

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 27, 2015

OR

E 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)

95-4388794

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

2525 East El Segundo Boulevard
El Segundo, California

(Address of Principal Executive Offices)

90245

(Zip Code)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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 21,969,855 shares of common stock, with a par value of \$0.01 per share outstanding as of October 20, 2015.

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)

	September 27, 2015	December 28, 2014
ASSETS		
Current assets:		
Cash	\$ 5,831	\$ 11,503
Accounts receivable, net of allowances of \$46 and \$110, respectively	8,660	15,680
Merchandise inventories, net	318,359	310,088
Prepaid expenses	5,903	9,358
Deferred income taxes	11,256	11,025
Total current assets	<u>350,009</u>	<u>357,654</u>
Property and equipment, net	82,709	78,440
Deferred income taxes	14,670	12,792
Other assets, net of accumulated amortization of \$1,199 and \$1,067, respectively	2,170	2,257
Goodwill	4,433	4,433
Total assets	<u>\$ 453,991</u>	<u>\$ 455,576</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 92,217	\$ 92,369
Accrued expenses	66,792	70,399
Current portion of capital lease obligations	1,485	1,197
Total current liabilities	<u>160,494</u>	<u>163,965</u>
Deferred rent, less current portion	20,320	20,736
Capital lease obligations, less current portion	2,625	1,155
Long-term debt	65,258	66,312
Other long-term liabilities	8,218	8,404
Total liabilities	<u>256,915</u>	<u>260,572</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value, authorized 50,000,000 shares; issued 24,551,384 and 24,445,345 shares, respectively; outstanding 22,008,255 and 22,180,458 shares, respectively	246	245
Additional paid-in capital	111,579	110,707
Retained earnings	116,915	112,521
Less: Treasury stock, at cost; 2,543,129 and 2,264,887 shares, respectively	(31,664)	(28,469)
Total stockholders' equity	<u>197,076</u>	<u>195,004</u>
Total liabilities and stockholders' equity	<u>\$ 453,991</u>	<u>\$ 455,576</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		39 Weeks Ended	
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014
Net sales	\$ 270,130	\$ 265,115	\$ 754,092	\$ 727,528
Cost of sales	184,965	179,055	514,967	493,217
Gross profit	85,165	86,060	239,125	234,311
Selling and administrative expense	74,870	73,842	219,985	213,892
Operating income	10,295	12,218	19,140	20,419
Interest expense	438	386	1,253	1,191
Income before income taxes	9,857	11,832	17,887	19,228
Income taxes	3,727	4,366	6,865	7,167
Net income	<u>\$ 6,130</u>	<u>\$ 7,466</u>	<u>\$ 11,022</u>	<u>\$ 12,061</u>
Earnings per share:				
Basic	<u>\$ 0.28</u>	<u>\$ 0.34</u>	<u>\$ 0.51</u>	<u>\$ 0.55</u>
Diluted	<u>\$ 0.28</u>	<u>\$ 0.34</u>	<u>\$ 0.50</u>	<u>\$ 0.54</u>
Dividends per share	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.30</u>	<u>\$ 0.30</u>
Weighted-average shares of common stock outstanding:				
Basic	<u>21,730</u>	<u>21,926</u>	<u>21,791</u>	<u>21,964</u>
Diluted	<u>21,850</u>	<u>22,038</u>	<u>21,977</u>	<u>22,163</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)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock, At Cost	Total
	Shares	Amount				
Balance as of December 29, 2013	22,297,701	\$ 244	\$ 109,901	\$ 106,565	\$ (25,940)	\$ 190,770
Net income	—	—	—	12,061	—	12,061
Dividends on common stock (\$0.30 per share)	—	—	—	(6,699)	—	(6,699)
Issuance of nonvested share awards	152,920	2	(2)	—	—	—
Exercise of share option awards	10,525	—	63	—	—	63
Share-based compensation	—	—	1,451	—	—	1,451
Tax deficiency from share-based awards activity	—	—	(421)	—	—	(421)
Forfeiture of nonvested share awards	(11,550)	—	—	—	—	—
Retirement of common stock for payment of withholding tax	(52,927)	(1)	(808)	—	—	(809)
Purchases of treasury stock	(205,724)	—	—	—	(2,364)	(2,364)
Balance as of September 28, 2014	<u>22,190,945</u>	<u>\$ 245</u>	<u>\$ 110,184</u>	<u>\$ 111,927</u>	<u>\$ (28,304)</u>	<u>\$ 194,052</u>
Balance as of December 28, 2014	22,180,458	\$ 245	\$ 110,707	\$ 112,521	\$ (28,469)	\$ 195,004
Net income	—	—	—	11,022	—	11,022
Dividends on common stock (\$0.30 per share)	—	—	—	(6,628)	—	(6,628)
Issuance of nonvested share awards	152,140	2	(2)	—	—	—
Exercise of share option awards	12,875	—	83	—	—	83
Share-based compensation	—	—	1,599	—	—	1,599
Tax deficiency from share-based awards activity	—	—	(124)	—	—	(124)
Forfeiture of nonvested share awards	(6,355)	—	—	—	—	—
Retirement of common stock for payment of withholding tax	(52,621)	(1)	(684)	—	—	(685)
Purchases of treasury stock	(278,242)	—	—	—	(3,195)	(3,195)
Balance as of September 27, 2015	<u>22,008,255</u>	<u>\$ 246</u>	<u>\$ 111,579</u>	<u>\$ 116,915</u>	<u>\$ (31,664)</u>	<u>\$ 197,076</u>

See accompanying notes to unaudited condensed consolidated financial statements.

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

	39 Weeks Ended	
	September 27, 2015	September 28, 2014
Cash flows from operating activities:		
Net income	\$ 11,022	\$ 12,061
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	16,222	15,947
Impairment of store assets	—	756
Share-based compensation	1,599	1,451
Excess tax benefit related to share-based awards	(110)	(184)
Amortization of debt issuance costs	132	132
Deferred income taxes	(2,109)	38
Changes in operating assets and liabilities:		
Accounts receivable, net	7,020	6,920
Merchandise inventories, net	(8,271)	(6,574)
Prepaid expenses and other assets	3,410	134
Accounts payable	1,991	4,558
Accrued expenses and other long-term liabilities	(5,564)	(10,157)
Net cash provided by operating activities	<u>25,342</u>	<u>25,082</u>
Cash flows from investing activities:		
Purchases of property and equipment	(18,002)	(14,727)
Proceeds from solar energy rebate	—	100
Net cash used in investing activities	<u>(18,002)</u>	<u>(14,627)</u>
Cash flows from financing activities:		
Principal borrowings under revolving credit facility	132,065	149,649
Principal payments under revolving credit facility	(133,119)	(137,286)
Changes in book overdraft	(420)	(15,733)
Principal payments under capital lease obligations	(1,202)	(1,233)
Proceeds from exercise of share option awards	83	63
Excess tax benefit related to share-based awards	110	184
Purchases of treasury stock	(3,195)	(2,345)
Tax withholding payments for share-based compensation	(685)	(809)
Dividends paid	(6,649)	(6,704)
Net cash used in financing activities	<u>(13,012)</u>	<u>(14,214)</u>
Net decrease in cash	(5,672)	(3,759)
Cash at beginning of period	<u>11,503</u>	<u>9,400</u>
Cash at end of period	<u>\$ 5,831</u>	<u>\$ 5,641</u>
Supplemental disclosures of non-cash investing and financing activities:		
Property and equipment acquired under capital leases	\$ 2,960	\$ 792
Property and equipment additions unpaid	<u>\$ 4,635</u>	<u>\$ 4,077</u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ 1,137	\$ 1,096
Income taxes paid	<u>\$ 3,160</u>	<u>\$ 4,558</u>

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

Business

Big 5 Sporting Goods Corporation (the “Company”) is a leading sporting goods retailer in the western United States, operating 439 stores and an e-commerce platform as of September 27, 2015. 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.

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 28, 2014 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 2015 is comprised of 53 weeks and ends on January 3, 2016. Fiscal year 2014 was comprised of 52 weeks and ended on December 28, 2014. The first three quarters in fiscal 2015 are each comprised of 13 weeks, and the fourth quarter of fiscal 2015 is comprised of 14 weeks. The four quarters of fiscal 2014 were each comprised of 13 weeks.

Recently Issued Accounting Updates

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which includes amendments that create Topic 606 and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in Subtopic 605-35, *Revenue Recognition—Construction-Type and Production-Type Contracts*, and create new Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers*. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU No. 2014-09 were originally effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application was not permitted. On July 9, 2015, the FASB decided to defer for one year the effective date of ASU No. 2014-09, while also deciding to permit early application. With these changes, ASU No. 2014-09 will become effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017, with early application permitted as of the original effective date in ASU 2014-09 (i.e., annual reporting periods beginning after December 15, 2016). The Company is evaluating the future impact of the issuance of ASU No. 2014-09, as well as the deferral decisions reached by the FASB.

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

In April 2015, the FASB issued ASU No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU requires retrospective adoption and is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. In August 2015, the FASB issued ASU No. 2015-15, *Interest—Imputation of Interest (Subtopic 835-30) — Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements—Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting*, which amends Subtopic 835-30 to add United States Securities and Exchange Commission paragraphs relative to the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. The effective date of ASU No. 2015-03 was unaffected by the issuance of ASU No. 2015-15. When adopted, ASU No. 2015-03 and ASU No. 2015-15 are not expected to have a material impact on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40) – Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement*, which provides guidance to customers about whether a cloud computing arrangement includes a software license. If an arrangement includes a software license, the customer should account for the fees related to the software license element in a manner consistent with licenses of other intangible assets. If the arrangement does not include a license, the arrangement will be accounted for as a service contract. This ASU permits either retrospective or prospective adoption and is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is also permitted. When adopted, ASU No. 2015-05 is not expected to have a material impact on the Company’s consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330) – Simplifying the Measurement of Inventory*, which requires all inventory, other than inventory measured at last-in, first-out (“LIFO”) or the retail inventory method, to be measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The amendments in this ASU should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. When adopted, ASU No. 2015-11 is not expected to have a material impact on the Company’s consolidated financial statements.

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

Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting of assets, liabilities and stockholders’ equity and the disclosure of contingent assets and liabilities as of 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, and goodwill; valuation allowances for receivables, sales returns and deferred income tax assets; estimates related to gift card breakage and the valuation of share-based compensation awards; and obligations related to asset retirements, litigation, self-insurance liabilities and employee benefits. Actual results could differ significantly from these estimates under different assumptions and conditions.

