

BIG 5 SPORTING GOODS Corp  
Form DEF 14A  
April 26, 2019

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

**SCHEDULE 14A**  
**(RULE 14a-101)**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**BIG 5 SPORTING GOODS CORPORATION**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**BIG 5 SPORTING GOODS CORPORATION**

**2525 EAST EL SEGUNDO BOULEVARD**

**EL SEGUNDO, CALIFORNIA 90245**

**May 3, 2019**

Dear Fellow Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Big 5 Sporting Goods Corporation (the **Company**), to be held at the DoubleTree by Hilton LAX-El Segundo, 1985 East Grand Avenue, El Segundo, California 90245 on June 7, 2019, at 10:00 a.m. local time, and at any adjournments or postponements thereof (the **Annual Meeting**).

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

1. the re-election of Sandra N. Bane and Van B. Honeycutt as Class B directors to the Company's Board of Directors (the **Board**), each to hold office until the 2022 annual meeting of stockholders (and until each such director's successor shall have been duly elected and qualified);
  2. an advisory vote to approve the compensation paid to our named executive officers;
  3. the ratification of the appointment of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for fiscal 2019;
  4. a proposal to approve the Company's new 2019 Equity Incentive Plan, which would make 3,300,000 additional shares available for grant to the Company's employees, directors and consultants; and
  5. the transaction of such other business as may properly come before the Annual Meeting.
- Accompanying this letter is the formal Notice of Annual Meeting, Proxy Statement, proxy card and the Company's 2018 Annual Report on Form 10-K.

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

Sincerely,

Steven G. Miller

Chairman of the Board, President

and Chief Executive Officer

**BIG 5 SPORTING GOODS CORPORATION**

**2525 EAST EL SEGUNDO BOULEVARD**

**EL SEGUNDO, CALIFORNIA 90245**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON JUNE 7, 2019**

TO THE STOCKHOLDERS OF BIG 5 SPORTING GOODS CORPORATION:

NOTICE IS HEREBY GIVEN that an Annual Meeting of Stockholders of Big 5 Sporting Goods Corporation, a Delaware corporation ( **we** , **us** , **our** and the **Company** ), will be held on June 7, 2019, at 10:00 a.m. local time, at the DoubleTree by Hilton LAX-El Segundo, 1985 East Grand Avenue, El Segundo, California 90245, and at any adjournments or postponements thereof (the **Annual Meeting** ). At the Annual Meeting, the Company's stockholders will be asked to consider and vote upon:

1. the re-election of Sandra N. Bane and Van B. Honeycutt as Class B directors to the Company's Board of Directors (the **Board** ), each to hold office until the 2022 annual meeting of stockholders (and until each such director's successor shall have been duly elected and qualified);
2. an advisory vote to approve the compensation paid to our named executive officers;
3. the ratification of the appointment of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for fiscal 2019;
4. a proposal to approve the Company's new 2019 Equity Incentive Plan, which would make 3,300,000 additional shares available for grant to the Company's employees, directors and consultants; and
5. the transaction of such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Only stockholders of record of the Company's common stock at the close of business on April 18, 2019 are entitled to notice of and to vote at the Annual Meeting or any adjournments or postponements thereof. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at the principal executive offices of the Company, 2525 East El Segundo Boulevard, El Segundo, California 90245 for at least ten days prior to the Annual

Meeting and will also be available for inspection at the Annual Meeting.

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

**If you plan to attend:**

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

BY ORDER OF THE BOARD OF DIRECTORS,

Luke D. Thompson

Secretary

El Segundo, California

May 3, 2019

**BIG 5 SPORTING GOODS CORPORATION**

**2525 EAST EL SEGUNDO BOULEVARD**

**EL SEGUNDO, CALIFORNIA 90245**

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

**To Be Held On June 7, 2019**

This Proxy Statement is being furnished to the stockholders of Big 5 Sporting Goods Corporation, a Delaware corporation ( **we** , **us** , **our** and the **Company** ) in connection with the solicitation of proxies by the Company's Board of Directors (the **Board** ) for use at the Annual Meeting of the Company's stockholders to be held on June 7, 2019, at 10:00 a.m. local time, at the DoubleTree by Hilton LAX-El Segundo, 1985 East Grand Avenue, El Segundo, California 90245, and at any adjournments or postponements thereof (the **Annual Meeting** ).

At the Annual Meeting, holders of the Company's common stock, \$0.01 par value per share, will be asked to vote upon: (i) the re-election of Sandra N. Bane and Van B. Honeycutt as Class B directors to the Company's Board of Directors, each to hold office until the 2022 annual meeting of stockholders; (ii) an advisory vote to approve the compensation paid to our named executive officers; (iii) the ratification of the appointment of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for fiscal 2019; (iv) a proposal to approve the Company's new 2019 Equity Incentive Plan, which would make 3,300,000 additional shares available for grant to the Company's employees, directors and consultants; and (v) any other business that properly comes before the Annual Meeting.

This Proxy Statement and the accompanying proxy card are first being mailed to the Company's stockholders on or about May 3, 2019. The address of the principal executive offices of the Company is 2525 East El Segundo Boulevard, El Segundo, California 90245.

**Important Notice Regarding Availability of Proxy Materials for the 2019 Annual Meeting  
of Stockholders to be Held on June 7, 2019:**

**The Notice of Annual Meeting and Proxy Statement, and the Annual Report to Stockholders, are  
available to stockholders at [www.edocumentview.com/BGFV](http://www.edocumentview.com/BGFV).**

**ANNUAL MEETING**



**Record Date; Outstanding Shares; Quorum**

Only holders of record of the Company's common stock at the close of business on April 18, 2019 (the **Record Date**) will be entitled to notice of and to vote at the Annual Meeting. As of the close of business on the Record Date, there were 21,624,672 shares of common stock outstanding and entitled to vote, held of record by 430 stockholders. A majority, or 10,812,337 of these shares, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual Meeting. Each of the Company's stockholders is entitled to one vote, in person or by proxy, for each share of common stock standing in such stockholder's name on the books of the Company as of the Record Date on any matter submitted to the stockholders. All properly submitted and unrevoked proxies will be counted for purposes of determining whether a quorum is present, including those providing for abstention or withholding of authority and those submitted by brokers voting without beneficial owner instruction and exercising a non-vote.

**Proposals to be Presented at the Annual Meeting**

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

**Proposal No. 1** : the re-election of Sandra N. Bane and Van B. Honeycutt as Class B directors to the Company's Board, each to hold office until the 2022 annual meeting of stockholders (and until each such director's successor shall have been duly elected and qualified);

**Proposal No. 2** : an advisory vote to approve the compensation paid to our named executive officers;

**Proposal No. 3** : the ratification of the appointment of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for fiscal 2019; and

**Proposal No. 4** : a proposal (the **Equity Plan Proposal** ) to approve the Company's new 2019 Equity Incentive Plan ( **2019 Equity Plan** ), which would make 3,300,000 additional shares available for grant to the Company's employees, directors and consultants.

### **Recommendation of the Company's Board of Directors**

The Board recommends that you vote using the proxy card:

**FOR** Proposal No. 1, the re-election of Sandra N. Bane and Van B. Honeycutt as Class B directors to the Company's Board, each to hold office until the 2022 annual meeting of stockholders (and until each such director's successor shall have been duly elected and qualified);

**FOR** Proposal No. 2, approval, on an advisory basis, of the compensation paid to the Company's named executive officers;

**FOR** Proposal No. 3, the ratification of the appointment of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for fiscal 2019; and

**FOR** Proposal No. 4, the Equity Plan Proposal to approve the Company's new 2019 Equity Plan, which would make 3,300,000 additional shares available for grant to the Company's employees, directors and consultants.

### **Proxy Cards**

If you hold shares of the Company's common stock in multiple registrations, or in both registered and street name, you will receive a proxy card for each account. Please vote each proxy card you receive. Only your latest dated proxy for each account will be voted.

### **Methods of Voting; Revocability**

#### ***By Internet or Telephone***

If you hold shares of the Company's common stock directly in your name as a stockholder of record, you may vote electronically via the internet at [www.envisionreports.com/BGFV](http://www.envisionreports.com/BGFV), or by telephone by calling 1-800-652-8683 (1-800-652-VOTE). Votes submitted via the internet or by telephone must be received by 1:00 a.m. (Eastern Time) on June 7, 2019.

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

***By Mail***

If you hold shares of the Company's common stock directly in your name as a stockholder of record, you may vote by mail by marking, signing and dating your proxy card and returning it using the pre-paid return envelope provided. The Company must receive your proxy card no later than the close of business on June 6, 2019.

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

### ***In Person***

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

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

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

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

Stockholders are requested to submit their proxies through one of the above methods. All properly submitted proxies will be voted in accordance with the instructions indicated. If you are a registered holder and you submit your proxy but do not specify how the shares represented thereby are to be voted, your shares will be voted FOR the re-election of Sandra N. Bane and Van B. Honeycutt to serve as directors on the Board, FOR Proposal No. 2, FOR Proposal No. 3 and FOR Proposal No. 4.

The Board does not presently intend to bring any business before the Annual Meeting other than that referred to in this Proxy Statement and specified in the Notice of the Annual Meeting. By signing and returning a proxy card, a stockholder confers discretionary authority on the proxies (who are persons designated by the Board) to vote all shares covered by the proxy card in their discretion on any other matter that may properly come before the Annual Meeting.

### ***Revocability of Proxies; Changing Your Vote***

Any stockholder who has given a proxy may revoke it at any time before it is exercised at the Annual Meeting by (i) delivering a written revocation notice to the Secretary of Big 5 Sporting Goods Corporation, 2525 East El Segundo Boulevard, El Segundo, California 90245, (ii) submitting a valid, timely, later-dated proxy by mail, telephone or the internet or (iii) attending the Annual Meeting and voting in person (although attendance at the Annual Meeting will not, by itself, revoke a proxy). Any notice of revocation sent to the Company must include the stockholder's name and be received by the Company prior to the close of business on June 6, 2019.

