is irrevocable.

4.6 Modifications. This Agreement may be amended, altered or modified only by a writing signed by each of the parties hereto.

4.7 Application to Other Stock. In the event any capital stock of the Company or any other corporation shall be distributed on, with respect to, or in exchange for shares of Common Stock as a stock dividend, stock split, reclassification or recapitalization in connection with any merger or reorganization or otherwise, all restrictions, rights and obligations set forth in this Agreement shall apply with respect to such other capital stock to the same extent as they are, or would have been applicable, to the Shares on or with respect to which such other capital stock was distributed.

4.8 Additional Documents. Each party agrees to execute any and all further documents and writings, and to perform such other actions, which may be or become reasonably necessary or expedient to be made effective and carry out this Agreement.

4.9 No Third-Party Benefits. Except as otherwise expressly provided in this Agreement, none of the provisions of this Agreement shall be for the benefit of, or enforceable by, any third-party beneficiary.

4.10 Successors and Assigns. Except as provided herein to the contrary, this Agreement shall be binding upon and inure to the benefit of the parties, their respective successors and permitted assigns.

4.11 No Assignment. Except as otherwise provided in this Agreement, the Grantee may not assign any of his or her rights under this Agreement without the prior written consent of the Company, which consent

may be withheld in its sole discretion. The Company shall be permitted to assign its rights or obligations under this Agreement, but no such assignment shall release the Company of any obligations pursuant to this Agreement.

4.12 Severability. The validity, legality or enforceability of the remainder of this Agreement shall not be affected even if one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable in any respect.

4.13 Equitable Relief. The Grantee acknowledges that, in the event of a threatened or actual breach of any of the provisions of this Agreement, damages alone will be an inadequate remedy, and such breach will cause the Company great, immediate and irreparable injury and damage. Accordingly, the Grantee agrees that the Company shall be entitled to injunctive and other equitable relief, and that such relief shall be in addition to, and not in lieu of, any remedies they may have at law or under this Agreement.

4.14 Arbitration.

4.14.1 General. Any controversy, dispute, or claim between the parties to this Agreement, including any claim arising out of, in connection with, or in relation to the formation, interpretation, performance or breach of this Agreement shall be settled exclusively by arbitration, before a single arbitrator, in accordance with this section 4.14 and the then most applicable rules of the American Arbitration Association. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof. Such arbitration shall be administered by the American Arbitration Association. Arbitration shall be the exclusive remedy for determining any such dispute, regardless of its nature. Notwithstanding the foregoing, either party may in an appropriate matter apply to a court for provisional relief, including a temporary restraining order or a preliminary injunction, on the ground that the award to which the applicant may be entitled in arbitration may be rendered ineffectual without provisional relief. Unless mutually agreed by the parties otherwise, any arbitration shall take place in the City of Los Angeles, California.

4.14.2 Selection of Arbitrator. In the event the parties are unable to agree upon an arbitrator, the parties shall select a single arbitrator from a list of nine arbitrators drawn by the parties at random from a list of twenty persons (who shall be retired judges or corporate or litigation attorneys experienced in stock options and buy-sell agreements) provided by the office of the American Arbitration Association having jurisdiction over the City of Los Angeles, California. If the parties are unable to agree upon an arbitrator from the list so drawn, then the parties shall each strike names alternately from the list, with the first to strike being determined by lot. After each party has used four strikes, the remaining name on the list shall be the arbitrator. If such person is unable to serve for any reason, the parties shall repeat this process until an arbitrator is selected.

4.14.3 Applicability of Arbitration; Remedial Authority. This agreement to resolve any disputes by binding arbitration shall extend to claims against any parent, subsidiary or affiliate of each party, and, when acting within such capacity, any officer, director, shareholder, employee or agent of each party, or of any of the above, and shall apply as well to claims arising out of state and federal statutes and local ordinances as well as to claims arising under the common law. In the event of a dispute subject to this paragraph, the parties shall be entitled to reasonable discovery subject to the discretion of the arbitrator. The remedial authority of the arbitrator (which shall include the right to grant injunctive or other equitable relief) shall be the same as, but no greater than, would be the remedial power of a court having jurisdiction over the parties and their dispute. The arbitrator shall, upon an appropriate motion, dismiss any claim without an evidentiary hearing if the party bringing the motion establishes that he or it would be entitled to summary judgement if the matter had been pursued in court litigation. In the event of a conflict between the applicable rules of the American Arbitration Association and these procedures, the provisions of these procedures shall govern.