Revenue Recognition

The Company recognizes revenue from retail sales at the point of sale through its retail stores. For e-commerce sales, revenue is recognized when the merchandise is delivered to the customer. Shipping and handling fees, when billed to customers for e-commerce sales, are included in net sales. An allowance for sales returns is estimated based upon historical experience and recorded as a reduction in sales in the relevant period.

Cash received from the sale of gift cards is recorded as a liability, and revenue is recognized upon the redemption of the gift card or when it is determined that the likelihood of redemption is remote (“gift card breakage”) and no liability to relevant jurisdictions exists. The Company determines the gift card breakage rate based upon historical redemption patterns and recognizes gift card breakage on a straight-line basis over the estimated gift card redemption period (20 quarters as of the end of the third quarter of fiscal 2015). The Company recognized approximately \$112,000 and \$335,000 in gift card breakage revenue for the 13 and 39 weeks ended September 27, 2015, respectively, compared to approximately \$110,000 and \$326,000 in gift card breakage revenue for the 13 and 39 weeks ended September 28, 2014, respectively.

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

The Company records sales tax collected from its customers on a net basis, and therefore excludes it from revenue as defined in Accounting Standards Codification (“ASC”) 605, *Revenue Recognition*.

Share-Based Compensation

The Company accounts for 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 market 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 certain vendor allowances and cash discounts, in-bound freight-related expense and allocated overhead expense associated with the Company’s distribution center.

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 market value. These reserves are estimates of a reduction in value to reflect inventory valuation at the lower of cost or market. 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

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 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, as defined in ASC 360, *Property, Plant, and Equipment*.

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.

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

Leases and Deferred Rent

The Company accounts for its leases under the provisions of ASC 840, *Leases*.

The Company evaluates and classifies its leases as either operating or capital leases for financial reporting purposes. Operating lease commitments consist principally of leases for the Company's retail store facilities, distribution center and corporate office. Capital lease obligations consist principally of leases for some of the Company's distribution center delivery tractors, management information systems hardware and point-of-sale equipment for the Company's stores.

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. These contingent rents are expensed as they accrue.

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 recognizes 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 is based on the "reasonably assured" lease term as defined in ASC 840 and may exceed the initial non-cancelable lease term.

Landlord allowances for tenant improvements, or lease incentives, are recorded as deferred rent and amortized on a straight-line basis over the "reasonably assured" lease term as a component of rent expense.

(3) Impairment of Long-Lived Assets

The Company recognized no impairment charges in fiscal 2015.

In the second quarter of fiscal 2014, the Company recognized a pre-tax non-cash impairment charge of \$0.8 million related to certain underperforming stores. This impairment charge is included in selling and administrative expense in the accompanying interim unaudited condensed consolidated statement of operations.

(4) 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' assets are reduced to their estimated fair values.

As discussed in Note 3 to the Interim Financial Statements, the Company's only significant assets or liabilities measured at fair value on a nonrecurring basis subsequent to their initial recognition were certain assets subject to long-lived asset impairment in fiscal 2014. The Company classified these fair value measurements as Level 3 inputs, in accordance with ASC 820, *Fair Value Measurement*.

(5) Accrued Expenses

The major components of accrued expenses are as follows:

	September 27, 2015	December 28, 2014
	(In thousands)	
Payroll and related expense	\$ 21,723	\$ 22,568
Occupancy expense	10,362	9,412
Sales tax	8,139	10,432
Other	26,568	27,987
Accrued expenses	<u>\$ 66,792</u>	<u>\$ 70,399</u>

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

(6) Long-Term Debt

On October 18, 2010, the Company 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 and December 19, 2013 (as so amended, the “Credit Agreement”). The maturity date of the Credit Agreement is December 19, 2018.

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 Facility includes a \$50.0 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 Excess Availability”). Those loans designated as LIBO rate loans bear interest at a rate equal to the then applicable 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, as adjusted to account for statutory reserves, plus one percent (1.00%), or (c) the rate of interest in effect for such day as publicly announced from time to time by Wells Fargo as its “prime rate.” The applicable margin for all loans is as set forth below as a function of Average Daily Excess Availability for the preceding fiscal quarter.

Level	Average Daily Excess Availability	LIBO Rate Applicable Margin	Base Rate Applicable Margin
I	Greater than or equal to \$100,000,000	1.25%	0.25%
II	Less than \$100,000,000 but greater than or equal to \$40,000,000	1.50%	0.50%
III	Less than \$40,000,000	1.75%	0.75%

The commitment fee assessed on the unused portion of the Credit Facility is 0.25% 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
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As of September 27, 2015, the Company had long-term revolving credit borrowings of \$65.3 million and letter of credit commitments of \$0.5 million outstanding, compared with borrowings of \$66.3 million and letter of credit commitments of \$0.5 million as of December 28, 2014, respectively. Total remaining borrowing availability, after subtracting letters of credit, was \$74.2 million and \$73.2 million as of September 27, 2015 and December 28, 2014, 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 September 27, 2015 and December 28, 2014, there was no valuation allowance as the deferred income tax assets were more likely than not to be realized.

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 2012 and after, and state and local income tax returns are open for fiscal years 2010 and after.

As of September 27, 2015 and December 28, 2014, 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 September 27, 2015 and December 28, 2014, 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.

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

	<u>13 Weeks Ended</u>		<u>39 Weeks Ended</u>	
	<u>September 27, 2015</u>	<u>September 28, 2014</u>	<u>September 27, 2015</u>	<u>September 28, 2014</u>
	(In thousands, except per share data)			
Net income	\$ 6,130	\$ 7,466	\$ 11,022	\$ 12,061
Weighted-average shares of common stock outstanding:				
Basic	21,730	21,926	21,791	21,964
Dilutive effect of common stock equivalents arising from share option, nonvested share and nonvested share unit awards	120	112	186	199
Diluted	21,850	22,038	21,977	22,163
Basic earnings per share	\$ 0.28	\$ 0.34	\$ 0.51	\$ 0.55
Diluted earnings per share	\$ 0.28	\$ 0.34	\$ 0.50	\$ 0.54

The computation of diluted earnings per share for the 13 weeks ended September 27, 2015, the 39 weeks ended September 27, 2015, the 13 weeks ended September 28, 2014 and the 39 weeks ended September 28, 2014 does not include share option awards in the amounts of 496,716, 491,227, 507,259 and 528,123, respectively, that were outstanding and antidilutive (i.e., including such share option awards would result in higher earnings per share), since the exercise prices of these share option awards exceeded the average market price of the Company's common shares.

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Additionally, the computation of diluted earnings per share for the 13 weeks ended September 27, 2015, the 13 weeks ended September 28, 2014 and the 39 weeks ended September 28, 2014 does not include nonvested share awards and nonvested share unit awards in the amounts of 9,000, 260,691 and 1,320 shares, respectively, 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. No nonvested share awards or nonvested share unit awards were antidilutive for the 39 weeks ended September 27, 2015.

(9) Commitments and Contingencies

On September 10, 2014, a complaint was filed in the California Superior Court for the County of Los Angeles, entitled Pedro Duran v. Big 5 Corp., et al., Case No. BC557154. On October 7, 2014, an amended complaint was filed. As amended, the complaint alleges the Company violated the California Labor Code and the California Business and Professions Code. The complaint was brought as a purported class action on behalf of certain of the Company's hourly employees who worked as "warehousemen" in the Company's distribution center in California for the four years prior to the filing of the complaint. The plaintiff alleged, among other things, that the Company failed to pay such employees for all time worked, failed to provide such employees with compliant meal and rest periods, failed to properly itemize wage statements, and failed to pay wages within required time periods during employment and upon termination of employment. The plaintiff sought, on behalf of the purported class members, an award of statutory and civil damages and penalties, including restitution and recovery of unpaid wages; pre-judgment interest; an award of attorneys' fees and costs; and injunctive and declaratory relief. The Company believes that the complaint is without merit. The Company was not served with the complaint or the amended complaint. In an effort to negotiate a settlement of this litigation, the Company and plaintiff engaged in mediation on January 28, 2015. On April 1, 2015, the parties agreed to settle the lawsuit. On June 22, 2015, the court granted preliminary approval of the proposed settlement. On October 20, 2015, the court granted final approval of the settlement. Under the terms of the settlement, the Company agreed to pay approximately \$1.4 million, which includes payments to class members, plaintiff's attorneys' fees and expenses, an enhancement payment to the class representative, claims administration fees and payment to the California Labor and Workforce Development Agency. The Company's total payments pursuant to this settlement have been reflected in a legal settlement accrual initially recorded in the fourth quarter of fiscal 2014 prior to the settlement and subsequently adjusted in the first quarter of fiscal 2015 to reflect the settlement. The Company admitted no liability or wrongdoing with respect to the claims set forth in the lawsuit. The settlement constitutes a full and complete settlement and release of all claims related to the lawsuit.

The Company is involved in various other 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 negative impact on the Company's results of operations or financial condition.

(10) Share-based Compensation

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 2007 Equity and Performance Incentive Plan, as amended and restated on June 14, 2011 (the "Plan"), and accounts for its share-based compensation in accordance with ASC 718. The Company recognized \$0.6 million and \$1.6 million in share-based compensation expense for the 13 and 39 weeks ended September 27, 2015, respectively, compared to \$0.5 million and \$1.5 million in share-based compensation expense for the 13 and 39 weeks ended September 28, 2014, respectively.

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 39 weeks ended September 27, 2015 and September 28, 2014, the Company granted 20,000 and 18,000 share option awards, respectively. The weighted-average grant-date fair value per option for share option awards granted in the 39 weeks ended September 27, 2015 and September 28, 2014 was \$6.02 and \$4.80, respectively.

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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:

	39 Weeks Ended	
	September 27, 2015	September 28, 2014
Risk-free interest rate	1.8%	1.8%
Expected term	5.8 years	5.8 years
Expected volatility	57.0%	57.0%
Expected dividend yield	2.8%	3.3%

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 share option award; the expected term represents the weighted-average period of time that share 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 and future expectations.