### **Votes Required**

With respect to Proposal No. 1, our bylaws provide that in general, a nominee for election as a director shall be elected to the Board if the number of votes cast for such nominee exceed the number of votes cast against such nominee's election. However, our bylaws also provide that if, as of the record date for the stockholders meeting, the number of nominees exceeds the number of directors to be elected at the meeting, then a plurality of the votes cast shall be sufficient to elect a nominee to the Board. The Company has received a notice from an individual stockholder of the Company of his intent to nominate at the annual meeting two individuals for election to the Board. Accordingly, as of the Record Date, the number of nominees exceeds the number of directors to be elected at the Annual Meeting. As a result, the election of directors at the Annual Meeting will be determined by a plurality of shares of common stock represented in person or by proxy and voting at the Annual Meeting.

For Proposal No. 2, our stockholders will have an advisory vote to approve the compensation paid to our named executive officers as described in this Proxy Statement. Because the vote is advisory, it will not be binding upon our Board. However, the Board and the Compensation Committee will consider the result of the

vote when making future decisions regarding our executive compensation policies and practices. Affirmative votes representing a majority of the votes cast, affirmatively or negatively, with respect to Proposal No. 2 at the Annual Meeting will be required to adopt the resolution and approve, on a nonbinding and advisory basis, the compensation of our named executive officers as such compensation is described in this Proxy Statement.

For Proposal No. 3, affirmative votes representing a majority of the votes cast, affirmatively or negatively, with respect to Proposal No. 3 at the Annual Meeting will be required to ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the Company's 2019 fiscal year.

For Proposal No. 4, the Equity Plan Proposal, under Nasdaq Stock Market (Nasdaq) rules, affirmative votes representing a majority of the votes cast affirmatively, negatively or as abstentions will be required to approve the adoption of the 2019 Equity Plan.

### **Broker Non-Votes; Abstentions; Withheld Votes**

The term broker non-vote refers to shares held by a brokerage firm or other nominee (for the benefit of its client) that are represented at the meeting, but with respect to which such broker or nominee is not instructed to vote on a particular proposal and does not have discretionary authority to vote on that proposal. The election of directors, the advisory vote on executive compensation and the Equity Plan Proposal are not matters on which a broker or other nominee has discretionary authority to vote, and therefore there may be broker non-votes on Proposal Nos. 1, 2 and 4. The ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for fiscal 2019 is a matter considered routine under applicable rules, and, accordingly, we do not expect to receive broker non-votes with respect to Proposal No. 3.

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

In addition, a stockholder may vote to abstain with respect to Proposal Nos. 2, 3 or 4 or on any other proposals which may properly come before the Annual Meeting, or may withhold votes with respect to any or all such proposals.

Because Proposal 1 (election of directors) is to be determined by a plurality of votes represented in person or by proxy and voting at the Annual Meeting, broker non-votes and withheld votes will have no effect on the outcome of this proposal.

The approval of each of Proposal Nos. 2 and 3 requires affirmative votes representing a majority of the votes cast, affirmatively or negatively. Broker non-votes, abstentions and withheld votes will have no effect on the outcomes of these proposals.

The approval of Proposal No. 4 requires affirmative votes representing a majority of the votes cast, affirmatively, negatively or as abstentions. Broker non-votes and withheld votes will have no effect on the outcomes of these proposals and abstentions will have the effect of a vote against this proposal.

### **Solicitation of Proxies and Expenses**

This proxy solicitation is made by the Company, and the Company will bear the cost of the solicitation of proxies from its stockholders. In addition to solicitation by mail, certain of our directors and executive officers may, without additional compensation, solicit proxies by mail, in person or by telephone or other electronic means. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.



**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

**(Item No. 1 on Proxy Card)**

**General**

Proposal No. 1 concerns the election of two Class B directors. The Board consists of three classes: Class A directors, Class B directors and Class C directors. The current terms of office of the Class A directors, Class B directors and Class C directors expire in the year 2021 (Class A), the year 2019 (Class B) and the year 2020 (Class C). The terms of the Class B directors elected at the Annual Meeting will expire in 2022. Directors are elected to three-year terms, and each director holds office until such director's successor is duly elected and qualified.

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

Unless the authority to vote for one or more of our director nominees has been withheld in a stockholder's proxy or specific instructions to vote otherwise have been given, the persons named in the proxy as proxy holders intend to vote at the Annual Meeting for with respect to the re-election of each nominee presented below. In the election of directors, assuming a quorum is present, the two nominees for election as directors who receive the highest number of votes from holders of shares shall be elected to the Board. Broker non-votes and withheld votes will not have an effect on the election of a nominee.

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

**Required Vote**

The two nominees receiving the highest number of votes from holders of shares of common stock represented and voting at the Annual Meeting will be elected to the Board.

**Recommendation of the Board of Directors**

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

**Class B Directors Whose Terms Will Expire in 2019 and are Nominees by the Board of Directors for Re-election at the Annual Meeting**

*Sandra N. Bane* has served as a director since June 2002. Ms. Bane is retired. Prior to her retirement in 1998, Ms. Bane was an audit partner with KPMG LLP from 1985 to 1998 and an accountant in the audit practice of the firm from 1975 to 1985. While at KPMG, Ms. Bane headed the Western region's Merchandising practice for the firm, helped establish the Employee Benefits audit specialist program and was partner in charge of the Western region's Human Resource department for two years. Ms. Bane is also a member of the board of directors of Southern Company



Gas (formerly AGL Resources Inc.), an energy services company which is a subsidiary of Southern Company, where she chairs the Controls and Compliance Committee and serves on the Compensation and Executive Committees, and Transamerica Asset Management Group, a mutual fund company, where she serves on the Audit Committee. Additionally, Ms. Bane serves as a member of the board of directors for several nonprofit institutions in her community. She is also a member of the AICPA and the California Society of Certified Public Accountants. Age: 66.

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

*Van B. Honeycutt* has served as a director since April 2013, and has served as the Lead Independent Director on our Board since October 2016. Mr. Honeycutt is retired. Prior to his retirement in 2007, Mr. Honeycutt was the Chairman and Chief Executive Officer of Computer Sciences Corporation ( **CSC** ), a leading global provider of technology-enabled business solutions and services. He joined CSC in 1975, serving in a variety of managerial and executive positions, including Vice President and General Manager of CSC's Business Services Division, President of CSC Credit Services, Corporate Vice President and President of CSC's Industry Services Group, and President and Chief Operating Officer of CSC. He was named Chief Executive Officer in 1995 and Chairman in 1997, and served in those positions until his retirement in 2007. Mr. Honeycutt also served on the board of directors of Beckman Coulter, Inc. from 1998 until 2011, and had previously served on the boards of directors of Tenet Healthcare Corporation and FHP International Corporation. In addition, Mr. Honeycutt was appointed by the President of the United States to the National Security Telecommunications Advisory Committee in 1995 and served on the committee for 10 years and as chairman for two years. Age: 74.

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

#### **Class C Directors Whose Terms Will Expire in 2020**

*Jennifer H. Dunbar* has served as a director since February 2004. Since March 2005, Ms. Dunbar has served as Co-Founder and Managing Director of Dunbar Partners, LLC, an investment and advisory services firm. From 1994 to 1998, Ms. Dunbar was a partner with Leonard Green & Partners, L.P., a private equity firm, which she joined in 1989. Ms. Dunbar began her career as a financial analyst in the Mergers and Acquisitions Department of Morgan Stanley in 1985. Ms. Dunbar is also a member of the board of directors of PS Business Parks, Inc., a real estate investment trust, where she chairs the Compensation Committee and serves on the Audit and Capital Committees. Ms. Dunbar has served on the board of trustees of various funds in the PIMCO Funds complex since April 2015 (overseeing 130 fixed income funds as of year-end 2018) and February 2016 (overseeing 21 equity funds as of year-end 2018), respectively, where she is the chair of the Investment Performance Committee and a member of the Audit, Governance and Valuation Oversight Committees of each board. Ms. Dunbar is also the chair of the Governance Committee and co-chair of the Valuation Oversight Committee of the board that oversees the PIMCO equity trusts. Each of the PIMCO entities is a registered investment company under the Investment Company Act of 1940, as amended. Age: 56.

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

*Steven G. Miller* has served as Chairman of the Board, Chief Executive Officer and President since 2002, 2000 and 1992, respectively. Mr. Miller has also served as a director since June 2002. In addition, Mr. Miller served as Chief Operating Officer from 1992 to 2000 and as Executive Vice President, Administration from 1988 to 1992. Age: 67.

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

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**Class A Director Whose Term Will Expire in 2021**

*David R. Jessick* has served as a director since March 2006. Mr. Jessick is retired. Prior to his retirement in 2005, Mr. Jessick served as consultant to the chief executive and senior financial staff at Rite Aid Corp., a retail drug store company, from 2002 to 2005. Mr. Jessick served as Rite Aid's Senior Executive Vice President and Chief Administrative Officer from 1999 to 2002. Prior to joining Rite Aid, from 1997 to 1999, Mr. Jessick was the Chief Financial Officer for Fred Meyer, Inc., where he also served as Executive Vice President, Finance and Investor Relations. From 1979 to 1996, he held various financial positions, including Senior Executive Vice President and Chief Financial Officer, with Thrifty Payless, Inc. and Payless Drugstores Northwest, Inc. Mr. Jessick began his career as a certified public accountant with Peat, Marwick, Mitchell & Co. Mr. Jessick previously served on the board of directors of Rite Aid Corp. and DFC Global. Age: 65.

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

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## THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

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

Name	Age	Class	Expiration of Current Term
David R. Jessick (a)(c)	65	A	2021
Sandra N. Bane (a)(b)(c)	66	B	2019
Van B. Honeycutt (b)(c)	74	B	2019
Jennifer H. Dunbar (a)(b)(c)	56	C	2020
Steven G. Miller	67	C	2020

(a) Member of the Audit Committee

(b) Member of the Compensation Committee

(c) Member of the Nominating and Corporate Governance Committee

### **Board Meetings, Board Committees and Board Structure**

The Board held five meetings during the fiscal year ended December 30, 2018. During the fiscal year ended December 30, 2018, each incumbent director of the Company attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings of the committees on which such director served (in each case, during the periods that such director served). Due to a lack of in-person stockholder attendance at the Company's annual meetings, the Board no longer has a policy regarding attendance at the annual meeting of stockholders by directors or nominees. Steven G. Miller attended the Company's 2018 annual meeting of stockholders.