4.14.4 Fees and Costs. Any filing or administrative fees shall be borne initially by the party requesting arbitration. The Company shall be responsible for the costs and fees of the arbitration, unless the Grantee wishes to contribute (up to 50%) of the costs and fees of the arbitration. Notwithstanding the foregoing, the prevailing party in such arbitration, as determined by the arbitrator, and in any enforcement or other court proceedings, shall be entitled, to the extent permitted by law, to reimbursement from the other party for all of the prevailing party's costs (including but not limited to the arbitrator's compensation), expenses, and attorneys' fees.

4.14.5 Award Final and Binding; Severability. The arbitrator shall render an award and written opinion, and the award shall be final and binding upon the parties. If any of the provisions of this paragraph, or

of this Agreement, are determined to be unlawful or otherwise unenforceable, in whole or in part, such determination shall not affect the validity of the remainder of this Agreement, and this Agreement shall be reformed to the extent necessary to carry out its provisions to the greatest extent possible and to insure that the resolution of all conflicts between the parties, including those arising out of statutory claims, shall be resolved by neutral, binding arbitration. If a court should find that the arbitration provisions of this Agreement are not absolutely binding, then the parties intend any arbitration decision and award to be fully admissible in evidence in any subsequent action, given great weight by any finder of fact, and treated as determinative to the maximum extent permitted by law.

4.15 Headings. The section headings in this Agreement are inserted only as a matter of convenience, and in no way define, limit, extend or interpret the scope of this Agreement or of any particular section.

4.16 Number and Gender. Throughout this Agreement, as the context may require, (a) the masculine gender includes the feminine and the neuter gender includes the masculine and the feminine; (b) the singular tense and number includes the plural, and the plural tense and number includes the singular; (c) the past tense includes the present, and the present tense includes the past; and (d) references to parties, sections, paragraphs and exhibits mean the parties, sections, paragraphs and exhibits of and to this Agreement.

4.17 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.18 Complete Agreement. The Grant Notice, this Agreement and the Plan constitute the parties' entire agreement with respect to the subject matter hereof and supersede all agreements, representations, warranties, statements, promises and understandings, whether oral or written, with respect to the subject matter hereof.

**BIG 5 SPORTING GOODS CORPORATION  
RESTRICTED STOCK GRANT NOTICE  
(2019 Equity Incentive Plan)**

Big 5 Sporting Goods Corporation (the "**Company**"), pursuant to its 2019 Equity Incentive Plan (the "**Plan**"), hereby grants to Grantee the number of Shares of the Company set forth below (the "**Shares**"). The Shares are subject to all of the terms and conditions as set forth in this Grant Notice, the Restricted Stock Agreement (the "**Agreement**") which is attached hereto, and the Plan (a copy of which has been made available to the Grantee). The Agreement and the Plan are deemed to be incorporated herein in their entirety.

Grantee: \_\_\_\_\_  
Date of Grant: \_\_\_\_\_  
Initial Vesting Date: \_\_\_\_\_  
Number of Shares of Common Stock: \_\_\_\_\_

**Vesting Schedule:** Subject to the restrictions and limitations of the Agreement and the Plan, the Shares (including the right to receive any dividends or other distributions with respect thereto) shall vest with respect to \_\_\_% of the Shares subject to this Grant Notice on the Initial Vesting Date. On each subsequent anniversary of the Initial Vesting Date, the Shares (including the right to receive any dividends or other distributions with respect thereto) shall become vested with respect to an additional \_\_\_% of the Shares subject to this Grant Notice.