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 28, 2014	729,905	\$ 15.73		
Granted	20,000	14.31		
Exercised	(12,875)	6.45		
Forfeited or Expired	(53,600)	24.65		
Outstanding at September 27, 2015	<u>683,430</u>	<u>\$ 15.16</u>	2.58	<u>\$ 959,698</u>
Exercisable at September 27, 2015	<u>627,930</u>	<u>\$ 15.28</u>	2.06	<u>\$ 932,249</u>
Vested and Expected to Vest at September 27, 2015	<u>682,793</u>	<u>\$ 15.16</u>	2.58	<u>\$ 959,660</u>

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based upon the Company's closing stock price of \$10.74 as of September 27, 2015, which would have been received by the share option award holders had all share option award holders exercised their share option awards as of that date.

The total intrinsic value of share option awards exercised for the 39 weeks ended September 27, 2015 and September 28, 2014 was approximately \$0.1 million and \$0.1 million, respectively. The total cash received from employees as a result of employee share option award exercises for the 39 weeks ended September 27, 2015 and September 28, 2014 was approximately \$0.1 million and \$0.1 million, respectively. The actual tax benefit realized for the expected tax deduction from share option award exercises of share-based compensation awards in the 39 weeks ended September 27, 2015 and September 28, 2014 totaled \$35,000 and \$45,000, respectively.

As of September 27, 2015, there was \$0.3 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 2.5 years.

BIG 5 SPORTING GOODS CORPORATION
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(continued)

Nonvested Share Awards and Nonvested Share Unit Awards

Nonvested share awards and nonvested share unit awards granted by the Company have historically vested from the date of grant in four equal annual installments of 25% per year. In accordance with the Company's Director Compensation Program, as amended on July 24, 2014, nonvested share awards and nonvested share unit awards granted by the Company to non-employee directors vest 100% on the first anniversary of the grant date. This one-year vesting for non-employee directors became effective for nonvested share awards and nonvested share unit awards granted in fiscal 2015.

Nonvested share awards are delivered to the recipient upon their vesting. With respect to nonvested share unit awards, vested shares 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 39 weeks ended September 27, 2015 and September 28, 2014 was \$1.7 million and \$2.1 million, respectively. The total fair value of nonvested share unit awards vested during the 39 weeks ended September 27, 2015 and September 28, 2014 was \$0.1 million and \$0.1 million, respectively.

The Company granted 152,140 and 152,920 nonvested share awards in the 39 weeks ended September 27, 2015 and September 28, 2014, respectively. The weighted-average grant-date fair value per share of the Company's nonvested share awards granted in the 39 weeks ended September 27, 2015 and September 28, 2014 was \$13.06 and \$15.14, respectively.

The Company granted 25,200 and 12,000 nonvested share unit awards in the 39 weeks ended September 27, 2015 and September 28, 2014, respectively. The weighted-average grant-date fair value per share of the Company's nonvested share unit awards granted in the 39 weeks ended September 27, 2015 and September 28, 2014 was \$14.67 and \$11.93, respectively. The weighted-average grant-date fair value of nonvested share awards and nonvested share unit awards is the quoted market price of the Company's common stock on the date of grant.

The following table details the Company's nonvested share awards activity for the 39 weeks ended September 27, 2015:

	Shares	Weighted-Average Grant-Date Fair Value
Balance as of December 28, 2014	336,765	\$ 13.47
Granted	152,140	13.06
Vested	(132,475)	12.57
Forfeited	(6,355)	13.90
Balance as of September 27, 2015	350,075	\$ 13.63

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 39 weeks ended September 27, 2015, the Company withheld 52,621 common shares with a total value of \$0.7 million. This amount is presented as a cash outflow from financing activities in the accompanying interim unaudited condensed consolidated statement of cash flows.

As of September 27, 2015, there was \$3.7 million and \$0.5 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 2.5 years and 1.3 years for nonvested share awards and nonvested share unit awards, respectively.

(11) Subsequent Event

In the fourth quarter of fiscal 2015, the Company's Board of Directors declared a quarterly cash dividend of \$0.10 per share of outstanding common stock, which will be paid on December 15, 2015 to stockholders of record as of December 1, 2015.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of Big 5 Sporting Goods Corporation and subsidiaries (the "Corporation") as of September 27, 2015, and the related condensed consolidated statements of operations for the 13 and 39 weeks ended September 27, 2015 and September 28, 2014, and of stockholders' equity and cash flows for the 39 weeks ended September 27, 2015 and September 28, 2014. These interim financial statements are the responsibility of the Corporation's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 Public Company Accounting Oversight Board (United States), 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.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them 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), the consolidated balance sheet of Big 5 Sporting Goods Corporation and subsidiaries as of December 28, 2014, 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 25, 2015, 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 28, 2014 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Deloitte & Touche LLP

Los Angeles, California
October 28, 2015

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 28, 2014.

Our fiscal year ends on the Sunday nearest December 31. Fiscal 2015 includes 53 weeks and fiscal 2014 included 52 weeks.

Overview

We are a leading sporting goods retailer in the western United States, operating 439 stores and an e-commerce platform under the name "Big 5 Sporting Goods" as of September 27, 2015. 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.

Executive Summary

Our earnings for the third quarter of fiscal 2015 declined compared to the third quarter of fiscal 2014 primarily due to lower gross profit and higher operating expense. Although our total sales increased from the prior year, same store sales declined 0.4%, while merchandise margins declined and occupancy costs increased. Our lower same store sales in the third quarter of fiscal 2015 compared to the same period last year reflected decreases in our major merchandise categories of apparel and hardgoods, partially offset by an increase in our footwear category.

- Net sales for the third quarter of fiscal 2015 increased 1.9% to \$270.1 million compared to \$265.1 million for the third quarter of fiscal 2014. The increase in net sales was primarily attributable to added sales from new stores, partially offset by a reduction in closed store sales and a decrease in same store sales of 0.4%.
- Net income for the third quarter of fiscal 2015 decreased to \$6.1 million, or \$0.28 per diluted share, compared to \$7.5 million, or \$0.34 per diluted share, for the third quarter of fiscal 2014. The decrease in net income was driven primarily by lower gross profit and higher selling and administrative expense.
- Gross profit for the third quarter of fiscal 2015 represented 31.5% of net sales, compared with 32.5% in the same quarter of the prior year. The decrease in gross profit margin resulted mainly from a year over year decrease in merchandise margins of 51 basis points, along with higher occupancy expense as a percentage of net sales.
- Selling and administrative expense for the third quarter of fiscal 2015 increased 1.4% to \$74.9 million, or 27.7% of net sales, compared to \$73.8 million, or 27.9% of net sales, for the third quarter of fiscal 2014. The increase in selling and administrative expense was primarily attributable to higher employee labor expense to support the increase in store count, partially offset by a decrease in print advertising expense.
- Operating cash flow provided in the 39 weeks ended September 27, 2015 and September 28, 2014 was \$25.3 million and \$25.1 million, respectively.
- Capital expenditures for the 39 weeks ended September 27, 2015 of \$18.0 million were up from \$14.6 million in the 39 weeks ended September 28, 2014.
- The balance under our revolving credit facility was \$65.3 million as of September 27, 2015, compared with \$55.4 million as of September 28, 2014 and \$66.3 million as of December 28, 2014.
- We paid cash dividends in the 39 weeks ended September 27, 2015 of \$6.6 million, or \$0.30 per share.
- We repurchased 278,242 shares of common stock for \$3.2 million in the 39 weeks ended September 27, 2015.

Results of Operations

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

13 Weeks Ended September 27, 2015 Compared to 13 Weeks Ended September 28, 2014

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			
	September 27, 2015		September 28, 2014	
	(In thousands, except percentages)			
Net sales	\$ 270,130	100.0%	\$ 265,115	100.0%
Cost of sales (1)	184,965	68.5	179,055	67.5
Gross profit	85,165	31.5	86,060	32.5
Selling and administrative expense (2)	74,870	27.7	73,842	27.9
Operating income	10,295	3.8	12,218	4.6
Interest expense	438	0.2	386	0.1
Income before income taxes	9,857	3.6	11,832	4.5
Income taxes	3,727	1.4	4,366	1.7
Net income	\$ 6,130	2.2%	\$ 7,466	2.8%

(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 \$5.0 million, or 1.9%, to \$270.1 million in the 13 weeks ended September 27, 2015 from \$265.1 million in the comparable period last year. The change in net sales reflected the following:

- Added sales from new stores opened since June 29, 2014 were partially offset by a reduction in closed store sales.
- Same store sales decreased by \$1.0 million, or 0.4%, for the 13 weeks ended September 27, 2015, versus the comparable 13-week period in the prior year. Our lower same store sales in the third quarter of fiscal 2015 compared to the same period last year reflected decreases in sales for our major merchandise categories of apparel and hardgoods, partially offset by an increase in sales in our footwear category. Same store sales for a period reflect net sales from stores that operated throughout the period as well as the full corresponding prior year period.
- Our sales for the third quarter of fiscal 2015 compared with the prior year were impacted by reduced demand for firearms and related products along with reduced demand for soccer-related products as sales in the fiscal 2014 third quarter benefited from interest in the 2014 Men's World Cup. Additionally, our sales continued to be impacted by the economic and recreational effect of the ongoing drought in our core California markets.
- Although we experienced decreased customer transactions in our retail stores, the average sale per transaction increased in the third quarter of fiscal 2015 compared to the same period last year, partially reflecting an ongoing shift to more branded product.

Store count as of September 27, 2015 was 439 versus 429 as of September 28, 2014. We opened one new store and closed one store in the 13 weeks ended September 27, 2015. We opened four new stores, one of which was a relocation, and closed two stores, both of which were relocations, in the 13 weeks ended September 28, 2014.

Gross Profit. Gross profit decreased by \$0.9 million, or 1.0%, to \$85.2 million, or 31.5% of net sales, in the 13 weeks ended September 27, 2015 from \$86.1 million, or 32.5% of net sales, in the 13 weeks ended September 28, 2014. The change in gross profit was primarily attributable to the following:

- Merchandise margins, which exclude buying, occupancy and distribution expense, decreased 51 basis points versus the third quarter last year primarily reflecting a shift in sales mix and increased promotional activities.

- Store occupancy expense increased by \$1.1 million year over year in the third quarter of fiscal 2015 due primarily to the increase in store count and lease renewals for existing stores.
- Net sales increased \$5.0 million, or 1.9%, year over year in the third quarter of fiscal 2015.