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

### ***Executive Sessions of Independent Directors***

To promote open discussion among the independent directors, the independent directors meet in executive session as deemed necessary and at least quarterly after regularly-scheduled board meetings. The Lead Independent Director presides at these executive sessions. Any independent director may request that an executive session of the independent members of the Board be scheduled. Following such meetings, the Lead Independent Director (or another designated director) will discuss with the Chairman of the Board and Chief Executive Officer, to the extent appropriate, matters emanating from the executive sessions. The independent directors met in executive session four times during the fiscal year ended December 30, 2018.

### ***Audit Committee***

The Board has a standing Audit Committee, separately-designated and established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), which is chaired by David R. Jessick and currently consists of Mr. Jessick, Sandra N. Bane and Jennifer H. Dunbar. The Board has determined that each of the members of the Audit Committee (i) is financially literate (including the ability to read and understand financial statements) and an independent director (as that term is defined in Nasdaq Listing Rule 5605(a)(2)), (ii) meets the additional audit committee independence requirements set forth in Nasdaq Listing Rule 5605(c)(2), and (iii) qualifies as an audit committee financial expert as defined in the rules of the Securities and Exchange Commission. The Audit Committee held four meetings during the fiscal year ended December 30, 2018.

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

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

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

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

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

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

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

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

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

### *Compensation Committee*

The Board has a standing Compensation Committee, which is chaired by Sandra N. Bane, and currently consists of Ms. Bane, Jennifer H. Dunbar and Van B. Honeycutt. Each of the members of the Compensation Committee is (i) an independent director within the meaning of Nasdaq Listing Rule 5605(a)(2) and meets the additional requirements for compensation committee members set forth in Nasdaq Listing Rule 5605(d)(2), and (ii) is a non-employee director within the meaning of Rule 16b-3 of the Exchange Act. Among other things, the function of the Compensation Committee is to review and determine the compensation and benefits of the Company's executive officers and to administer the Company's Amended and Restated 2007 Equity and Performance Incentive Plan (the **2007 Equity Plan**) and the Company's 2019 Equity Plan. The Compensation Committee held four meetings during the fiscal year ended December 30, 2018.

The Compensation Committee may, to the extent permitted by applicable laws and regulations, form and delegate any of its responsibilities to a subcommittee so long as such subcommittee consists of at least two members of the Compensation Committee. The Compensation Committee has not formed any such subcommittees to date. The Compensation Committee typically receives and considers, to the extent it considers appropriate, recommendations from the Company's Chief Executive Officer, Steven G. Miller, in connection with its compensation decisions. In carrying out its purposes and responsibilities, the Compensation Committee has authority to retain outside counsel or other experts or consultants, as it deems appropriate. The Compensation Committee has on occasion used outside consultants in making compensation determinations, but did not engage a compensation consultant for the purpose of making compensation determinations for the Company's 2018 fiscal year.



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

### ***Nominating and Corporate Governance Committee***

The Board has a standing Nominating and Corporate Governance Committee, which is chaired by Jennifer H. Dunbar and currently consists of Ms. Dunbar, Sandra N. Bane, Van B. Honeycutt and David R. Jessick. Each of the members of the Nominating and Corporate Governance Committee is an independent director as that term is defined in Nasdaq Listing Rule 5605(a)(2). Among other things, the function of the Nominating and Corporate Governance Committee is to (i) identify, screen, review and recommend to the Board individuals qualified to be nominated for election to the Board and to fill vacancies or newly created positions on the Board, consistent with criteria approved by the Board, (ii) recommend to the Board the directors to serve on each Board committee, (iii) assess and, as necessary, develop and recommend to the Board corporate governance policies for the Company, and (iv) oversee the evaluation of the Board. As required by its Charter, the Nominating and Corporate Governance Committee annually oversees a review of the performance of the full Board and confirms that each committee is periodically reviewing its own charter and performance. The Nominating and Corporate Governance Committee held four meetings during the fiscal year ended December 30, 2018.

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

### ***Director Qualifications and Nominations Process***

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

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

Pursuant to our Director Qualifications and Nominations, Board Meetings and Stockholder Communications Policy (which is available on the Investor Relations section of the Company's website under Corporate

Governance ), a stockholder who has beneficially owned more than five percent of the Company's then-outstanding shares of common stock for a period of at least three years as of the date of making the proposal may propose candidates for consideration by the Nominating and Corporate Governance Committee and the Board by submitting the names and supporting information to: Big 5 Sporting Goods Corporation, Attention: Secretary, 2525 East El Segundo Blvd, El Segundo, CA 90245-4632. A stockholder recommendation for nomination must contain the following information (i) about the proposed nominee (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the number of shares of capital stock of the Company which are owned beneficially or of record by the person, including equity derivatives such as options or futures, (d) a resume of the person's business and educational background, (e) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder and (f) confirmation that the person is willing to serve as a director if nominated and elected, and (ii) as to the stockholder making the recommendation (a) the name and record address of such stockholder, (b) the number of shares of capital stock of the Company which are owned beneficially or of record by such stockholder, (c) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings between such stockholder and the proposed nominee, (d) any other information relating to the stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder and (e) documentary support that the stockholder satisfies the requisite stock ownership threshold and holding period. Neither the Nominating and Corporate Governance Committee nor the Board intends to alter the manner in which it evaluates candidates, including the criteria set forth above, based on whether the candidate was recommended by a stockholder.

### ***Majority Voting Policy***

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

As noted earlier, the Company has received a notice from an individual stockholder of the Company of his intent to nominate at the Annual Meeting two individuals for election to the Board. Accordingly, as of the Record Date, the number of nominees exceeds the number of directors to be elected at the Annual Meeting. As a result, the election of directors at the Annual Meeting will be considered a contested election under the Company's majority voting policy, and the Company's majority voting policy will not apply to the election of directors at the Annual Meeting.

### ***Board Leadership Structure***

Steven G. Miller serves as both the Chief Executive Officer and the Chairman of the Board. Given Mr. Miller's long-standing association with the Company, and his extensive knowledge of and experience with the retail sporting goods industry, the Board believes that Mr. Miller's service as both Chairman of the Board and Chief Executive Officer is in the best interest of the Company and its stockholders. The Board believes that Mr. Miller's extensive experience provides him with detailed and in-depth knowledge of the Company's business and industry and the issues facing the Company, and that he is thus best positioned to develop agendas that ensure that the Board's time and

attention are focused on the most critical matters. The Board further believes

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

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

The Board has established the position of Lead Independent Director to provide an independent director with a leadership role on the Board. The independent directors elect the Lead Independent Director annually, and the position is currently held by Van B. Honeycutt. The Lead Independent Director presides at all meetings of the Board at which the Chairman and Chief Executive Officer is not present, including executive sessions of the independent directors, and has the authority to call meetings of the independent directors. In addition, the Lead Independent Director (i) conducts, in consultation with the other independent directors, an annual evaluation of the Chairman and Chief Executive Officer, (ii) serves as liaison between the independent directors and the Chairman and Chief Executive Officer, (iii) approves information sent to the Board, including meeting agendas, (iv) facilitates the Board's approval of the number and frequency of Board meetings and approves meeting schedules, and (v) if requested by major stockholders, ensures that he or she is available, when appropriate, for consultation and direct communication. A summary of the role of the Lead Independent Director is available on the Investor Relations section of the Company's website under Corporate Governance.

#### ***Stock Ownership Guidelines***

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

The Board also has adopted stock ownership guidelines for the Company's Chief Executive Officer. Under the guidelines, the Chief Executive Officer is expected to maintain equity ownership in the Company with a value equal to three times his or her base salary.

Both sets of stock ownership guidelines are available on the Investor Relations section of the Company's website under Corporate Governance.

#### ***Anti-Hedging and Anti-Pledging Policies***

The Board has adopted a Policy Concerning Hedging and Pledging Transactions, which includes Anti-Hedging and Anti-Pledging Policies. The Anti-Hedging Policy provides that no director or executive officer of the Company or its subsidiaries may, at any time, engage in any kind of hedging transaction that could reduce or limit the person's exposure to changes in the value of such person's holdings, ownership or interest in or to common shares or other securities of the Company, including without limitation outstanding stock options, restricted stock, restricted stock units or other compensation awards the value of which are derived from, referenced to or based on the value or market price of common shares of the Company or other securities of the Company. The Anti-Pledging Policy provides that no director or executive officer of the Company or its subsidiaries may purchase Company securities on a margin or otherwise pledge Company securities as collateral for a loan.

#### ***Risk Oversight***

Company management is responsible for assessing and managing risk, subject to oversight by the Board. The Board satisfies this responsibility through reports by each committee chair regarding such committee's considerations and actions, as well as through regular reports directly from the officers responsible for oversight of risks within the

Company, including an annual report on the Company's Enterprise Risk Management program. As part of this process, the Board regularly meets with the Chief Executive Officer, the Chief Financial Officer and the General Counsel, as well as other Company executives as the Board deems to be appropriate, and receives updates on management's assessment of certain risk exposures, including risks related to liquidity, credit and operations.

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The Board is assisted in its oversight responsibilities by the standing Board committees, which have assigned areas of oversight responsibilities for various matters as described in the committee charters. For example, the Audit Committee assists the Board's oversight of the integrity of the Company's consolidated financial statements, the qualifications and independence of the Company's independent registered public accounting firm, and the performance of the Company's internal audit function and independent registered public accounting firm. In carrying out this responsibility, the Audit Committee works closely with management, including the Senior Director of Internal Audit. The Audit Committee meets at least quarterly with members of management, including the Senior Director of Internal Audit, to discuss risks and controls related to accounting and financial reporting.