**Acceleration of Vesting Upon a Change of Control:** Upon a Change of Control (as defined in the Grantee's employment agreement, or if no such agreement exists or such agreement has no such definition, then as defined in the Plan), the Shares shall fully vest and all restrictions and limitations on the Shares shall lapse.

**Additional Terms/Acknowledgements:** The undersigned Grantee acknowledges receipt of, and has read and understands and agrees to, this Grant Notice, the Agreement and the Plan. Grantee further acknowledges that as of the Date of Grant, this Grant Notice, the Agreement and the Plan set forth the entire understanding between Grantee and the Company regarding the grant by the Company of the Shares referred to in this Grant Notice. Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board or the Committee upon any questions arising under this Grant Notice, the Agreement or the Plan.

**BIG 5 SPORTING GOODS CORPORATION**

**GRANTEE**

By: \_\_\_\_\_ Signature \_\_\_\_\_  
Title: \_\_\_\_\_ Signature \_\_\_\_\_  
Date: \_\_\_\_\_ Date: \_\_\_\_\_

**ATTACHMENT:** Restricted Stock Agreement

**SPOUSE OF GRANTEE:**

Spouse has read and understands this Grant Notice, the Agreement and the Plan and is executing this Grant Notice to evidence Spouse's consent and agreement to be bound by all of the terms and conditions of this Grant Notice, the Agreement and the Plan (including those relating to the appointment of the Grantee as agent for any interest that Spouse may have in the Shares).

\_\_\_\_\_  
Signature Date: \_\_\_\_\_

Grantee Address: \_\_\_\_\_  
\_\_\_\_\_

**BIG 5 SPORTING GOODS CORPORATION  
NON-EMPLOYEE DIRECTOR  
RESTRICTED STOCK UNIT AGREEMENT**

THIS RESTRICTED STOCK UNIT AGREEMENT (together with the attached grant notice (the "**Grant Notice**"), (the "**Agreement**") is made and entered into as of the date of grant set forth on the Grant Notice by and between Big 5 Sporting Goods Corporation, a Delaware corporation (the "**Company**"), and the individual (the "**Grantee**") set forth on the Grant Notice.

- A. Pursuant to the Big 5 Sporting Goods Corporation 2019 Equity Incentive Plan (the "**Plan**"), the Committee has determined that it is to the advantage and best interest of the Company to grant to Grantee the number of Restricted Stock Units (as defined below) of the Company (the "**Units**") set forth on the Grant Notice, and in all respects subject to the terms, definitions and provisions of this Agreement and the Plan, which is incorporated herein by reference.
- B. Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings set forth in the Plan.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the Grantee and the Company hereby agree as follows:

1. Grant and Terms of Units.

1.1 Grant of Units. Pursuant to the Grant Notice, the Company has granted to the Grantee, subject to the terms and conditions set forth in the Plan and this Agreement, the number of Restricted Stock Units set forth on the Grant Notice. "**Restricted Stock Units**" shall mean units granted pursuant to Article VIII of the Plan, pursuant to which the Company has agreed to issue shares of Common Stock to Grantee subject to the terms and conditions set forth in the Plan and this Agreement (including the vesting and payment provisions of this Section 1).

1.2 Account. Each Unit and Additional Unit (as defined below) shall be recorded in an account (the "**Account**"), which shall specify whether such Unit and Additional Unit is vested or nonvested and which shall be maintained on the books and records of the Company.

1.3 Cash Dividends. Whenever any cash dividends are declared on the Common Stock, the Company will credit the Account on the date such dividend is paid with a number of additional Restricted Stock Units (the "**Additional Units**") equal to the result of dividing (i) the product of (x) the total number of Units and Additional Units credited to the Account on the record date for such dividend (without taking into consideration the Additional Units credited to the Account as a result of such dividend) and (y) the per share amount of such dividend by (ii) the Fair Market Value of one share of Common Stock on the date such dividend is paid by the Company to the holders of Common Stock.