Selling and Administrative Expense. Selling and administrative expense increased by \$1.1 million to \$74.9 million, or 27.7% of net sales, in the 13 weeks ended September 27, 2015 from \$73.8 million, or 27.9% of net sales, in the same period last year. The change in selling and administrative expense was primarily attributable to the following:

- Store-related expense, excluding occupancy, increased by \$1.0 million due primarily to higher employee labor expense and higher operating expense to support the increase in store count.
- Increased administrative expense was offset by reduced advertising expense.

We have engaged certain outside consultants to help evaluate store growth strategies as well as identify potential avenues of profit improvement. In the fourth quarter of fiscal 2015, we expect to incur consulting expense of approximately \$0.4 million related to these efforts.

Interest Expense. Interest expense remained flat at \$0.4 million in the 13 weeks ended September 27, 2015 compared to the third quarter of fiscal 2014.

Income Taxes. The provision for income taxes was \$3.7 million for the 13 weeks ended September 27, 2015 and \$4.4 million for the 13 weeks ended September 28, 2014. Our effective tax rate was 37.8% for the third quarter of fiscal 2015 compared with 36.9% for the third quarter of fiscal 2014. The increased effective tax rate for the third quarter of fiscal 2015 compared to the same period in fiscal 2014 was primarily due to a reduced amount of income tax credits for the current year.

39 Weeks Ended September 27, 2015 Compared to 39 Weeks Ended September 28, 2014

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:

	39 Weeks Ended			
	September 27, 2015		September 28, 2014	
	(In thousands, except percentages)			
Net sales	\$ 754,092	100.0%	\$ 727,528	100.0%
Cost of sales (1)	514,967	68.3	493,217	67.8
Gross profit	239,125	31.7	234,311	32.2
Selling and administrative expense (2)	219,985	29.2	213,892	29.4
Operating income	19,140	2.5	20,419	2.8
Interest expense	1,253	0.1	1,191	0.2
Income before income taxes	17,887	2.4	19,228	2.6
Income taxes	6,865	0.9	7,167	1.0
Net income	\$ 11,022	1.5%	\$ 12,061	1.6%

(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 \$26.6 million, or 3.7%, to \$754.1 million in the 39 weeks ended September 27, 2015 from \$727.5 million in the comparable period last year. The change in net sales reflected the following:

- Added sales from new stores opened since December 29, 2013 were partially offset by a reduction in closed store sales.
- Same store sales increased by \$11.8 million, or 1.7%, for the 39 weeks ended September 27, 2015, versus the comparable 39-week period in the prior year. Our higher same store sales in the 39 weeks ended September 27, 2015 compared to the same period last year reflected increases across each of our major merchandise categories of hardgoods, footwear and apparel. Same store sales for a period reflect net sales from stores that operated throughout the period as well as the full corresponding prior year period.

- Our sales continued to be impacted by the economic and recreational effect of the ongoing drought in our core California markets.
- Despite experiencing a decrease in the number of customer transactions year over year in our retail stores, the average sale per transaction increased in the 39 weeks ended September 27, 2015 compared to the same period last year, partially reflecting an ongoing shift to more branded product.

Store count as of September 27, 2015 was 439 versus 429 as of September 28, 2014. We opened five new stores and closed five stores, two of which were relocations, in the 39 weeks ended September 27, 2015. We opened six new stores, one of which was a relocation, and closed six stores, four of which were relocations, in the 39 weeks ended September 28, 2014.

Gross Profit. Gross profit increased by \$4.8 million, or 2.1%, to \$239.1 million, or 31.7% of net sales, in the 39 weeks ended September 27, 2015 from \$234.3 million, or 32.2% of net sales, in the 39 weeks ended September 28, 2014. The change in gross profit was primarily attributable to the following:

- Net sales increased \$26.6 million, or 3.7%, year over year in the 39 weeks ended September 27, 2015.
- Merchandise margins, which exclude buying, occupancy and distribution expense, decreased 19 basis points versus the 39 weeks ended September 28, 2014.
- Store occupancy expense increased by \$3.2 million year over year in the 39 weeks ended September 27, 2015 due primarily to the increase in store count and lease renewals for existing stores.
- Distribution expense increased \$2.2 million resulting primarily from higher employee labor and benefit-related expense as well as lower costs capitalized into inventory, partially offset by lower fuel expense.

Selling and Administrative Expense. Selling and administrative expense increased by \$6.1 million to \$220.0 million, or 29.2% of net sales, in the 39 weeks ended September 27, 2015 from \$213.9 million, or 29.4% of net sales, in the same period last year. The change in selling and administrative expense was primarily attributable to the following:

- Store-related expense, excluding occupancy, increased by \$5.0 million due primarily to higher employee labor and benefit-related expense, which includes minimum wage rate increases, and higher operating expense to support the increase in store count.
- Administrative expense increased by \$3.2 million, primarily reflecting costs associated with the following items:
 - A publicly-disclosed proxy contest, which was settled on April 30, 2015. The proxy contest and related matters negatively impacted our administrative expense during the 39 weeks ended September 27, 2015 by approximately \$1.6 million.
 - Higher employee labor and benefit-related expense, as well as a pre-tax charge of \$0.4 million for a legal settlement, as further discussed in Note 9 to the Interim Financial Statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q.
 - Administrative expense for the 39 weeks ended September 28, 2014 included a pre-tax non-cash impairment charge of \$0.8 million related to certain underperforming stores as discussed in Note 3 to the Interim Financial Statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q.
- Advertising expense for the 39 weeks ended September 27, 2015 decreased by \$2.1 million, due primarily to lower newspaper advertising.

Interest Expense. Interest expense increased by \$0.1 million to \$1.3 million in the 39 weeks ended September 27, 2015 compared to the same period in fiscal 2014. Interest expense reflected an increase in average debt levels of \$5.8 million to \$64.3 million in the 39 weeks ended September 27, 2015 from \$58.5 million in the same period last year, while average interest rates remained flat at 1.9% in the 39 weeks ended September 27, 2015 when compared with the prior year.

Income Taxes. The provision for income taxes was \$6.9 million for the 39 weeks ended September 27, 2015 and \$7.2 million for the 39 weeks ended September 28, 2014. Our effective tax rate was 38.4% for the 39 weeks ended September 27, 2015 compared with 37.3% for the 39 weeks ended September 28, 2014. The increased effective tax rate for the 39 weeks ended September 27, 2015 compared to the same period in fiscal 2014 was primarily due to a reduced amount of income tax credits for the current year.

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

As of September 27, 2015 we had \$5.8 million of cash compared with \$5.6 million as of September 28, 2014. Our cash flows from operating, investing and financing activities are summarized as follows:

	39 Weeks Ended	
	September 27, 2015	September 28, 2014
	(In thousands)	
Net cash provided by (used in):		
Operating activities	\$ 25,342	\$ 25,082
Investing activities	(18,002)	(14,627)
Financing activities	(13,012)	(14,214)
Net decrease in cash	<u>\$ (5,672)</u>	<u>\$ (3,759)</u>

Operating Activities. Net cash provided by operating activities for the 39 weeks ended September 27, 2015 and September 28, 2014 was \$25.3 million and \$25.1 million, respectively. The slight increase in cash flow from operating activities for the 39 weeks ended September 27, 2015 compared to the same period last year primarily reflects a smaller decrease in accrued expenses related to certain employee benefits and decreased prepaid expenses related mainly to the prepayment of income taxes, partially offset by increased funding of inventory purchases in the current period.

Investing Activities. Net cash used in investing activities for the 39 weeks ended September 27, 2015 and September 28, 2014 was \$18.0 million and \$14.6 million, respectively. Capital expenditures, excluding non-cash acquisitions, represented substantially all of the cash used in investing activities for each period. The increase primarily reflects increased investment in our distribution center to support overall growth.

Financing Activities. Net cash used in financing activities for the 39 weeks ended September 27, 2015 and September 28, 2014 was \$13.0 million and \$14.2 million, respectively. For both periods, net cash was used primarily to fund dividend payments, treasury stock repurchases, capital lease payments and to pay down net borrowings under our revolving credit facility.

As of September 27, 2015, we had revolving credit borrowings of \$65.3 million and letter of credit commitments of \$0.5 million outstanding. These balances compare to revolving credit borrowings of \$66.3 million and letter of credit commitments of \$0.5 million outstanding as of December 28, 2014 and revolving credit borrowings of \$55.4 million and letter of credit commitments of \$0.7 million outstanding as of September 28, 2014.

In fiscal 2014 and the first nine months of fiscal 2015, we paid quarterly cash dividends of \$0.10 per share of outstanding common stock, for an annual rate of \$0.40 per share. In the fourth quarter of fiscal 2015, our Board of Directors declared a quarterly cash dividend of \$0.10 per share of outstanding common stock, which will be paid on December 15, 2015 to stockholders of record as of December 1, 2015.

Periodically, we repurchase our common stock in the open market pursuant to programs approved by our Board of Directors. We may repurchase our common stock for a variety of reasons, including, among other things, our alternative cash requirements, existing business conditions and the current market price of our stock. In the first nine months of fiscal 2015, we repurchased 278,242 shares of common stock for \$3.2 million. In the first nine months of fiscal 2014, we repurchased 205,724 shares of common stock for \$2.4 million. Since the inception of our initial share repurchase program in May 2006 through September 27, 2015, we have repurchased a total of 2,428,919 shares for \$31.1 million, leaving a total of \$3.9 million available for share repurchases under our current share repurchase program.

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 and December 19, 2013 (as so amended, the “Credit Agreement”). The maturity date of the Credit Agreement is December 19, 2018.

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 \$50.0 million sublimit for issuances of letters of credit and a \$20.0 million sublimit for swingline loans. Total remaining borrowing availability under the Credit Agreement, after subtracting letters of credit, was \$74.2 million and \$73.2 million as of September 27, 2015 and December 28, 2014, respectively.

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”). After giving effect to the amendments, 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 will be 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 Excess Availability”). Those loans designated as LIBO rate loans shall bear interest at a rate equal to the then applicable LIBO rate plus an applicable margin as shown in the table below. Those loans designated as base rate loans shall 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, as adjusted to account for statutory reserves, plus one percent (1.00%), or (c) the rate of interest in effect for such day as publicly announced from time to time by Wells Fargo as its “prime rate.” The applicable margin for all loans will be as set forth below as a function of Average Daily Excess Availability for the preceding fiscal quarter.