The Compensation Committee oversees the compensation of the Company's Chief Executive Officer and other executive officers and evaluates the appropriate compensation incentives to motivate senior management to grow long-term stockholder returns without undue risk taking. Company management has regularly reviewed all employee compensation policies and practices to determine if the Company's compensation program encourages risks (such as a focus on short term goals without consideration of long term consequences) that are reasonably likely to have a material adverse effect on the Company. At a meeting of the Compensation Committee in April 2019, management presented the findings of its most recent review, including its conclusion that the Company's compensation programs do not encourage risks that are reasonably likely to have a material adverse effect on the Company. This conclusion was primarily the result of the fact that the Company traditionally has not had incentive compensation programs that are based upon the achievement of specific performance goals or financial targets, which can potentially create such risks if not structured properly. Because the Company's incentive compensation has been primarily based upon overall Company performance and not tied to the individual employee achieving any specific target metrics, management concluded that there is little motivation or opportunity for employees to take undue risks to achieve incentive compensation awards. In addition, all equity awards to employees vest over four years, which helps to align employees' focus on long-term results. Following discussion, the Compensation Committee concurred with management's conclusion.

### **Certain Relationships**

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

There are no arrangements or understandings between any director, nominee or executive officer and any other person pursuant to which such person has been or will be selected as a director and/or executive officer of the Company (other than arrangements or understandings with any such director, nominee and/or executive officer acting in such person's capacity as such), except for the Company's employment agreement with Steven G. Miller, who currently serves as Chairman of the Board, President and Chief Executive Officer, which provides that as long as he serves as an officer, the Company will use its best efforts to ensure that he continues to serve on the Company's Board.

### **Audit Committee Report**

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

The Audit Committee has reviewed the Company's audited consolidated financial statements for the fiscal year ended December 30, 2018 and the notes thereto and discussed such consolidated financial statements with



management and Deloitte & Touche LLP, the Company's independent registered public accounting firm, acting as the Company's independent auditor. Management has represented to the Audit Committee that the consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States.

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

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

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

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

### ***Conclusion***

Based on the review and discussions referred to above, the Audit Committee recommended to the Company's Board of Directors that the Company's audited consolidated financial statements and management's assessment of effectiveness of the Company's internal control over financial reporting be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2018 for filing with the Securities and Exchange Commission.

SUBMITTED BY AUDIT COMMITTEE OF

THE BOARD OF DIRECTORS

David R. Jessick (Chair)

Sandra N. Bane

Jennifer H. Dunbar

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



### **Stockholder Communications with the Board of Directors**

Stockholders may send communications about matters of general interest to the stockholders of the Company to the Board, the Chairman of the Board, the Lead Independent Director, the Chair of the Audit Committee, the Chair of the Compensation Committee or the Chair of the Nominating and Corporate Governance Committee at the following address: Big 5 Sporting Goods Corporation, Attention: Secretary, 2525 East El Segundo Blvd., El Segundo, CA 90245-4632. The Secretary will compile these communications and periodically deliver them to the Chairman of the Board, unless otherwise specifically addressed. Communications relating to accounting, internal controls over financial reporting or auditing matters will be referred to the Chair of the Audit Committee.

### **Code of Business Conduct and Ethics**

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

### **Compensation Committee Interlocks and Insider Participation**

For the fiscal year ended December 30, 2018, the Compensation Committee consisted of Sandra N. Bane (as Chair), Jennifer H. Dunbar, and Van B. Honeycutt (commencing November 29, 2018). None of these individuals (i) is or has been an officer or employee of the Company or any of its subsidiaries, or (ii) has any relationship requiring disclosure under any paragraph of Item 404 of Regulation S-K.

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

### **Compensation Committee Report**

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

#### **COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**

Sandra N. Bane (Chair)

Jennifer H. Dunbar

Van B. Honeycutt

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



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**Executive Officers**

The following section sets forth certain information with respect to the Company's current executive officers (other than Steven G. Miller, whose information is set forth above under Class C Directors Whose Terms Will Expire in 2020). Executive officers serve at the discretion of the Board, subject to rights, if any, under contracts of employment. See Executive and Director Compensation and Related Matters Employment Agreements, Change in Control Provisions and Certain Other Plans.

<b>Name</b>	<b>Age</b>	<b>Position with the Company</b>
Steven G. Miller	67	Chairman of the Board of Directors, Chief Executive Officer and President
Boyd O. Clark	61	Senior Vice President, Buying
Barry D. Emerson	61	Senior Vice President, Chief Financial Officer and Treasurer
Jeffrey L. Fraley	62	Senior Vice President, Human Resources
Michael P. Marrone	67	Senior Vice President, Store Operations
Shane O. Starr	61	Senior Vice President, Operations
Luke D. Thompson	47	Senior Vice President, General Counsel and Secretary

*Boyd O. Clark* has served as Senior Vice President, Buying since August 2011. Prior to that, he served as the Company's Vice President, Buying since 1999. Age: 61.

*Barry D. Emerson* has served as Chief Financial Officer and Treasurer since October 2005 and as Senior Vice President since September 2005. Age: 61.

*Jeffrey L. Fraley* has served as Senior Vice President, Human Resources since July 2001. Prior to that, Mr. Fraley served as Vice President, Human Resources from 1992 to 2001. Age: 62.

*Michael P. Marrone* has served as Senior Vice President, Store Operations since September 2016. Prior to that, he served as the Company's Vice President, Store Operations since 2002. Age: 67.

*Shane O. Starr* has served as Senior Vice President, Operations since March 2007. Prior to that, he served as the Company's Vice President of Operations since 1999. Age: 61.

*Luke D. Thompson* has served as Senior Vice President since September 2016 and General Counsel and Secretary since July 2018. Mr. Thompson also served as Vice President, Corporate Counsel and Assistant Secretary from 2006 to 2016. Age: 47.

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## EXECUTIVE AND DIRECTOR COMPENSATION AND RELATED MATTERS

### Compensation Discussion and Analysis

#### *Overview and 2018 Summary*

The general compensation philosophies and procedures described below apply to all of our executive officers. As a smaller reporting company, under the rules of the Securities and Exchange Commission we are not required to provide a formal Compensation Discussion and Analysis. However, we believe that providing a discussion of our compensation philosophies and practices in this format will be useful for our stockholders. In accordance with the rules of the Securities and Exchange Commission applicable to smaller reporting companies, our discussion will focus specifically on the compensation structure in effect for the following three executive officers (who will be referred to as our **named executive officers**):

Steven G. Miller	Chairman of the Board of Directors, Chief Executive Officer and President
Barry D. Emerson	Senior Vice President, Chief Financial Officer and Treasurer
Luke D. Thompson	Senior Vice President, General Counsel and Secretary

Attracting, motivating and retaining well-qualified and highly-talented executives is essential to the success of any company. We believe that our business and the interests of our stockholders are best served by continuity and stability of our management team. In the retail sporting goods industry, the market for top executive talent is highly competitive. Accordingly, the goals of our compensation program are to encourage retention of top executives who may have attractive opportunities at other companies, to provide significant rewards for successful performance, particularly over the longer term, and to align our named executive officers' and other executive officers' interests with those of our stockholders. We believe these goals can be achieved by a program of executive compensation which stresses long-term incentives and which is stable and consistent over time. Our executive compensation program therefore has varied very little since the Company's initial public offering in 2002. We believe that our executive compensation program has been successful in encouraging retention, because our current named executive officers have an average tenure of 27 years with us.

Our named executive officers' compensation consists of three primary elements: (i) base salary; (ii) annual bonus awards from a company-wide bonus pool that is generally tied to the Company's overall earnings before interest, taxes, depreciation and amortization ( **EBITDA** ) (see Appendix A for the definition and calculation of this non-GAAP term) for the applicable year; and (iii) long-term stock-based incentive awards in the form of restricted stock awards and (in some years) stock options.

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

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

Annual bonus awards: The principal factor in determining annual bonus awards is Company EBITDA performance. The amount of total bonuses paid typically increases or decreases in a manner generally consistent with year-over-year percentage changes in our EBITDA.

Equity grants: Company performance and employee retention are important factors in determining the size and value of any equity grants.

We believe that the total compensation paid to our named executive officers is at or below the median range of total compensation paid by other companies with which we compete for talent. Although the cash component has traditionally been, and continues to be, the largest portion of our named executive officers' compensation, the Compensation Committee believes that the interests of our named executive officers are aligned with stockholder interests as a result of our equity grants and the fact that the annual bonus award, which represents a large portion of the cash compensation, is principally influenced by Company EBITDA performance. Because we set base salaries and award equity grants in March of each year, salary adjustments for a fiscal year and the size and value of the equity grants shown as compensation for a given fiscal year tend to be reflective of the Company's performance in the prior fiscal year and projected financial performance in the current fiscal year. Conversely, since bonuses for each fiscal year are primarily based upon the Company's EBITDA in that fiscal year, and are determined and paid in March of the following year, bonuses shown as compensation for a given fiscal year reflect the Company's performance in that fiscal year.

Our discussion below focuses on the application of the above principles to our named executive officers' compensation for 2018, including comparisons to 2017 compensation. The discussion below does not address Mr. Thompson's compensation for 2018, because Mr. Thompson's compensation for 2018 was principally driven by considerations associated with his promotion in 2018 to the position of Senior Vice President, General Counsel and Secretary. Prior to his promotion, Mr. Thompson was not a senior executive officer. Mr. Thompson's compensation package in connection with this promotion was determined by taking into account compensation paid to individuals holding similar positions at other comparable companies, as well as salaries, bonuses and equity grants made to other executive officers at the Company, rather than by adjustments to his 2017 compensation.

The application of our compensation philosophy resulted in the following compensation treatment for Mr. Miller and Mr. Emerson in 2018:

The base salary for 2018 for Mr. Miller increased by 3.2% and the base salary for 2018 for Mr. Emerson increased by 7.0%.

Total annual bonuses for fiscal 2018 for Mr. Miller and Mr. Emerson, determined and paid in March 2019, decreased compared with the prior year because the Company's adjusted EBITDA for fiscal 2018 decreased compared with 2017 (see Appendix A for the calculation of adjusted EBITDA). The Company's adjusted EBITDA decreased by 49.4% from fiscal 2017, the total amount of bonuses paid to employees decreased by 37.5%, the bonus paid to Mr. Miller decreased by 46.0% and the bonus paid to Mr. Emerson decreased by 45.7%.

Total cash compensation paid to Mr. Miller decreased by 9.2%, and total cash compensation paid to Mr. Emerson decreased by 5.3% compared to 2017, reflecting reduced bonus payments in view of the decline in the Company's adjusted EBITDA for 2018.