1.4 Vesting. As of the date of grant set forth in the Grant Notice, all of the Units (including the right to Additional Units in respect thereof) shall be unvested, and shall become vested only in accordance with the schedule set forth in the Grant Notice. Notwithstanding the foregoing, on the termination of Grantee's continuous status as a Director for any reason, with or without cause, including as a result of death or Disability, the Units shall immediately cease vesting, and all Units remaining unvested as of the date of such termination (and all rights to any Additional Units with respect thereto as described above) shall be immediately forfeited, terminated and cancelled. In addition, Additional

Units credited to the Account pursuant to Section 1.3, shall vest concurrently with the vesting of Units in respect of which such Additional Units were credited.

1.5 Payment of Account.

1.5.1 General. Payment of the Account shall be made in a lump sum to the Grantee (or, in the event of the Grantee's death, to the Grantee's beneficiary, as provided in Section 2.2) on the tenth business day of January of the calendar year following the calendar year in which the Grantee's services as a member of the Board terminates for any reason. The payment shall be made in shares of Common Stock equal to the number of Restricted Stock Units credited to the Account, provided that any fractional Restricted Stock Units shall be paid in cash based on the Fair Market Value of one share of Common Stock on the payment date.

1.5.2 Change in Control. In the event of a Change in Control, the Account shall be paid to Grantee in a lump sum in cash within five business days after the consummation of the Change in Control, in an amount equal to the result of multiplying (i) the number of Restricted Stock Units credited to the Account on the Change in Control date by (ii) the Fair Market Value of one share of Common Stock on the Change in Control date. Notwithstanding the foregoing, if the Change in Control involves the disposition or exchange of all of the Common Stock of the Company for cash or securities, the price per share received by the holders of Common Stock shall be substituted for the Fair Market Value on the Change in Control date; if the price is paid other than solely in cash or securities with a readily determinable market value, the Board will have the sole discretion to determine the valuation of any such portion of the price per share and shall make such determination prior to the consummation of such Change in Control.

1.6 No Stockholder Rights. Neither the Grantee nor any other person shall have any rights as a stockholder of the Company with respect to the Units and Additional Units credited to the Account until the shares of Common Stock are issued to the Grantee (or the beneficiary of the Grantee) pursuant to Section 1.5.1.

2. General Restrictions on Transfer of Units.

2.1 No Transfers of Unvested Units. Except as provided below with respect to beneficiaries, in no event shall the Grantee sell, assign, transfer, pledge, hypothecate, mortgage, encumber or dispose of any Units or Additional Units (or any right or interest therein) to any person in any manner whatsoever, whether voluntarily or by operation of law or otherwise. Any such purported transfer of Units and/or Additional Units shall be null and void and without force or effect.

2.2 Beneficiary Designation. Grantee shall have the right, at any time, to designate any person or persons as his or her beneficiary or beneficiaries to whom payment under the Plan shall be paid in the event of his or her death prior to payment to the Grantee of his or her Account. Any beneficiary designation may be made or changed by Grantee by a written instrument, in such form as prescribed by the Committee, which is filed with the Company prior to Grantee's death. If Grantee fails to designate a beneficiary, or if all designated beneficiaries predecease Grantee, the Account shall be paid to Grantee's estate.

3. Compliance with Applicable Laws; Section 409A. No Units will be issued pursuant to this Agreement unless and until there shall have been full compliance with all applicable requirements of the Securities Act of 1933, as amended (whether by registration or satisfaction of exemption conditions), all applicable laws, and all applicable listing requirements of any national securities exchange or other market system on which the Common Stock is then listed. Notwithstanding any provision of this Agreement or the Plan to the contrary, this Agreement will be construed, administered or deemed amended as necessary to comply with the requirements of Section 409A of the Code to avoid taxation under Section 409A. The Committee, in its sole discretion, shall determine the requirements of Section 409A that are applicable to the Agreement and shall interpret the terms of the Agreement in a manner consistent therewith. Under no circumstances, however, shall the Company or any affiliate or any of its or their employees, officers, directors, service providers or agents have any liability to any person for any taxes, penalties or interest due on amounts paid or payable under this Agreement, including any taxes, penalties or interest imposed under Section 409A.