Level	Average Daily Excess Availability	LIBO Rate Applicable Margin	Base Rate Applicable Margin
I	Greater than or equal to \$100,000,000	1.25%	0.25%
II	Less than \$100,000,000 but greater than or equal to \$40,000,000	1.50%	0.50%
III	Less than \$40,000,000	1.75%	0.75%

The commitment fee assessed on the unused portion of the Credit Facility is 0.25% 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.

Future Capital Requirements. We had cash on hand of \$5.8 million as of September 27, 2015. We expect capital expenditures for fiscal 2015, excluding non-cash acquisitions, to range from approximately \$26.0 million to \$28.0 million, primarily to fund distribution center investments, the opening of new stores, store-related remodeling and computer hardware and software purchases, including amounts related to the development of a new point-of-sale system. The increased capital expenditures expected in fiscal 2015 compared to actual capital expenditures in fiscal 2014 primarily reflect increased investment in our distribution center to support overall growth. We opened five new stores and closed five stores, two of which were relocations, in the 39 weeks ended September 27, 2015.

We currently pay quarterly dividends, subject to declaration by our Board of Directors. In the fourth quarter of fiscal 2015, our Board of Directors declared a quarterly cash dividend of \$0.10 per share of outstanding common stock, which will be paid on December 15, 2015 to stockholders of record as of December 1, 2015.

As of September 27, 2015, a total of \$3.9 million remained available for share repurchases under our 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. However, our ability to satisfy our cash requirements depends upon our future performance, which in turn is subject to general economic conditions and regional risks, as well as financial, business and other factors affecting our operations, including factors beyond our control.

Off-Balance Sheet Arrangements and Contractual Obligations. Our material off-balance sheet arrangements are operating lease obligations. We excluded these items from the balance sheet in accordance with accounting principles generally accepted in the United States of America.

Operating lease commitments consist principally of leases for our retail store facilities, distribution center and corporate office. These leases frequently include options which permit us to extend the terms beyond the initial fixed lease term. With respect to most of those leases, we intend to renegotiate those leases as they expire.

Our material contractual obligations include operating lease commitments associated with our leased properties and other occupancy expense, capital lease obligations, borrowings under our Credit Facility and other liabilities.

Issued and outstanding letters of credit were \$0.5 million as of September 27, 2015, and were related to securing insurance program liabilities.

Included in the *Liquidity and Capital Resources* section of 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 28, 2014, is a discussion of our future obligations and commitments as of December 28, 2014. In the 39 weeks ended September 27, 2015, our revolving credit borrowings decreased by \$1.0 million from the end of fiscal 2014. We entered into new operating lease agreements in relation to our business operations during the 39 weeks ended September 27, 2015. We do not believe that these operating leases or the changes to our revolving credit borrowings materially impact our contractual obligations or commitments presented as of December 28, 2014.

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 28, 2014, 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 39 weeks ended September 27, 2015.

Seasonality and Impact of Inflation

We experience seasonal fluctuations in our net sales and operating results. In the fourth fiscal quarter, which includes the holiday selling season, we normally experience higher inventory purchase volumes and increased expense for staffing and advertising. Seasonality influences our buying patterns which directly impacts our merchandise and accounts payable levels and cash flows. We purchase merchandise for seasonal activities in advance of a season. If we miscalculate the demand for our products generally or for our product mix during the fourth fiscal quarter, our net sales can decline, which can harm our financial performance. A significant shortfall from expected fourth fiscal quarter net sales can negatively impact our annual operating results.

In fiscal 2014, we experienced minor inflation in the purchase cost, including transportation expense, of certain products. In fiscal 2015, the impact of inflation has been minimal. We continue to evolve 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 then our merchandise margins will decline, which will adversely impact our operating results. We do not believe that inflation 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, continued or worsening weakness in the consumer spending environment and the U.S. financial and credit markets, fluctuations in consumer holiday spending patterns, 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, seasonal fluctuations, weather conditions, changes in cost of goods, operating expense fluctuations, 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, disruption in product flow, 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 United States Securities and Exchange Commission (“SEC”). 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

We are subject to risks resulting from interest rate fluctuations since interest on borrowings under our Credit Facility is based on variable rates. We enter into borrowings under our Credit Facility principally for working capital, capital expenditures and general corporate purposes. We routinely evaluate the best use of our cash on hand and manage financial statement exposure to interest rate fluctuations by managing our level of indebtedness and the interest base rate options on such indebtedness. We do not utilize derivative instruments and do not engage in foreign currency transactions or hedging activities to manage our interest rate risk. If the interest rate on our debt was to change 1.0% as compared to the rate as of September 27, 2015, our interest expense would change approximately \$0.7 million on an annual basis based on the outstanding balance of borrowings under our Credit Facility as of September 27, 2015.

Inflationary factors and changes in foreign currency rates can increase the purchase cost of our products. We are evolving 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 then our merchandise margins will decline, which will adversely impact our operating results. All of our stores are located in the United States, and all imported merchandise is purchased in U.S. dollars. We do not believe that inflation had a material impact on our operating results for the reporting periods.

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 September 27, 2015, 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

On September 10, 2014, a complaint was filed in the California Superior Court for the County of Los Angeles, entitled Pedro Duran v. Big 5 Corp., et al., Case No. BC557154. On October 7, 2014, an amended complaint was filed. As amended, the complaint alleges the Company violated the California Labor Code and the California Business and Professions Code. The complaint was brought as a purported class action on behalf of certain of the Company's hourly employees who worked as "warehousemen" in the Company's distribution center in California for the four years prior to the filing of the complaint. The plaintiff alleged, among other things, that the Company failed to pay such employees for all time worked, failed to provide such employees with compliant meal and rest periods, failed to properly itemize wage statements, and failed to pay wages within required time periods during employment and upon termination of employment. The plaintiff sought, on behalf of the purported class members, an award of statutory and civil damages and penalties, including restitution and recovery of unpaid wages; pre-judgment interest; an award of attorneys' fees and costs; and injunctive and declaratory relief. The Company believes that the complaint is without merit. The Company was not served with the complaint or the amended complaint. In an effort to negotiate a settlement of this litigation, the Company and plaintiff engaged in mediation on January 28, 2015. On April 1, 2015, the parties agreed to settle the lawsuit. On June 22, 2015, the court granted preliminary approval of the proposed settlement. On October 20, 2015, the court granted final approval of the settlement. Under the terms of the settlement, the Company agreed to pay approximately \$1.4 million, which includes payments to class members, plaintiff's attorneys' fees and expenses, an enhancement payment to the class representative, claims administration fees and payment to the California Labor and Workforce Development Agency. The Company's total payments pursuant to this settlement have been reflected in a legal settlement accrual initially recorded in the fourth quarter of fiscal 2014 prior to the settlement and subsequently adjusted in the first quarter of fiscal 2015 to reflect the settlement. The Company admitted no liability or wrongdoing with respect to the claims set forth in the lawsuit. The settlement constitutes a full and complete settlement and release of all claims related to the lawsuit.

The Company is involved in various other 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 negative impact 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 28, 2014.

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

The following tabular summary reflects the Company's share repurchase activity during the quarter ended September 27, 2015:

ISSUER PURCHASES OF EQUITY SECURITIES (1) (2)

<i>Period</i>	<i>Total Number of Shares Purchased</i>	<i>Average Price Paid per Share</i>	<i>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</i>	<i>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (3)</i>
June 29 – July 26	—	—	—	\$5,912,000
July 27 – August 23	172,568	\$11.03	172,568	\$4,008,000
August 24 – September 27	9,401	\$10.50	9,401	\$3,909,000
Total	181,969		181,969	\$3,909,000

- (1) All shares were purchased under the Company's current share repurchase program, which was announced on November 1, 2007 and authorizes the repurchase of the Company's common stock totaling \$20.0 million. Under the authorization, the Company may purchase shares from time to time in the open market or in privately negotiated transactions in compliance with the applicable rules and regulations of the SEC. However, the timing and amount of such purchases, if any, would be at the discretion of management and would depend upon market conditions and other considerations. Since the inception of its initial share repurchase program in May 2006 through September 27, 2015, the Company has repurchased a total of 2,428,919 shares for \$31.1 million, leaving a total of \$3.9 million available for share repurchases under the current share repurchase program.
- (2) The Company's dividends and stock repurchases are generally funded by distributions from its subsidiary, Big 5 Corp. The Company's Credit Agreement contains covenants that require it 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, pay dividends or repurchase stock. 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. See Part I, Item 2, *Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources*, for a further discussion of the Credit Agreement.
- (3) This amount reflects the dollar value of shares remaining available to repurchase under previously announced plans.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

Exhibit Number**Description of Document**

10.1	Form of Change of Control Severance Agreement, dated as of August 5, 2015.
15.1	Independent Auditors' Awareness Letter Regarding Interim Financial Statements.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer.
32.2	Section 1350 Certification of Chief Financial Officer.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Definition Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.

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: October 28, 2015

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

Date: October 28, 2015

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

**FORM OF
CHANGE OF CONTROL SEVERANCE AGREEMENT¹**

This Change of Control Severance Agreement (“**Agreement**”) is made effective as of August 5, 2015 (“**Effective Date**”), by and between Big 5 Sporting Goods Corporation, a Delaware corporation (“**Parent**”), Big 5 Corp., a Delaware corporation (together with Parent, the “**Company**”), and [] (“**Employee**”).

WHEREAS, Employee is an executive of the Company and the Company and Employee desire to set forth herein the terms and conditions of Employee’s compensation in the event of a termination of Employee’s employment in connection with a Change of Control (as defined below); and

WHEREAS, in the event of a Change of Control, Employee may be vulnerable to dismissal without regard to the quality of Employee’s service, and the Company believes that it is in the best interest of Company to enter into this Agreement in order to ensure fair treatment of Employee and to reduce the distractions and other adverse effects upon Employee’s performance which are inherent in the event of such a Change of Control.

The parties agree as follows:

1. **Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:

(a) “**Annual Bonus**” means the greater of (i) the average of the three most recent annual bonuses paid to Employee prior to Employee’s Qualifying Termination, or (ii) the average of the three most recent annual bonuses paid to Employee prior to the Change of Control, in either event regardless of whether such amount was paid out on a current basis or deferred.

(b) “**Base Salary**” means the greater of Employee’s annual base salary (i) at the rate in effect as of immediately prior to Employee’s Qualifying Termination or (ii) at the rate in effect immediately prior to the Change of Control.

(c) “**Board**” means the Board of Directors of Parent.