The value of equity grants to Mr. Miller (made in March 2018) decreased by 33.4% and the value of equity grants to Mr. Emerson (made in March 2018) decreased by 30.5% compared to 2017, primarily reflecting the decrease in the Company's stock price in March 2018 from March 2017.

***Process***



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

Specifically, the objectives of the Compensation Committee's practices are to:

- (1) provide a total compensation program that is competitive with companies with which we compete for talent;
- (2) link short-term incentives to financial performance;

(3) provide long-term compensation that focuses management's efforts on building stockholder value and aligning their interests with our stockholders; and

(4) promote stability and retention of our management team.

The Compensation Committee receives recommendations from our President and Chief Executive Officer (our Principal Executive Officer), and while it does not attempt to formulaically tie the Company's compensation levels to those of any peer group companies, it considers such factors as publicly available information on executive compensation, industry comparisons and competitive data. The Compensation Committee also considers each executive's role and responsibilities, and the responsibility levels of the executives relative to one another, when setting executive compensation. Our Chief Executive Officer does not participate in the deliberations of the Compensation Committee with respect to setting his compensation.

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

Nonetheless, in the course of his diligence efforts toward arriving at recommendations to the Compensation Committee, the Chief Executive Officer identifies for the Compensation Committee various companies whose compensation levels he determines to be relevant to ensure that the Company's compensation levels are not materially inconsistent with market practice of competitors and similarly-situated companies. In that regard, for purposes of determining base salaries, the Chief Executive Officer and the Compensation Committee look at data from proxy statements and other public information available from a number of publicly-traded retail companies, including: Boot Barn Holdings, Inc., Christopher & Banks Corporation, Citi Trends, Inc., The Container Store Group, Inc., Destination XL Group, Inc., Dick's Sporting Goods, Inc., DSW, Inc., Francesca's Holding Corp., Fred's, Inc., GNC Holdings, Inc., Haverty Furniture Companies, Inc., Hibbett Sports, Inc., J. Jill, Inc., Kirkland's, Inc., Pier 1 Imports Inc., Shoe Carnival, Inc., Sportsman's Warehouse Holdings, Inc., Stage Stores, Inc., Stein Mart, Inc., Tailored Brands, Inc., Tilly's, Inc., Tuesday Morning Corporation, Vitamin Shoppe, Inc. and Zumiez Inc. In the Chief Executive Officer's view, these companies represent retailers in the sporting goods industry as well as certain similarly situated specialty retailers in terms of geographic location and size. As indicated above, this peer group data is used only to inform the Chief Executive Officer and the Compensation Committee regarding general market practices in order to allow them to assess the reasonableness of the Company's compensation practices over time, not to align the Company's compensation levels with those of any peer group companies.

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

In addition, the Chief Executive Officer interacts with all of the named executive officers on a near daily basis throughout the year, and his assessments of each such executive officer's individual performance are

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reflected in his recommendations to the Compensation Committee. Furthermore, members of the Compensation Committee (while serving on the Compensation Committee, other Board committees or while attending meetings and functions of the Company's Board generally) also interact frequently with the Chief Executive Officer and the other named executive officers and have available data relating to the performance of the business units or functions for which each named executive officer is responsible. As a result, the Compensation Committee members form their own assessments of each executive's performance throughout the year, and these assessments, along with the Chief Executive Officer's recommendations, are considered in setting overall and relative salary and bonus levels and equity grants.

As noted above, our named executive officers have an average tenure of 27 years with us. Consequently, the Company believes that, as a practical matter, the skills, scope of duties and relative contributions of these officers tend to be more consistent from year to year in comparison to the executive officers of companies for which there has been more turnover. Accordingly, the year-over-year compensation levels, and the compensation levels of our named executive officers relative to one another, tend to reflect that fact.

Internal Revenue Code Section 162(m) generally disallows a tax deduction to reporting companies for compensation over \$1,000,000 paid to the company's chief executive officer, chief financial officer and certain other highly compensated officers, subject to certain exceptions. Historically, Section 162(m) has not been a factor in the design of our executive compensation program because the compensation of our executives other than our Chief Executive Officer has not approached \$1,000,000, and the compensation of our Chief Executive Officer has not typically exceeded \$1,000,000.

### *Elements of Compensation*

#### *Salary*

Our Compensation Committee reviews the base salaries of our named executive officers annually. The salaries of our named executive officers are determined in the sole discretion of the Compensation Committee, after receiving recommendations from our Chief Executive Officer. As noted above, the Compensation Committee considers individual and Company performance, as well as factors such as publicly available information on executive compensation, including industry comparisons and competitive data, each executive's role and responsibilities, the responsibility levels of the executives relative to one another and changes in the cost of living.

As noted above, salary increases (if any) for a fiscal year tend to be reflective of the Company's financial performance in the prior fiscal year and projected financial performance in the current fiscal year.

The base salary for 2018 for Mr. Miller increased by 3.2%, and the base salary for 2018 for Mr. Emerson increased by 7.0% from 2017. However, as noted above, given the reduction in bonus payments for 2018, total cash compensation paid to Mr. Miller for 2018 declined 9.2% from the prior year and total cash compensation paid to Mr. Emerson for 2018 declined 5.3% from the prior year.

#### *Bonuses*

The Company maintains a bonus pool that covers approximately 275 salaried employees throughout our organization, including our named executive officers, other executive officers as well as members of management and other salaried employees. The bonus pool is also used, where appropriate, to provide bonuses to newly hired employees and in connection with promotions of key employees throughout the Company. As noted above, bonuses for each fiscal year are primarily based upon the Company's EBITDA in that fiscal year; bonuses shown in the Summary Compensation Table as compensation for a given fiscal year reflect the Company's performance in that fiscal year.

Although the Company does not set specific Company or individual performance targets for purposes of determining the bonuses, the total amount of annual bonuses paid to our salaried employees has historically moved in a manner generally consistent with year-over-year percentage changes in our EBITDA. In 2018, our adjusted EBITDA (which, as detailed in Appendix A, excluded charges for impairment and contract termination

costs) decreased by 49.4% in comparison to our 2017 adjusted EBITDA, and the 2018 bonus pool decreased by 37.5% to approximately \$1.5 million from approximately \$2.4 million in 2017.

For our named executive officers, we intend that bonuses will reward them for the achievement of successful financial performance over a relatively short period of time (typically one fiscal year). Additionally, the bonus component of a named executive officer's compensation allows us to ensure that total cash compensation paid to the executive remains competitive with the companies with which we compete for talent. The bonuses of our named executive officers are determined in the sole discretion of the Compensation Committee, after receiving recommendations from our Chief Executive Officer.

Bonus payments to our named executive officers are based on their individual contributions to the success of our business for the year, and fairness and proportionality of the named executive officer's compensation when compared with the compensation for the year of our Chief Executive Officer and the other named executive officers. These practices have been essentially uniform since the Company's initial public offering in 2002. For 2018, the bonus pool decreased by 37.5% and the bonus payment to Mr. Miller decreased by 46.0% from the prior year and the bonus payment to Mr. Emerson decreased by 45.7% from the prior year.

#### *Long-Term Incentive Compensation (Equity Awards)*

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

We typically grant equity-based awards to some or all of our named executive officers and other employees in connection with their annual performance and compensation reviews in March of each year. We also occasionally grant equity-based awards throughout the year to select newly hired or promoted employees in connection with our recruitment and retention efforts. Our Compensation Committee determines the size of each grant to our named executive officers, after receiving recommendations from our Chief Executive Officer. In making this determination, the Compensation Committee considers the value of total direct compensation, the Company's recent financial performance, future expectations of the Company's financial performance, individual performance, the number and value of stock options and restricted shares previously granted to the named executive officer and the relative proportion of long-term incentives within the total compensation mix. In the case of stock options, the grant date is the date of the meeting or a subsequent date selected by the Committee, provided that in either case such date must occur during a trading window following public disclosure of the Company's quarterly or annual financial results. We do not intend to grant stock options while in possession of material non-public information, except pursuant to a pre-existing policy under which options are granted to non-employee directors upon the date of first election or appointment to the Board. The exercise price of each stock option granted is the closing price of our stock on the date of grant.

The compensation shown in the Summary Compensation Table on page 23 represents the aggregate grant date fair value of the grant based upon the Company's common stock price on the grant date and without any adjustment for estimated forfeitures. However, with respect to considerations of Company performance, because such grants typically occur in March in connection with the named executive officers' annual employment reviews, and as they are not intended as bonus compensation for the prior year, they will be reflected in the Summary Compensation Table below for the year following the fiscal year for which Company financial performance was considered in connection with the award. The value of equity grants given in March 2018 (and reflected as compensation for 2018) to Mr. Miller decreased by 33.4% and the value of equity grants to Mr. Emerson decreased by 30.5% compared to 2017, primarily reflecting a decrease in the Company's stock price from March 2017 to March 2018.

The equity compensation shown in the Summary Compensation Table on page 23 does not necessarily reflect the actual value that will be realized by the named executive officers with respect to those equity grants. In all cases, the

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

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

Although the long-term incentive represented by equity awards has been a significant component of the compensation of our named executive officers, we believe that the value of our equity awards to our named executive officers, on an annualized basis, is relatively modest, and is reasonable and appropriate, when compared to the size of equity awards to similar officers of other companies with which we compete for talent. We also believe that these equity awards have resulted in minimal stock dilution. For example, during each of fiscal years 2017 and 2018, such equity awards to named executive officers represented less than 0.1% of shares outstanding as of the grant dates.

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

We believe restricted stock provides a further enhancement to retention, as restricted stock generally maintains a greater value than stock options during cyclical downturns in our stock price, our industry or the stock market and general economy, and it also pays dividends. We also believe that inclusion of restricted stock in our equity award packages more closely aligns the interests of our named executive officers with those of stockholders, in light of the volatility of the stock market and the additional volatility of stock option value relative to changes in market value of the underlying stock.

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

#### *Change in Control Payments*

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

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

Mr. Miller's employment agreement also contains provisions for payment on dismissal without cause or resigning for good reason, which could apply after as well as before a change in control. See Employment Agreements, Change in Control Provisions and Certain Other Plans.