4. General.

4.1 Governing Law. This Agreement shall be governed by and construed under the laws of the state of Delaware applicable to agreements made and to be performed entirely in Delaware, without regard to the conflicts of law provisions of Delaware or any other jurisdiction.

4.2 Notices. Any notice required or permitted under this Agreement shall be given in writing by express courier or by postage prepaid, United States registered or certified mail, return receipt requested, to the address set forth below or to such other address for a party as that party may designate by 10 days advance written notice to the other parties. Notice shall be effective upon the earlier of receipt or 3 days after the mailing of such notice.

If to the Company: Big 5 Sporting Goods Corporation  
2525 East El Segundo Boulevard  
El Segundo, CA 90245  
Attention: Senior Vice President and General Counsel

If to Grantee, at the address set forth on the Company's records.

4.3 Community Property. Without prejudice to the actual rights of the spouses as between each other, for all purposes of this Agreement, the Grantee shall be treated as agent and attorney-in-fact for that interest held or claimed by his or her spouse with respect to any Units and the parties hereto shall act in all matters as if the Grantee was the sole owner of such Units. This appointment is coupled with an interest and is irrevocable.

4.4 Modifications. This Agreement may be amended, altered or modified only by a writing signed by each of the parties hereto.

4.5 Capitalization Adjustments. In the event of any merger, reorganization, consolidation, recapitalization, dividend or distribution, stock split, reverse stock split, spin-off or similar transaction or other change in corporate structure affecting the Common Stock as described in Section 10.2 of the Plan, the provisions of such Section shall apply to the Restricted Stock Units credited to the Account.

4.6 Additional Documents. Each party agrees to execute any and all further documents and writings, and to perform such other actions, which may be or become reasonably necessary or expedient to be made effective and carry out this Agreement.



4.7 No Third-Party Benefits. Except as otherwise expressly provided in this Agreement, none of the provisions of this Agreement shall be for the benefit of, or enforceable by, any third-party beneficiary.

4.8 Successors and Assigns. Except as provided herein to the contrary, this Agreement shall be binding upon and inure to the benefit of the parties, their respective successors and permitted assigns.

4.9 No Assignment. Except as otherwise provided in this Agreement, the Grantee may not assign any of his or her rights under this Agreement without the prior written consent of the Company, which consent may be withheld in its sole discretion. The Company shall be permitted to assign its rights or obligations under this Agreement, but no such assignment shall release the Company of any obligations pursuant to this Agreement.

4.10 Severability. The validity, legality or enforceability of the remainder of this Agreement shall not be affected even if one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable in any respect.

4.11 Equitable Relief. The Grantee acknowledges that, in the event of a threatened or actual breach of any of the provisions of this Agreement, damages alone will be an inadequate remedy, and such breach will cause the Company great, immediate and irreparable injury and damage. Accordingly, the Grantee agrees that the Company shall be entitled to injunctive and other equitable relief, and that such relief shall be in addition to, and not in lieu of, any remedies they may have at law or under this Agreement.

4.12 Arbitration.

4.12.1 General. Any controversy, dispute, or claim between the parties to this Agreement, including any claim arising out of, in connection with, or in relation to the formation, interpretation, performance or breach of this Agreement shall be settled exclusively by arbitration, before a single arbitrator, in accordance with this Section 4.12 and the then most applicable rules of the American Arbitration Association. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof. Such arbitration shall be administered by the American Arbitration Association. Arbitration shall be the exclusive remedy for determining any such dispute, regardless of its nature. Notwithstanding the foregoing, either party may in an appropriate matter apply to a court for provisional relief, including a temporary restraining order or a preliminary injunction, on the ground that the award to which the applicant may be entitled in arbitration may be rendered ineffectual without provisional relief. Unless mutually agreed by the parties otherwise, any arbitration shall take place in the City of Los Angeles, California.