(d) “**Cause**” shall have the meaning set forth in Employee’s employment agreement with the Company (if any), or if not defined therein, shall mean (i) acts or omissions by Employee which constitute intentional material misconduct or a knowing violation of a material policy of the Company or any of its subsidiaries, (ii) Employee’s refusal to perform Employee’s material job duties, (iii) Employee’s refusal to reasonably cooperate with an internal or governmental investigation relating to Employee’s employment with the Company, (iv) Employee personally receiving a benefit in money, property or services from the Company or any of its subsidiaries or from another person dealing with the Company or any of its subsidiaries, in material violation of applicable law or Company policy, (v) an act of fraud, conversion, misappropriation, or embezzlement by Employee or his or her conviction of, or entering a guilty plea or plea of no contest with respect to, a felony, or the equivalent thereof, or (vi) any deliberate and material misuse or improper disclosure of confidential or proprietary information of the Company. Notwithstanding the foregoing, Cause shall not exist based on conduct described in clauses (ii) or (iii) unless the conduct has not been cured within 30 days following Employee’s receipt of written notice from the Company specifying the particulars of the conduct constituting Cause.

¹ Big 5 Sporting Goods Corporation and Big 5 Corp. entered into Change of Control Severance Agreements as of August 5, 2015 with each the following executive officers:

- Richard A. Johnson, Executive Vice President;
- Boyd O. Clark, Senior Vice President, Buying;
- Barry D. Emerson, Senior Vice President, Chief Financial Officer and Treasurer; and
- Gary S. Meade, Senior Vice President, General Counsel and Secretary.

Each of those Change of Control Severance Agreements is substantially identical to this form.

(e) “**Change of Control**” shall mean the occurrence of any of the following events:

(i) The direct or indirect acquisition by an unrelated “Person” or “Group” of “Beneficial Ownership” (as such terms are defined below in this subsection) of more than 50% of the voting power of Parent’s issued and outstanding voting securities in a single transaction or a series of related transactions;

(ii) The change “in the ownership of a substantial portion of the assets” of Parent and its subsidiaries (taken as a whole) within the meaning of Section 409A of the Code;

(iii) The merger, consolidation or reorganization of Parent with or into another corporation or other entity in which the Beneficial Owners of more than 50% of the voting power of Parent’s issued and outstanding voting securities immediately before such merger or consolidation do not own more than 50% of the voting power of the issued and outstanding voting securities of the surviving corporation or other entity immediately after such merger, consolidation or reorganization (or, if applicable, the ultimate parent corporation that directly or indirectly has Beneficial Ownership of 100% of the voting securities eligible to elect directors of the surviving corporation);

(iv) Incumbent Board Members (defined below) cease for any reason to constitute a majority (more than 50%) of the number of directors of the Board then serving. “**Incumbent Board Members**” are defined as (A) individuals who, as of the Effective Date, are members of the Board and are not Contest Board Members (defined below), and (B) individuals who are not Contest Board Members and whose nomination for election by the Board or stockholders of Parent was approved by a vote of at least two-thirds of all Board members then in office who are not Contest Board Members. “**Contest Board Members**” are defined as individuals who are or were nominated by, proposed by, employed by, paid by, under contract with, or affiliated with any entity or affiliate thereof that threatened or conducted an actual or threatened election contest, withhold campaign or other stockholder proposal, including but not limited to a consent solicitation, relating to the election of Board members; or

(v) The shareholders of Parent approve any plan or proposal for the liquidation or dissolution of Parent.

For purposes of determining whether a Change of Control has occurred, the following Persons and Groups shall not be deemed to be “unrelated”: (A) such Person or Group directly or indirectly has Beneficial Ownership of more than 50% of the issued and outstanding voting power of Parent’s voting securities immediately before the transaction in question, (B) Parent has Beneficial Ownership of more than 50% of the voting power of the issued and outstanding voting securities of such Person or Group or (C) more than 50% of the voting power of the issued and outstanding voting securities of such Person or Group are owned, directly or indirectly, by Beneficial Owners of more than 50% of the issued and outstanding voting power of Parent’s voting securities immediately before the transaction in question. The terms “**Person**,” “**Group**,” “**Beneficial Owner**,” and “**Beneficial Ownership**” shall have the meanings used in the Exchange Act.

Notwithstanding the foregoing, if a Change of Control constitutes a payment event with respect to any amount which provides for the deferral of compensation and is subject to Code Section 409A, the transaction or event described above with respect to such amount must also constitute a “Change in Control event,” as defined in Treasury Regulation § 1.409A-3(i)(5) to the extent required by Code Section 409A.

(f) “**Code**” means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations and other interpretive guidance thereunder.

(g) “**Good Reason**” means the occurrence of any of the following and continuance thereof following the cure period set forth below: (i) a material diminution in Employee’s authority, duties, responsibilities or budget; provided, however, that “Good Reason” shall not be deemed to exist pursuant to the foregoing if Employee is provided with comparable or greater authority, duties, responsibilities and budget, (ii) the assignment of duties to Employee that are materially inconsistent with Employee’s position with the Company, (iii) a reduction in Employee’s base salary by more than 5% compared to Employee’s base salary immediately prior to the Change of Control, or (iv) a change in the geographic location at which Employee must perform services to a location more than 30 miles from

the location at which Employee normally performs such services as of the Effective Date, *provided*, that Employee's resignation shall only constitute a resignation for Good Reason if (x) Employee provides the Company with a written notice of Good Reason (specifying the particulars of the facts or circumstances constituting Good Reason) within 90 days of the initial existence of the facts or circumstances that Employee knows or reasonably should have known constitutes Good Reason, (y) the Company has failed to cure the facts or circumstances constituting Good Reason within 30 days after receipt of the notice and (z) Employee's date of termination for Good Reason occurs no later than 90 days after the expiration of the cure period.

(h) **"Plan"** means the Company's 2007 Equity and Performance Incentive Plan (Amended and Restated as of April 26, 2011), as amended.

(i) **"Qualifying Termination"** means (i) a termination by Employee of Employee's employment with Company for Good Reason or (ii) a termination of Employee's employment without Cause by the Company, in either case, on or within two (2) years after the occurrence of any Change of Control. Neither a termination of Employee's employment due to disability nor a termination of Employee's employment due to death shall constitute a Qualifying Termination.

(j) **"Separation from Service"** means a "separation from service" with the Company as such term is defined in Treasury Regulation Section 1.409A-1(h) and any successor provision thereto.

2. Obligations of the Company.

(a) If Employee has a Qualifying Termination, Employee shall be entitled to receive the aggregate amount of Employee's earned but unpaid Base Salary and accrued but unpaid vacation pay through the date of such termination (the **"Accrued Obligations"**). In addition, subject to Sections 2(c), 2(g) and 6.8(b) hereof, if Employee has a Qualifying Termination, Employee shall be entitled to receive:

(i) **Cash Severance Payment.** Severance pay in an amount equal to the sum of (A) two (2) times the sum of the Base Salary and Annual Bonus and (B) a pro rata portion of Employee's Annual Bonus (pro rated by calendar days on a straight line basis), all payable in cash in a single lump sum on the 60th day following the date of such Qualifying Termination;

(ii) **Annual Bonus.** Any unpaid annual bonus which Employee would have received for any fiscal year of the Company that ends on or before the date of the Qualifying Termination had Employee remained employed through the payment date (determined using the same method of determining annual bonuses in prior fiscal years), payable in a single lump-sum payment on the date on which annual bonuses are paid to the Company's employees generally for such fiscal year, but in no event later than March 15th of the fiscal year immediately following the fiscal year for which Employee would have received the unpaid annual bonus, with the actual date within such period determined by the Company in its sole discretion;

(iii) **Continued Health Benefits.** During the period commencing on the effective date of the Qualifying Termination and ending on the earlier of (A) the 18-month anniversary thereof, (B) the date on which Employee ceases to be eligible for COBRA continuation coverage or (C) the date Employee becomes eligible for healthcare coverage under a subsequent employer's health plan (the **"COBRA Period"**), subject to Employee's valid election to continue healthcare coverage under Code Section 4980B, the Company shall pay or, at its election, reimburse Employee, for COBRA premiums for Employee and Employee's covered dependents, based on Employee's elections in effect on the termination date, *provided, however*, that (x) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Code Section 409A under Treasury Regulation Section 1.409A-1(a)(5) or (y) the Company is otherwise unable to continue to cover Employee under its group health plans without incurring penalties (including, without limitation, pursuant to the Patient Protection and Affordable Care Act or Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining COBRA premium under such plans shall thereafter be paid to Employee in substantially equal monthly installments over the continuation coverage period (or the remaining portion thereof);

(iv) Outplacement Services. For a period of up to 12 months following the date of termination, Employee shall be provided, at the Company's expense, with outplacement services selected by the Company consistent with industry practice for similarly situated executives; and

(v) Equity Award Acceleration. All outstanding equity awards held by Employee on the termination date that vest fully based on the passage of time shall immediately become fully vested and, to the extent applicable, exercisable. For the avoidance of doubt, all such equity awards shall remain outstanding and eligible to vest following the termination date and shall actually vest and become exercisable (if applicable) and non-forfeitable upon the effectiveness of the Release.

(b) Other Terminations. Upon Employee's termination of employment for any reason other than as set forth in Section 2(a) hereof, the Company shall not have any other or further obligations to Employee under this Agreement (including any financial obligations) except Employee shall be entitled to receive the Accrued Obligations.

(c) Release. As a condition to Employee's receipt of any amounts set forth in Section 2(a)(i) - (v) hereof (but not including Accrued Obligations, which are not conditioned upon a Release), Employee shall execute within 21 days (or 45 days if necessary to comply with applicable law) after the termination date, and shall not revoke, a general release of all claims in favor of the Company (the "**Release**") in the form attached hereto as Exhibit A (and any statutorily prescribed revocation period applicable to such Release shall have expired).

(d) Exclusive Remedy; Other Arrangements. Except as otherwise expressly required by law (e.g., COBRA) or as specifically provided herein, all of Employee's rights to salary, severance, benefits, bonuses and other amounts (if any) accruing after the termination of Employee's employment shall cease upon such termination. The severance payments and benefits provided for in Section 2(a)(i) - (v) hereof are not intended to duplicate any severance payments and/or benefits that Employee is or may become entitled to receive under any other plan, program, policy or agreement with the Company or any of its affiliates (collectively, "**Other Arrangements**"). Therefore, in the event that Employee becomes entitled to receive the severance payments and benefits provided under Section 2(a)(i) - (v) of this Agreement, Employee shall receive the amounts provided under Section 2(a)(i) - (v) of this Agreement and shall not be entitled to receive any severance payments or benefits pursuant to any Other Arrangements.