We have entered into a severance agreement with Barry D. Emerson, our Senior Vice President, Chief Financial Officer and Treasurer (our Principal Financial Officer), which provides that he will receive certain payments if we



terminate his employment other than for cause. These provisions can operate after as well as before a change in control. These provisions were the result of arm's length negotiations between us and Mr. Emerson when we hired him.

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In August 2015, the Company entered into change of control severance agreements with its executive officers (other than Mr. Miller). Each agreement provides for the payment of severance and other benefits to the executive officer in the event of a termination of their employment by the Company without cause or by the named executive officer for good reason, in either case, upon or within two years following a change of control. We believe the terms of these agreements are desirable from our standpoint because they enable these executive officers to focus solely on the best interests of our stockholders in the event of a possible, threatened or pending change in control, without undue concern for their own personal interests.

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

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

#### *All Other Compensation*

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

#### **Summary Compensation Table**

Name and Principal Position	Fiscal Year	Salary \$(1)	Bonus \$(2)	Stock Awards \$(3)	Non-Equity Incentive Compensation			Total (\$)
					Option Awards \$(4)	Deferred Compensation (\$)	All Other Compensation \$(5)	
Steven G. Miller Chairman of the Board, President and Chief Executive Officer	2018	\$ 567,058	\$ 100,000	\$ 68,500	\$ 30,728		\$ 26,950	\$ 793,236
Barry D. Emerson Senior Vice President, Chief Financial Officer and Treasurer	2017	\$ 549,615	\$ 185,000	\$ 149,000			\$ 27,461	\$ 911,076
	2018	\$ 406,385	\$ 62,500	\$ 28,770	\$ 14,749		\$ 28,373	\$ 540,777
	2017	\$ 379,904	\$ 115,000	\$ 62,580			\$ 27,179	\$ 584,663

Luke D. Thompson	2018	\$ 322,808	\$ 75,000	\$ 63,020	\$ 30,728	\$ 25,239	\$ 516,795
Senior Vice President, General Counsel and Secretary (6)							

(1) The amounts in this Salary column reflect amounts actually earned in the applicable fiscal year. Such amounts reflect a blended amount based on the base salary in effect prior to any annual salary increase (which typically occurs in March of each year) and the higher base salary for the remainder of the year. Effective March 25, 2019, base annual salaries for each of the named executive officers were set as follows:

- Steven G. Miller: \$585,000
- Barry D. Emerson: \$425,000
- Luke D. Thompson: \$360,000

(2) The amounts in this Bonus column reflect amounts earned in the applicable fiscal year but not paid until the following fiscal year.

- (3) During fiscal year 2018, the Company granted shares of restricted stock to each of the named executive officers as follows: Mr. Miller, 10,000 shares; Mr. Emerson, 4,200 shares; and Mr. Thompson, 9,200 shares. Each of these grants was made on March 14, 2018 and vests over a four-year vesting period. For Mr. Thompson, a portion of the grant was made in connection with his promotion to the position of Senior Vice President, General Counsel and Secretary.

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

- (4) During fiscal year 2018, the Company granted options to each of the named executive officers as follows: Mr. Miller, 25,000 options; Mr. Emerson, 12,000 options; and Mr. Thompson, 25,000 options. Each of these options was granted on March 1, 2018, has an exercise price of \$6.20 per share and vests over a four-year vesting period. For Mr. Thompson, a portion of the grant of options was made in connection with his promotion to the position of Senior Vice President, General Counsel and Secretary.

The dollar value of Option Awards shown represents the aggregate grant date fair value calculated in accordance with FASB ASC Topic 718, on the basis of the fair value of the option on the grant dates and without any adjustment for estimated forfeitures. Each Option Award entitles the named executive officer to purchase one share of our common stock at the time of vesting upon payment of the applicable exercise price. The amounts reported in the Option Awards column do not necessarily reflect the dollar amounts of compensation actually realized or that may be realized. The actual value, if any, that a named executive officer may realize with respect to each option will depend on the excess of the stock price over the exercise price on the date the option is exercised and the shares underlying such option are sold.

- (5) The amounts in the All Other Compensation column include (a) the value attributable to personal use of a Company-provided automobile, which in fiscal 2018 were the following amounts: Mr. Miller: \$19,996, Mr. Emerson: \$18,674, and Mr. Thompson: \$16,558; (b) Company contributions and other allocations made on behalf of the individual under the Company's defined contribution plan, which in or for fiscal 2018 were the following amounts: Mr. Miller: \$6,284, Mr. Emerson: \$9,009, and Mr. Thompson: \$8,232, and (c) Company payments of group term life insurance premiums for the individual, which in fiscal 2018 were the following amounts: Mr. Miller: \$670, Mr. Emerson: \$690, and Mr. Thompson: \$449.

- (6) Amounts for 2017 are not shown for Mr. Thompson because he was not a senior executive officer in fiscal 2017.
- Stock Options and Equity Compensation**

Our 2007 Equity Plan is administered by our Compensation Committee. The Compensation Committee has broad discretion and power in operating the 2007 Equity Plan and in determining which of our employees, directors, and consultants shall participate, and the terms of individual awards. Awards under the 2007 Equity Plan may consist of options, stock appreciation rights, restricted stock, other stock unit awards, performance awards, dividend equivalents

or any combination of the foregoing. Any shares that are subject to awards of options or stock appreciation rights shall be counted against the plan limit as one share for every one share granted. Awards of restricted stock or restricted stock units and other awards that are not awards of stock options or stock appreciation rights (including shares delivered in settlement of dividend rights) shall be counted against the plan limit as 2.5 shares for every share granted. The aggregate number of shares available under the 2007 Equity Plan and the number of shares subject to outstanding options and stock appreciation rights will be increased or decreased to reflect any changes in the outstanding common stock of the Company by reason of any

recapitalization, spin-off, reorganization, reclassification, stock dividend, stock split, reverse stock split, or similar transaction. If any shares subject to an award under the 2007 Equity Plan are forfeited or expire, or are terminated without issuance of shares, the shares shall again be available for award under the 2007 Equity Plan. Any shares that again become available for grant shall be added back as one share if such shares were subject to options or stock appreciation rights granted under the 2007 Equity Plan and as 2.5 shares if such shares were subject to awards other than options or stock appreciation rights granted under the 2007 Equity Plan.

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

At April 18, 2019, net of cancellations and forfeitures:

options to purchase 1,369,711 shares had been issued under the 2007 Equity Plan,

1,704,977 shares of restricted stock had been awarded under the 2007 Equity Plan, which are counted against the plan limits as 4,262,442.5 shares, and

127,392 restricted stock units had been awarded under the 2007 Equity Plan, which are counted against the plan limits as 318,480 shares.

At April 18, 2019,

548,803 shares were available for additional grants under the 2007 Equity Plan.

At April 18, 2019,

544,950 shares remained subject to outstanding options under the 2007 Equity Plan,

510,362 unvested restricted shares were outstanding under the 2007 Equity Plan, which are counted against the plan limits as 1,275,905 shares, and

26,163 unvested restricted stock units were outstanding under the 2007 Equity Plan, which are counted against the plan limits as 65,408 shares.

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

The Board has approved the 2019 Equity Plan, which, if approved by the stockholders at the Annual Meeting, would make 3,300,000 additional shares available for grant to the Company's employees, directors and consultants. If the 2019 Equity Plan is approved by our stockholders, the 2007 Plan will be terminated, and no new awards will be made thereafter under the 2007 Plan. However, awards previously granted continue to be outstanding under their terms.



**Outstanding Equity Awards at Fiscal 2018 Year-End**

Name	Equity Incentive Plan Awards:		Equity Incentive Plan Awards: Value of Unearned Shares, Units or Other Rights That Have Not Vested	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Value of Unearned Shares, Units or Other Rights That Have Not Vested	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Exercisable						Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Exercisable
	(#)(1)	(#)(1)	(#)	(\$)	Date	(#)(2)	(\$)(3)	(#)	(\$)
Steven G. Miller Chairman of the Board, President and Chief Executive Officer	4,687	20,313		\$ 6.20	3/1/2028	23,400	\$ 80,187		
Barry D. Emerson Senior Vice President, Chief Financial Officer and Treasurer		12,000		\$ 6.20	3/1/2028	9,800	\$ 33,544		
Luke D. Thompson Senior Vice President, General Counsel and		25,000		\$ 6.20	3/1/2028	13,925	\$ 44,736		



## Secretary

- (1) The vesting dates of the options reported in the second and third columns are as follows: Mr. Miller's options vest in forty-eight equal monthly installments, beginning on April 1, 2018; Mr. Emerson's and Mr. Thompson's options vest in four equal annual installments, beginning on March 1, 2019.
- (2) The vesting dates of the unvested restricted shares reported in the seventh column are as follows: Mr. Miller's shares vested or will vest on March 14, 2019 (8,900 shares), March 14, 2020 (7,000 shares), March 14, 2021 (5,000 shares), and March 14, 2022 (2,500 shares); Mr. Emerson's shares vested or will vest on March 14, 2019 (3,700 shares), March 14, 2020 (2,950 shares), March 14, 2021 (2,100 shares), and March 14, 2022 (1,050 shares); and Mr. Thompson's shares vested or will vest on March 14, 2019 (4,525 shares), March 14, 2020 (3,900 shares), March 14, 2021 (3,200 shares), and March 14, 2022 (2,300 shares).
- (3) The amounts in the Market Value of Shares column are the sum of (a) the fair market value of the shares on December 30, 2018, based upon our most recent closing stock price as of that date of \$2.56 (equal to \$59,904 for Mr. Miller, \$25,088 for Mr. Emerson and \$35,648 for Mr. Thompson), plus (b) dividends that accrued on the shares as of December 30, 2018 (equal to \$20,283 for Mr. Miller, \$8,456 for Mr. Emerson and \$9,088 for Mr. Thompson).