4.12.2 Selection of Arbitrator. In the event the parties are unable to agree upon an arbitrator, the parties shall select a single arbitrator from a list of nine arbitrators drawn by the parties at random from a list of twenty persons (who shall be retired judges or corporate or litigation attorneys experienced in stock options and buy-sell agreements) provided by the office of the American Arbitration Association having jurisdiction over the City of Los Angeles, California. If the parties are unable to agree upon an arbitrator from the list so drawn, then the parties shall each strike names alternately from the list, with the first to strike being determined by lot. After each party has used four strikes, the remaining name on the list shall be the arbitrator. If such person is unable to serve for any reason, the parties shall repeat this process until an arbitrator is selected.

4.12.3 Applicability of Arbitration; Remedial Authority. This agreement to resolve any disputes by binding arbitration shall extend to claims against any parent, subsidiary or affiliate of each

party, and, when acting within such capacity, any officer, director, shareholder, employee or agent of each party, or of any of the above, and shall apply as well to claims arising out of state and federal statutes and local ordinances as well as to claims arising under the common law. In the event of a dispute subject to this paragraph, the parties shall be entitled to reasonable discovery subject to the discretion of the arbitrator. The remedial authority of the arbitrator (which shall include the right to grant injunctive or other equitable relief) shall be the same as, but no greater than, would be the remedial power of a court having jurisdiction over the parties and their dispute. The arbitrator shall, upon an appropriate motion, dismiss any claim without an evidentiary hearing if the party bringing the motion establishes that he or it would be entitled to summary judgment if the matter had been pursued in court litigation. In the event of a conflict between the applicable rules of the American Arbitration Association and these procedures, the provisions of these procedures shall govern.

4.12.4 Fees and Costs. Any filing or administrative fees shall be borne initially by the party requesting arbitration. The Company shall be responsible for the costs and fees of the arbitration, unless the Grantee wishes to contribute (up to 50%) of the costs and fees of the arbitration. Notwithstanding the foregoing, the prevailing party in such arbitration, as determined by the arbitrator, and in any enforcement or other court proceedings, shall be entitled, to the extent permitted by law, to reimbursement from the other party for all of the prevailing party's costs (including but not limited to the arbitrator's compensation), expenses, and attorneys' fees.

4.12.5 Award Final and Binding; Severability. The arbitrator shall render an award and written opinion, and the award shall be final and binding upon the parties. If any of the provisions of this paragraph, or of this Agreement, are determined to be unlawful or otherwise unenforceable, in whole or in part, such determination shall not affect the validity of the remainder of this Agreement, and this Agreement shall be reformed to the extent necessary to carry out its provisions to the greatest extent possible and to insure that the resolution of all conflicts between the parties, including those arising out of statutory claims, shall be resolved by neutral, binding arbitration. If a court should find that the arbitration provisions of this Agreement are not absolutely binding, then the parties intend any arbitration decision and award to be fully admissible in evidence in any subsequent action, given great weight by any finder of fact, and treated as determinative to the maximum extent permitted by law.

4.13 Headings. The section headings in this Agreement are inserted only as a matter of convenience, and in no way define, limit, extend or interpret the scope of this Agreement or of any particular section.

4.14 Number and Gender. Throughout this Agreement, as the context may require, (a) the masculine gender includes the feminine and the neuter gender includes the masculine and the feminine; (b) the singular tense and number includes the plural, and the plural tense and number includes the singular; (c) the past tense includes the present, and the present tense includes the past; and (d) references to parties, sections, paragraphs and exhibits mean the parties, sections, paragraphs and exhibits of and to this Agreement.

4.15 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

4.16 Complete Agreement. The Grant Notice, this Agreement and the Plan constitute the parties' entire agreement with respect to the subject matter hereof and supersede all agreements, representations, warranties, statements, promises and understandings, whether oral or written, with respect to the subject matter hereof.

**BIG 5 SPORTING GOODS CORPORATION  
RESTRICTED STOCK UNIT GRANT NOTICE - NON-EMPLOYEE DIRECTOR  
(2019 Equity Incentive Plan)**

Big 5 Sporting Goods Corporation (the “**Company**”), pursuant to its 2019 Equity Incentive Plan (the “**Plan**”), hereby grants to Grantee the number of restricted stock units of the Company set forth below (the “**Units**”). The Units are subject to all of the terms and conditions as set forth in this Grant Notice, the Restricted Stock Unit Agreement (the “**Agreement**”) which is attached hereto, and the Plan (a copy of which has been provided to the Grantee). The Agreement and the Plan are deemed to be incorporated herein in their entirety.