(e) No Mitigation. Employee shall not be required to mitigate the amount of any payment provided for in this Section 2 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 2 be reduced by any compensation earned by Employee as the result of employment by another employer or self-employment or by retirement benefits.

(f) Return of the Company's Property. Upon the termination of Employee's employment in any manner, Employee shall immediately surrender to the Company all lists, books and records of, or in connection with, the Company's business, and all other property belonging to the Company (including, without limitation, all keys, files, records (and copies thereof), equipment (including, without limitation, computer hardware, software and printers, wireless handheld devices, cellular phones and pagers), access or credit cards and Company identification), it being distinctly understood that all such lists, books and records, and other documents, are the property of the Company. Upon the Company's request, Employee shall deliver to the Company a signed statement certifying compliance with this Section 2(f) prior to the receipt of any post-termination benefits described in this Agreement.

(g) Parachute Payments.

(i) It is the objective of this Agreement to maximize Employee's Net After-Tax Benefit (as hereinafter defined) if payments or benefits provided under this Agreement are subject to excise tax under Code Section 4999. The provisions of this Agreement shall be interpreted in a manner consistent with such intent. Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit by the Company or otherwise to or for the benefit of Employee, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (all such payments and benefits, including the payments and benefits under Section 2(a) or 2(b) hereof, being hereinafter referred to as the "**Total Payments**"), would be subject (in whole or in part) to the excise tax imposed by Code Section 4999 (the "**Excise Tax**"), then the payments and benefits shall

thereafter be reduced in accordance with Section 2(g)(ii) hereof, to the extent necessary so that no portion of the Total Payments shall be subject to the Excise Tax, but only if, (A) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments), is greater than or equal to (B) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which Employee would be subject in respect of such unreduced Total Payments) and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments). Employee's "**Net After-Tax Benefit**" means the sum of (x) all payments that Employee receives or is entitled to receive from the Company that are contingent on a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company within the meaning of Code Section 280G(b)(2) (either, a "**Section 280G Transaction**"), less (y) the amount of federal, state, local and employment tax, and Excise Tax (if any), imposed with respect to such payments.

(ii) To the extent required under Section 2(g)(i) hereof, the Total Payments shall be reduced by the Company in the following order: (A) reduction of any cash severance payments otherwise payable to Employee that are exempt from Code Section 409A, (B) reduction of any other cash payments or benefits otherwise payable to Employee that are exempt from Code Section 409A, but excluding any payments attributable to the acceleration of vesting or payments with respect to any equity award with respect to the Company's common stock that is exempt from Code Section 409A, (C) reduction of any other payments or benefits otherwise payable to Employee on a pro-rata basis or such other manner that complies with Code Section 409A, but excluding any payments attributable to the acceleration of vesting and payments with respect to any equity award with respect to the Company's common stock that are exempt from Code Section 409A and (D) reduction of any payments attributable to the acceleration of vesting or payments with respect to any other equity award with respect to the Company's common stock that are exempt from Code Section 409A.

(iii) All determinations regarding the application of this Section 2(g) shall be made by an accounting firm with experience in performing calculations regarding the applicability of Code Section 280G and the Excise Tax selected by the Company ("**Independent Advisors**"). For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (A) no portion of the Total Payments the receipt or enjoyment of which Employee shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Code Section 280G(b) shall be taken into account, (B) no portion of the Total Payments shall be taken into account which, in the opinion of the Independent Advisors, does not constitute a "parachute payment" within the meaning of Code Section 280G(b)(2) (including by reason of Code Section 280G(b)(4)(A)) and in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Independent Advisors, constitutes reasonable compensation for services actually rendered, within the meaning of Code Section 280G(b)(4)(B), in excess of the "base amount" (as defined in Section Code 280G(b)(3)) allocable to such reasonable compensation and (C) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Independent Advisors in accordance with the principles of Code Sections 280G(d)(3) and (4). The costs of obtaining such determination and all related fees and expenses (including related fees and expenses incurred in any later audit) shall be borne by the Company.

(h) Withholding. All compensation and benefits to Employee hereunder shall be reduced by all federal, state, local and other withholdings and similar taxes and payments required by applicable law.

3. Confidentiality, Restrictive Covenants. This Agreement does not terminate or otherwise amend any of Employee's confidentiality obligations or restrictive covenants that may have been agreed to in any separate written signed agreement (if any) between Employee and the Company.

4. At-Will Employment Relationship. Except as may be expressly provided in an applicable Other Arrangement, Employee's employment with the Company is at-will and not for any specified period and may be terminated at any time, with or without Cause or advance notice, by either Employee or the Company. Any change to the at-will employment relationship must be by specific, written agreement signed by Employee and an authorized representative of the Company. Nothing in this Agreement is intended to or should be construed to contradict, modify or alter this at-will relationship.

5. Arbitration.

5.1 Any controversy or dispute that establishes a legal or equitable cause of action (“**Arbitration Claim**”) between any two or more Persons Subject to Arbitration (defined below), including, without limitation, any controversy or dispute, whether based on contract, common law, or federal, state or local statute or regulation, arising out of, or relating to Employee’s employment or the termination thereof, shall be submitted to final and binding arbitration as the sole and exclusive remedy for such controversy or dispute. Notwithstanding the foregoing, this Agreement shall not require any Person Subject to Arbitration to arbitrate pursuant to this Agreement any claims: (i) under a Company benefit plan subject to the Employee Retirement Income Security Act, as amended or (ii) as to which applicable law not preempted by the Federal Arbitration Act prohibits resolution by binding arbitration. Either party may seek provisional non-monetary remedies in a court of competent jurisdiction to the extent that such remedies are not available or not available in a timely fashion through arbitration. It is the parties’ intent that issues of arbitrability of any dispute shall be decided by the arbitrator.

5.2 “**Persons Subject to Arbitration**” means, individually and collectively, (i) Employee, (ii) any person in privity with or claiming through, on behalf of or in the right of Employee, (iii) the Company, (iv) any past, present or future affiliate, employee, officer, director or agent of the Company and/or (v) any person or entity alleged to be acting in concert with or to be jointly liable with any of the foregoing.

5.3 The arbitration shall take place before a single neutral arbitrator at the JAMS office in Los Angeles County, California. Such arbitrator shall be provided through JAMS by mutual agreement of the parties to the arbitration; *provided that*, absent such agreement, the arbitrator shall be selected in accordance with the rules of JAMS then in effect. The arbitrator shall permit reasonable discovery. The arbitration shall be conducted in accordance with the JAMS rule applicable to employment disputes in effect at the time of the arbitration. The award or decision of the arbitrator shall be rendered in writing; shall be final and binding on the parties; and may be enforced by judgment or order of a court of competent jurisdiction.

5.4 In the event of arbitration relating to this Agreement, the non-prevailing party shall reimburse the prevailing party for all costs incurred by the prevailing party in connection with such arbitration (including, without limitation, reasonable legal fees in connection with such arbitration, including any litigation or appeal therefrom).

5.5 EMPLOYEE AND THE COMPANY UNDERSTAND THAT BY AGREEING TO ARBITRATE ANY ARBITRATION CLAIM, THEY WILL NOT HAVE THE RIGHT TO HAVE ANY ARBITRATION CLAIM DECIDED BY A JURY OR A COURT, BUT SHALL INSTEAD HAVE ANY ARBITRATION CLAIM DECIDED THROUGH ARBITRATION. EXCEPT AS MAY BE PROHIBITED BY LAW, THIS WAIVER INCLUDES THE ABILITY TO ASSERT CLAIMS AS A PLAINTIFF OR CLASS MEMBER IN ANY PURPORTED CLASS OR REPRESENTATIVE PROCEEDING.

5.6 This Section 5 shall be interpreted to conform to any applicable law concerning the terms and enforcement of agreements to arbitrate employment disputes. To the extent any terms or conditions of this Section 5 would preclude its enforcement, such terms shall be severed or interpreted in a manner to allow for the enforcement of this Section 5. To the extent applicable law imposes additional requirements to allow enforcement of this Section 5, this Agreement shall be interpreted to include such terms or conditions.

6. General Provisions.

6.1 Successors and Assigns. The rights of the Company under this Agreement may, without the consent of Employee, be assigned by the Company, in its sole and unfettered discretion, to any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly, acquires all or substantially all of the assets or business of the Company. Any successor (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business or assets of the Company shall assume and perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, the “**Company**” shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid or which assumes and agrees to perform this Agreement by operation of law or otherwise. Employee shall not be entitled to assign any of Employee’s

rights or obligations under this Agreement. This Agreement shall inure to the benefit of and be enforceable by Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

6.2 Severability. In the event any provision of this Agreement is found to be unenforceable by an arbitrator or court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to allow enforceability of the provision as so limited, it being intended that the parties shall receive the benefit contemplated herein to the fullest extent permitted by law. If a deemed modification is not satisfactory in the judgment of such arbitrator or court, the unenforceable provision shall be deemed deleted, and the validity and enforceability of the remaining provisions shall not be affected thereby.

6.3 Interpretation; Construction. The headings set forth in this Agreement are for convenience only and shall not be used in interpreting this Agreement. Employee acknowledges that Employee has had an opportunity to review and revise the Agreement and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement. Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, or prevent that party thereafter from enforcing each and every other provision of this Agreement.

6.4 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the United States and the State of California applicable to contracts made and to be performed wholly within such State, and without regard to the conflicts of laws principles thereof.

6.5 Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (a) by personal delivery when delivered personally, (b) by overnight courier upon written verification of receipt, or (c) by certified or registered mail, return receipt requested, upon verification of receipt. Notice shall be sent to Employee at Employee's address reflected in the records of the Company as of the Effective Date and to the Company at its principal place of business, Attn: Legal Department, or such other address as either party may specify by giving the other party notice thereof in accordance herewith.

6.6 Survival. Sections 1 ("Definitions"), 2 ("Obligations of the Company"), 3 ("Confidentiality, Restrictive Covenants"), 5 ("Arbitration"), and 6 ("General Provisions") of this Agreement shall survive termination of Employee's employment with the Company.