**Employment Agreements, Change in Control Provisions and Certain Other Plans**

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

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

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

Mr. Miller's employment agreement provides that he will serve as Chairman of the Board of Directors, Chief Executive Officer and President for a term of four years from any given date, such that there shall always be a minimum of at least four years remaining under his employment agreement. The employment agreement provides for Mr. Miller to receive an annual base salary of \$473,000 (as of December 2008), subject to annual increase based on comparable compensation packages provided to executives in similarly situated companies, and to participate in a bonus plan to be established by the Compensation Committee. His annual base salary has since increased to \$585,000, effective March 2019. In practice, his bonuses have been determined in the discretion of the Compensation Committee. Mr. Miller is also entitled to use of a Company automobile. In addition, as long as Mr. Miller serves as an officer, the Company will use its best efforts to ensure that he continues to serve on the Board and on the board of directors of the Company's wholly-owned subsidiary, Big 5 Corp.

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

If Mr. Miller's employment is terminated due to his death, in addition to the salary, vacation pay and pro rated cash bonus discussed above, the employment agreement provides for accelerated vesting of options that would have been exercisable during the 24 months following the termination date and the continuation of family medical benefits for the four years following the termination date.

If Mr. Miller's employment is terminated due to his disability, in addition to the salary, vacation pay and pro rated cash bonus discussed above, the employment agreement provides that the Company will pay Mr. Miller on the fifth business day following the termination date a lump sum severance payment in an amount equal to his base salary for two years and an additional amount equal to two times the greater of (i) the last annual cash bonus paid to Mr. Miller and (ii) the average annual cash bonus paid to him during the prior three fiscal years. In addition, the employment agreement provides for accelerated vesting of options that would have been exercisable during the 24 months following the termination date and the continuation of specified benefits for the four years following the termination date.

If Mr. Miller terminates the employment agreement for good reason at any time, or for any reason within six months of a change in control, or if the Company terminates the employment agreement without cause at any time, in addition to the salary, vacation pay and pro rated cash bonus discussed above, the employment agreement provides the Company will pay Mr. Miller on the fifth business day following the termination date a lump sum severance payment in an amount equal to three times his annual compensation. For this purpose, Mr. Miller's annual compensation will be deemed to equal the average annual compensation received by Mr. Miller for each of the five years immediately preceding the year in which the termination date falls, as reflected on Mr. Miller's Forms W-2 for those years. In addition, the employment agreement provides for accelerated vesting of all of his options and the continuation of specified benefits for the four years following the termination date. However, the employment agreement provides that payments in connection with the change in control will be reduced to the extent necessary to prevent them from being subject to the Golden Parachute Excise Tax.

If Mr. Miller terminates the employment agreement without good reason or the Company terminates the employment agreement for cause, Mr. Miller is entitled to receive the accrued and unpaid salary, vacation pay and prorated cash bonus discussed above.

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The employment of our Chief Financial Officer, Barry D. Emerson, with us is governed by an employment offer letter dated August 16, 2005, which is referred to as the **Offer Letter**. The Offer Letter provided for Mr. Emerson to receive a starting annual base salary of \$275,000 and a minimum starting annual bonus of \$125,000. As a result of periodic annual increases, Mr. Emerson's annual base salary has since been increased to \$425,000, effective March 2019. His annual incentive bonuses have been set in the discretion of the Compensation Committee from the overall bonus pool. Pursuant to the Offer Letter, Mr. Emerson is eligible for stock option grants comparable to those provided to other senior vice presidents of the Company. In addition, the Offer Letter provides that Mr. Emerson receives use of a Company automobile.

Pursuant to the Offer Letter, we and Mr. Emerson have entered into a Severance Agreement that provides that his employment is at will but that, if we terminate his employment other than for cause (as defined in the Severance Agreement), Mr. Emerson will receive a severance package which will include one year's base salary and one year's health coverage for him and his family. Payment of the severance benefit is conditioned upon Mr. Emerson's delivery of an effective general release of claims in favor of the Company. Mr. Emerson is also party to a Change of Control Severance Agreement, which is discussed in detail below. In the event that a termination of employment would result in any duplicate payments or benefits under the Severance Agreement and under the Change of Control Severance Agreement, Mr. Emerson would not be entitled to receive such duplicate payments or benefits under the Severance Agreement.

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

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

Each of our executive officers is eligible to participate in our 401K defined contribution plan, which is administered by an independent third party. The Company matches 50% of the first four percent of the executive's contribution to the plan (subject to annual IRS limits). In addition, the Company's 401K plan includes a profit sharing component under which a portion of Company profits may be distributed to eligible participants, subject to eligibility requirements. The amount of the contribution is determined by the Company and has historically been in the range of

\$3,000 to \$6,000 per year for each executive officer.

## Compensation of Directors

Our Board of Directors sets directors' compensation based on its review of publicly-available information about what other companies pay their directors. Directors who are also employees of the Company are compensated as officers of the Company and receive no additional compensation for serving as directors. The Company's Director Compensation Program consists of the following elements:

### *Cash Retainers:*

Each non-employee director shall receive an annual retainer of \$50,000. The Lead Independent Director shall receive an additional annual retainer of \$15,000. The Chair of the Audit Committee shall receive an additional annual retainer of \$10,000, and the Chairs of the Compensation Committee and the Nominating and Corporate Governance Committee each shall receive an additional annual retainer of \$7,500. Each member of the Audit Committee, including the Chair, shall receive an additional annual retainer of \$10,000. Each member of the Compensation Committee, including the Chair, shall receive an additional annual retainer of \$7,500. Each member the Nominating and Corporate Governance Committee, including the Chair, shall receive an additional annual retainer of \$7,500.

### *Meeting Fees:*

If the Board of Directors or any committee holds more than eight meetings in any calendar year, then each director or committee member, as the case may be, shall receive meeting fees for attendance at each subsequent meeting during that calendar year in the following amounts: \$2,500 for attendance at each regularly scheduled meeting of the Board or each committee meeting not otherwise held on the day of a board meeting or other committee meeting, \$1,000 for attendance at each committee meeting held on the day of a Board meeting or other committee meeting, and \$1,000 for attendance by telephone at any specially called telephonic board meeting or committee meeting.

### *Long-Term Incentive Compensation (Equity Awards)*

Each new non-employee director shall be granted automatically options to purchase 10,000 shares of the Company's common stock upon his or her initial appointment or election to the Board. The options shall have an exercise price equal to the fair market value of the Company's common stock on the date of grant and vest in four equal annual installments beginning with the first anniversary of the date of grant. Each non-employee director shall be granted automatically annually, on the date of the Company's annual meeting of stockholders, \$75,000 in equity compensation. Such equity compensation shall be in the form of restricted shares of the Company's common stock or, at the election of the director, in lieu of all or a portion of such restricted stock, deferred restricted stock units. This restricted stock and these restricted stock units shall vest one hundred percent (100%) on the earlier of the date of the Company's next annual stockholders meeting following the date of grant or the one-year anniversary of the date of grant, although the stock underlying restricted stock units will not become deliverable until the 10<sup>th</sup> business day of January following the calendar year in which the director's service on the Board terminates for any reason.

### *Reimbursement of Expenses*

Directors shall be reimbursed for all out-of-pocket expenses incurred in attending meetings.

### Director Compensation for Fiscal 2018

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)(2)	Non-Equity Nonqualified			All Other Compensation (\$)	Total (\$)
			Option Awards (\$)	Incentive Plan Compensation (\$)	Deferred Compensation Earnings (\$)		
Sandra N. Bane	\$ 83,500	\$ 75,001					\$ 158,501
Nicholas Donatiello, Jr.(3)	\$ 33,500	\$ 75,001					\$ 108,501
Jennifer H. Dunbar	\$ 83,500	\$ 75,001					\$ 158,501
Robert C. Galvin (4)	\$ 54,221	\$ 75,001					\$ 129,222
Van B. Honeycutt	\$ 72,500	\$ 75,001					\$ 147,501
David R. Jessick	\$ 77,500	\$ 75,001					\$ 152,501

- (1) The dollar value of Stock Awards (including restricted stock and restricted stock units) shown represents the aggregate grant date fair value calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, or FASB ASC Topic 718, on the basis of the Company's common stock price on the grant dates and without any adjustment for estimated forfeitures. Each Stock Award entitles the director to receive one restricted share of our common stock (subject to vesting), in the case of a grant of restricted stock without the payment of an exercise price or other cash consideration. In the case of restricted stock units, each Stock Award represents the right to receive one share of our common stock at a specified time, subject to satisfaction of the applicable vesting conditions. The amounts reported in the Stock Awards column do not necessarily reflect the dollar amounts of compensation actually realized or that may be realized. The actual value that a director will realize on each Stock Award will depend on the price per share of our common stock at the time shares underlying the Stock Awards are sold.
- (2) The following table shows, as of December 30, 2018, the total number of shares of our common stock subject to unvested restricted stock and restricted stock units, and vested and unvested stock option awards outstanding for each non-employee director:

Director	Total Unvested Restricted Stock and Restricted Stock Unit Awards Outstanding	Total Option Awards Outstanding
Sandra N. Bane	9,129	4,500
Nicholas Donatiello, Jr.		5,000
Jennifer H. Dunbar	8,721	4,500
Robert C. Galvin		7,500
Van B. Honeycutt	8,721	16,000
David R. Jessick	9,129	12,000

(3) Mr. Donatiello passed away on June 26, 2018.

(4) Mr. Galvin resigned from his position as a director on October 14, 2018.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Based solely upon review of copies of Section 16(a) reports furnished to the Company during or with respect to the year ended December 30, 2018, the Company believes that all Section 16(a) reporting requirements were timely met by its directors and officers during fiscal 2018.

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## TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS

### Procedures

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

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

### Fiscal 2018 Transactions

Prior to his death in fiscal 2008, the Company had an employment agreement with Robert W. Miller, co-founder of the Company and the father of Steven G. Miller, Chairman of the Board, President, Chief Executive Officer and a director of the Company. The employment agreement provided for Robert W. Miller to receive an annual base salary of \$350,000. The employment agreement further provided that, following his death, the Company will pay his surviving wife \$350,000 per year and provide her specified benefits for the remainder of her life. During fiscal 2018, the Company made a payment of \$350,000 to Robert W. Miller's wife. The Company recognized expense of \$0.3 million in fiscal 2018 to provide for a liability for the future obligations under this agreement. Based upon actuarial valuation estimates related to this agreement, the Company recorded a liability of \$1.1 million as of December 30, 2018.