Grantee:  
Date of Grant:  
Number of Restricted Stock Units:

**Vesting Schedule:** Subject to the restrictions and limitations of the Agreement and the Plan, the Units shall vest with respect to 100% of the Units subject to this Grant Notice on the vesting date, which shall be the earlier of (a) the date of the Company’s next annual stockholders meeting following the Date of Grant or (b) the one-year anniversary of the Date of Grant. Additional restricted stock units credited to the Grantee’s account as a result of dividends or other distributions in respect of the Company’s common stock shall vest concurrently with the vesting of Units in respect of which such additional restricted stock units were credited.

**Acceleration of Vesting Upon a Change of Control:** Upon a Change of Control (as defined in the Plan), all Units (and all additional restricted stock units credited to the Grantee’s account as a result of dividends or other distributions in respect of the Company’s common stock) shall fully vest.

**Additional Terms/Acknowledgements:** The undersigned Grantee acknowledges receipt of, and has read and understands and agrees to, this Grant Notice, the Agreement and the Plan. Grantee further acknowledges that as of the Date of Grant, this Grant Notice, the Agreement and the Plan set forth the entire understanding between Grantee and the Company regarding the grant by the Company of the Units referred to in this Grant Notice. Grantee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board or the Committee upon any questions arising under this Grant Notice, the Agreement or the Plan.

**BIG 5 SPORTING GOODS CORPORATION**

**GRANTEE**

By:  
—

Signature

Date:

Signature

Title:

Date:

**ATTACHMENT:** Restricted Stock Unit Agreement

**SPOUSE OF GRANTEE:**

Spouse has read and understands this Grant Notice, the Agreement and the Plan and is executing this Grant Notice to evidence Spouse’s consent and agreement to be bound by all of the terms and conditions of this Grant Notice, the Agreement and the Plan (including those relating to the appointment of the Grantee as agent for any interest that Spouse may have in the Units).

Signature

Date: \_\_\_\_\_

Grantee Address:

July 31, 2019

Big 5 Sporting Goods Corporation  
2525 East El Segundo Boulevard  
El Segundo, CA 90245

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Big 5 Sporting Goods Corporation and subsidiaries for the fiscal 13 and 26 week periods ended June 30, 2019 and July 1, 2018, as indicated in our report dated July 31, 2019; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, is incorporated by reference in Registration Statement Nos. 333-149730, 333-104898, 333-179602 and 333-215545, each on Form S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

Los Angeles, California

## CERTIFICATIONS

I, Steven G. Miller, certify that:

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

Date: July 31, 2019

/s/ Steven G. Miller  
Steven G. Miller  
President and Chief Executive Officer

## CERTIFICATIONS

I, Barry D. Emerson, certify that:

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

Date: July 31, 2019

/s/ Barry D. Emerson  
Barry D. Emerson  
Senior Vice President, Chief Financial Officer and Treasurer

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

In connection with the Quarterly Report on Form 10-Q of Big 5 Sporting Goods Corporation (the "Company") for the period ending June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven G. Miller, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven G. Miller  
Steven G. Miller  
President and Chief Executive Officer

July 31, 2019

A signed original of this written statement required by Section 906 has been provided to Big 5 Sporting Goods Corporation and will be retained by Big 5 Sporting Goods Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report on Form 10-Q of Big 5 Sporting Goods Corporation (the "Company") for the period ending June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barry D. Emerson, Senior Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Barry D. Emerson  
Barry D. Emerson  
Senior Vice President, Chief Financial Officer and Treasurer

July 31, 2019

A signed original of this written statement required by Section 906 has been provided to Big 5 Sporting Goods Corporation and will be retained by Big 5 Sporting Goods Corporation and furnished to the Securities and Exchange Commission or its staff upon request.