6.7 Entire Agreement. This Agreement and any covenants and agreements incorporated herein by reference, as set forth in Section 3 hereof, together constitute the entire agreement between the parties in respect of the subject matter contained herein and therein and supersede all prior or simultaneous representations, discussions, negotiations, and agreements, whether written or oral, *provided, however*, that for the avoidance of doubt, all Other Arrangements (as such Other Arrangements may be amended, modified or terminated from time to time) shall remain in effect in accordance with their terms, subject to Section 2(d) hereof. This Agreement may be amended or modified only with the written and signed consent of Employee and an authorized representative of the Company. No oral waiver, amendment or modification will be effective under any circumstances whatsoever.

6.8 Code Section 409A.

(a) To the extent applicable, this Agreement shall be interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any compensation or benefits payable under this Agreement may be subject to Code Section 409A, the Company may adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to avoid the imposition of taxes under Code Section 409A, including, without limitation, actions intended to (i) exempt the compensation and benefits payable under this Agreement from Code Section 409A and/or (ii) comply with the requirements of Code Section 409A; *provided, however*, that this Section 6.8(a) shall not create any obligation on the part of the Company to adopt any such amendment, policy or procedure or take any such other action, nor shall the Company have any liability for failing to do so.

(b) All payments of nonqualified deferred compensation subject to Code Section 409A to be made upon a termination of employment under this Agreement may only be made upon a Separation from Service. If Employee is a “specified employee” (as defined in Code Section 409A), as determined by the Company in accordance with Code Section 409A, on the date of Employee’s Separation from Service, to the extent that the payments or benefits under this Agreement are subject to Code Section 409A and the delayed payment or distribution of all or any portion of such amounts to which Employee is entitled under this Agreement is required in order to avoid a prohibited distribution under Code Section 409A(a)(2)(B)(i), then such portion delayed pursuant to this Section 6.8(b) shall be paid or distributed to Employee in a lump sum on the earlier of (i) the date that is six (6)-months and one day following Employee’s Separation from Service and (ii) the date of Employee’s death. Any remaining payments due under the Agreement shall be paid as otherwise provided herein.

(c) To the extent that any payments or reimbursements provided to Employee under this Agreement are deemed to constitute compensation to Employee to which Treasury Regulation Section 1.409A-3(i)(1)(iv) would apply, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31 of the year following the year in which the expense was incurred. The amount of any such payments eligible for reimbursement in one year shall not affect the amount of payments or expenses that are eligible for payment or reimbursement in any other taxable year, and Employee’s right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

6.9 Amendment. No amendment or other modification of this Agreement shall be effective unless made in writing and signed by the parties hereto.

6.10 Source of Funds. Amounts payable to Employee under this Agreement shall be from the general funds of the Company or its successors pursuant to Section 6.1 above. Employee’s rights to unpaid amounts under this Agreement shall be solely those of an unsecured creditor of the Company or its successors pursuant to Section 6.1 above. If any of the payments payable pursuant to this Agreement are delayed beyond the payment date required by this Agreement, there shall be added to such payments interest during the delayed period at a rate, per annum, equal to the applicable federal short-term deferral rate (compounded monthly) in effect under Code Section 1274(d) on Employee’s date of termination.

6.11 Consultation with Legal and Financial Advisors. By executing this Agreement, Employee acknowledges that this Agreement confers significant legal rights, and may also involve the waiver of rights under other agreements; that the Company has encouraged Employee to consult with Employee’s personal legal and financial advisors; and that Employee has had adequate time to consult with Employee’s advisors before executing this Agreement.

6.12 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

(Signature Page Follows)

THE PARTIES TO THIS AGREEMENT HAVE READ THE FOREGOING AGREEMENT AND FULLY UNDERSTAND EACH AND EVERY PROVISION CONTAINED HEREIN. WHEREFORE, THE PARTIES HAVE EXECUTED THIS AGREEMENT ON THE DATE FIRST ABOVE WRITTEN.

BIG 5 SPORTING GOODS CORPORATION

By:
Name: Steven G. Miller
Title: President

BIG 5 CORP.

By:
Name: Steven G. Miller
Title: President

“EMPLOYEE”

Name: []

EXHIBIT A

GENERAL RELEASE

For valuable consideration, the receipt and adequacy of which are hereby acknowledged, the undersigned does hereby release and forever discharge the “**Releasees**” hereunder, consisting of Big 5 Sporting Goods Corporation, a Delaware corporation (“**Parent**”), Big 5 Corp., a Delaware corporation (“**Big 5**” and, together with Parent and any successor to either Parent or Big 5, the “**Company**”), and each of Parent’s and/or Big 5’s partners, associates, affiliates, subsidiaries, predecessors, successors, heirs, assigns, agents, directors, officers, employees, representatives, lawyers, insurers, and all persons acting by, through, or under or in concert with it, or any of them, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, losses, costs, attorneys’ fees or expenses, of any nature whatsoever, known or unknown, fixed or contingent, which the undersigned now has or may hereafter have against the Releasees, or any of them, by reason of any matter, cause, or thing whatsoever arising from the beginning of time to the date hereof (hereinafter called “**Claims**”).

The Claims released herein include, without limiting the generality of the foregoing, any Claims in any way arising out of, based upon, or related to the undersigned’s employment by the Releasees, or any of them, or the termination thereof; any claim for wages, salary, commissions, bonuses, incentive payments, profit-sharing payments, leave, vacation, severance pay or other benefits; any alleged breach of any express or implied contract of employment; any alleged torts or other alleged legal restrictions on the Releasee’s right to terminate the employment of the undersigned; and any alleged violation of any federal, state or local statute or ordinance including, without limitation, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Equal Pay Act, the Family Medical Leave Act, the Americans With Disabilities Act, the Employee Retirement Income Security Act, the National Labor Relations Act, and the California Fair Employment and Housing Act, the California Labor Code; the employment and civil rights laws of California each as amended. Notwithstanding the foregoing, this Release shall not operate to release any Claims which the undersigned may have with respect to payments or benefits to which the undersigned may be entitled under that certain Change of Control Severance Agreement (“Severance Agreement”) between the undersigned and the Company, dated August __, 2015, to payments or benefits under any agreement between the undersigned and the Company or its affiliates evidencing outstanding equity-based awards held by the undersigned, to vested rights to benefits under any employee benefit plan, or any rights as a shareholder of the Company, to reimbursement of expenses or any right to defense or indemnification that the undersigned otherwise may have or to any other Accrued Obligations, as defined in the Severance Agreement.

THE UNDERSIGNED ACKNOWLEDGES THAT THE UNDERSIGNED HAS BEEN ADVISED BY LEGAL COUNSEL AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

THE UNDERSIGNED, BEING AWARE OF SAID CODE SECTION, HEREBY EXPRESSLY WAIVES ANY RIGHTS THE UNDERSIGNED MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT SOLELY WITH RESPECT TO MATTERS EXPRESSLY RELEASED IN THE FIRST PARAGRAPH OF THIS GENERAL RELEASE.

[TO BE INCLUDED IF APPLICABLE TO THE EMPLOYEE AT THE TIME OF RELEASE: IN ACCORDANCE WITH THE OLDER WORKERS BENEFIT PROTECTION ACT OF 1990, THE UNDERSIGNED IS HEREBY ADVISED AS FOLLOWS:

(1) THE UNDERSIGNED HAS THE RIGHT TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE;

(2) THE UNDERSIGNED HAS [TWENTY-ONE (21)] [FORTY-FIVE (45)] DAYS TO CONSIDER THIS RELEASE BEFORE SIGNING IT; AND

(3) THE UNDERSIGNED HAS SEVEN (7) DAYS AFTER SIGNING THIS RELEASE TO REVOKE IT, AND THIS RELEASE WILL BECOME EFFECTIVE UPON THE EXPIRATION OF THAT REVOCATION PERIOD.]

The undersigned represents and warrants that there has been no assignment or other transfer of any interest in any Claim which the undersigned may have against the Releasees, or any of them, and the undersigned agrees to indemnify and hold the Releasees, and each of them, harmless from any liability, Claims, demands, damages, costs, expenses and attorneys' fees incurred by the Releasees, or any of them, as the result of any such assignment or transfer or any rights or Claims under any such assignment or transfer. It is the intention of the parties that this indemnity does not require payment as a condition precedent to recovery by the Releasees against the undersigned under this indemnity.

The undersigned agrees that if the undersigned hereafter commences any suit arising out of, based upon, or relating to any of the Claims released hereunder or in any manner asserts against the Releasees, or any of them, any of the Claims released hereunder in arbitration or court, then the undersigned shall pay to the Releasees, and each of them, in addition to any other damages caused to the Releasees thereby, all attorneys' fees incurred by the Releasees in defending or otherwise responding to said suit or Claim. Nothing in this Release, including but not limited to the foregoing sentence, (i) limits or affects the undersigned's right to challenge the validity of this Release under the ADEA or Older Workers Benefit Protection Act or (ii) precludes the undersigned from filing an administrative charge, complaint, report, or other communication of any sort with any federal, state or local government office, official or agency. The undersigned promises never to seek or accept any damages, remedies or other relief for the undersigned personally with respect to any claim released by this Release. Nothing herein shall prevent the undersigned from raising or asserting any defense in any suit, claim, proceeding or investigation brought by any of the Releasees, and by raising or asserting any such defense, the undersigned shall not become obligated to pay attorneys' fees under this paragraph.

The undersigned further understands and agrees that neither the payment of any sum of money nor the execution of this Release shall constitute or be construed as an admission of any liability whatsoever by the Releasees, or any of them, who have consistently taken the position that they have no liability whatsoever to the undersigned.

The undersigned acknowledges that different or additional facts may be discovered in addition to what is now known or believed to be true by him with respect to the matters released in this Agreement, and the undersigned agrees that this Agreement shall be and remain in effect in all respects as a complete and final release of the matters released, notwithstanding any different or additional facts.

IN WITNESS WHEREOF, the undersigned has executed this Release this ____ day of _____, 20__.

[]

October 28, 2015

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 periods ended September 27, 2015 and September 28, 2014, as indicated in our report dated October 28, 2015; 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 September 27, 2015, is incorporated by reference in Registration Statement Nos. 333-179602, 333-149730 and 333-104898 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: October 28, 2015

Steven G.
/s/ 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: October 28, 2015

Barry D.
/s/ 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 September 27, 2015 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

October 28, 2015

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 September 27, 2015 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

October 28, 2015

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.