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

respect to which such individual may be entitled to indemnification by the Company. In fiscal 2018, the Company did not advance any amounts to directors and executive officers under this provision.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding beneficial ownership of the Company's common stock as of April 18, 2019 by:

each of the named executive officers in the Summary Compensation Table on page 23;

each of the Company's directors;

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

all current directors and executive officers as a group.

Except as otherwise indicated in the footnotes below, each beneficial owner has the sole power to vote and to dispose of all shares held by that holder. As of April 18, 2019, the Company had 21,624,672 shares of common stock outstanding.

Name(1)	Beneficial Ownership of Common Stock	
	Shares(2)	Percent (%) (3)
Steven G. Miller	1,175,860 (4)	5.4%
Sandra N. Bane	7,500 (5)	*
Jennifer H. Dunbar	31,614 (6)	*
Van B. Honeycutt	208,321 (7)	*
David R. Jessick	12,000 (8)	*
Barry D. Emerson	23,439 (9)	*
Luke D. Thompson	26,529 (10)	*
All directors and executive officers as a group (11 persons)	1,621,273 (11)	7.5%
<b>5% Stockholders</b>		
Towle & Co. (12)	2,214,852	10.2%
Dimensional Fund Advisors LP (13)	1,596,921	7.4%
BlackRock, Inc. (14)	1,491,961	6.9%

\* Indicates less than 1%.

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

(1) The address for each stockholder is 2525 East El Segundo Boulevard, El Segundo, California 90245, except as otherwise indicated below.

- (2) Restricted stock units are not deemed to be common stock beneficially owned by the person holding such units for the purpose of this table. The amounts of restricted stock units (vested and unvested) held by such persons as of April 18, 2019 are as follows: Sandra N. Bane, 40,450 restricted stock units; Jennifer H. Dunbar, 31,180 restricted stock units; and David R. Jessick, 40,450 restricted stock units.
- (3) Shares of common stock subject to options that are currently exercisable or exercisable within 60 days of April 18, 2019 are deemed to be outstanding and beneficially owned by the person holding such options or who otherwise has beneficial ownership thereof for the purpose of computing the percentage ownership of such person, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.
- (4) Includes 741,885 shares of common stock held by Steven G. Miller and Jacquelyne G. Miller, as trustees of the Steven G. Miller and Jacquelyne G. Miller Trust dated September 13, 1990, 374,232 shares of common stock held by Robert W. and Florence Miller Family Partners, L.P., of which Steven G. Miller is a limited partner and shares dispositive power with respect to the shares pursuant to a trading authorization dated

November 12, 2004 executed by Robert W. Miller and Florence H. Miller, as general partners, and 9,374 shares which may be acquired upon the exercise of options exercisable within 60 days of April 18, 2019. Steven G. Miller disclaims beneficial ownership in the shares owned by Robert W. and Florence Miller Family Partners, L.P. except to the extent of his pecuniary interest therein. Jacquelyne G. Miller shares beneficial ownership of the 741,885 shares of common stock held by the Steven G. Miller and Jacquelyne G. Miller Trust dated September 13, 1990.

- (5) Includes 4,500 shares which may be acquired upon the exercise of options exercisable within 60 days of April 18, 2019.
- (6) Includes 16,143 shares of common stock held by Jennifer H. Dunbar, Trustee of the Lilac II Trust dated June 28, 2000, and 4,500 shares which may be acquired upon the exercise of options exercisable within 60 days of April 18, 2019.
- (7) Includes 165,000 shares of common stock held by the Van B. Honeycutt & Diana H. Honeycutt Living Trust dated September 24, 2001 and 16,000 shares which may be acquired upon the exercise of options exercisable within 60 days of April 18, 2019.
- (8) Includes 12,000 shares which may be acquired upon the exercise of options exercisable within 60 days of April 18, 2019.
- (9) Includes 9,575 shares of common stock held by The Emerson Family Trust Dated June 3, 2009 and 3,000 shares which may be acquired upon the exercise of options exercisable within 60 days of April 18, 2019.
- (10) Includes 6,250 shares which may be acquired upon the exercise of options exercisable within 60 days of April 18, 2019.
- (11) Includes 66,624 shares which the directors and executive officers may be deemed to have beneficial ownership with respect to options to purchase the Company's common stock exercisable within 60 days of April 18, 2019.
- (12) The address for Towle & Co. is 1610 Des Peres Road, Suite 250, St. Louis, MO 63131, as reported in the Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2019 by the reporting person. The reporting person's holdings are based upon the holdings disclosed in the Schedule 13G/A, which also states that the reporting person has sole voting power over 2,181,012 of the 2,214,852 shares beneficially held as of that date.
- (13) The address for Dimensional Fund Advisors LP is Building One, 6300 Bee Cave Road, Austin, Texas 78746, as reported in the Schedule 13G/A filed with the Securities and Exchange Commission on February 8, 2019 by the reporting person. The reporting person's holdings are based upon the holdings disclosed in the Schedule 13G/A, which also states that the reporting person has sole voting power over 1,520,889 of the 1,596,921 shares beneficially held as of that date.

(14) The address for BlackRock, Inc. is 55 East 52<sup>nd</sup> Street, New York, NY 10055, as reported in the Schedule 13G/A filed with the Securities and Exchange Commission on February 4, 2019 by the reporting person. The reporting person's holdings are based upon the holdings disclosed in the Schedule 13G/A, which also states that the reporting person has sole voting power over 1,430,016 of the 1,491,961 shares beneficially held as of that date.

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**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth information regarding the Company's equity compensation plans as of December 30, 2018. For a description of the material features of these plans, see Executive and Director Compensation and Related Matters - Stock Options and Equity Compensation.

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)</b>
Equity compensation plans approved by security holders	362,310	\$ 7.51	1,307,652
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>362,310</b>	<b>\$ 7.51</b>	<b>1,307,652</b>

## PROPOSAL NO. 2

### ADVISORY VOTE ON EXECUTIVE COMPENSATION

#### (Item No. 2 on Proxy Card)

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

At our 2018 annual stockholders meeting, 89.6% of the votes cast on our say-on-pay proposal were voted in favor of the proposal. Our Compensation Committee considered the result of this vote and concluded that our pay for performance philosophy is supported by stockholders and that no specific changes to our executive compensation program were warranted.

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

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

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

providing rewards for successful performance;

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

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

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

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

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



Our compensation actions for our named executive officers are summarized below:

Total cash compensation paid to Mr. Miller decreased by 9.2% and total cash compensation paid to Mr. Emerson decreased by 5.3% compared to the prior year.

The base salary for 2018 for Mr. Miller increased by 3.2% and the base salary for 2018 for Mr. Emerson increased by 7.0%.

Total annual bonuses for fiscal 2018 for Mr. Miller and Mr. Emerson (determined and paid in March 2019) decreased compared with the prior year because the Company's adjusted EBITDA for fiscal 2018 decreased compared with 2017. Our Compensation Committee determined bonus payments for fiscal 2018 based on an adjusted EBITDA which excluded charges for asset impairment and contract termination costs. As adjusted, EBITDA decreased by 49.4% from fiscal 2017, the total amount of bonuses paid to employees decreased by 37.5%, the bonus paid to Mr. Miller decreased by 46.0% and the bonus paid to Mr. Emerson decreased by 45.7%

The value of equity grants to Mr. Miller in 2018 (made in March 2018) decreased by 33.4% and the value of equity grants to Mr. Emerson in 2018 (made in March 2018) decreased by 30.5% compared to 2017, primarily reflecting the decrease in the Company's stock price in March 2018 from March 2017.

Mr. Thompson's compensation for 2018 was driven principally by considerations associated with his promotion during 2018 to the position of Senior Vice President, General Counsel and Secretary.

**Required Vote**

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

**Recommendation of the Board of Directors**

We believe that our compensation program for executive officers is conservative relative to our peers. We also believe this program will help to drive improved Company performance.

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

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

**PROPOSAL NO. 3****RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED****PUBLIC ACCOUNTING FIRM****(Item No. 3 on Proxy Card)**

The Audit Committee has appointed Deloitte & Touche LLP to audit the Company's consolidated financial statements for the 2019 fiscal year and to audit the Company's effectiveness of internal control over financial reporting as of December 29, 2019 (i.e., the last day of the Company's 2019 fiscal year). This appointment is being presented to stockholders for ratification at the Annual Meeting. Although stockholder ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm is not required by the Company's Amended and Restated Bylaws or otherwise by law, the Board of Directors, at the request of the Audit Committee, has elected to seek this ratification. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether to retain Deloitte & Touche LLP. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent audit firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting. They will have an opportunity to make statements if they desire and are expected to be available to respond to appropriate questions.

**Required Vote**

The action of the Audit Committee in appointing of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the 2019 fiscal year will be ratified by the affirmative vote of a majority of the votes cast for or against with respect to this proposal. Abstentions and broker non-votes will have no effect on the outcome of the vote on this proposal.

**Recommendation of the Board of Directors**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2019 FISCAL YEAR.**

**Fees Billed by Deloitte & Touche LLP**

The aggregate fees billed for professional services provided by Deloitte & Touche LLP in fiscal years 2018 and 2017 were:

<b>Type of Fees</b>	<b>Fiscal 2018</b>	<b>Fiscal 2017</b>
Audit Fees	\$ 1,091,645	\$ 1,148,650
Audit-related Fees		
Tax Fees		
All Other Fees		
<b>Total Fees</b>	<b>\$ 1,091,645</b>	<b>\$ 1,148,650</b>

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

Other than Audit Fees, the Company paid no fees for services rendered by Deloitte & Touche LLP during fiscal years 2018 and 2017.

### **Audit Committee Pre-approval Policies and Procedures**

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

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

All audit services provided by Deloitte & Touche LLP to the Company for the fiscal years 2017 and 2018 were pre-approved in accordance with the Company's pre-approval policies and procedures.

**PROPOSAL NO. 4****APPROVAL OF 2019 EQUITY INCENTIVE PLAN****(Item No. 4 on Proxy Card)****Background**

On April 19, 2016, the Company adopted its Amended and Restated 2007 Equity and Performance Incentive Plan (as amended, the 2016 Plan ). As of the time of its adoption, the 2016 Plan authorized for issuance up to an aggregate of 2,439,973 shares of the Company s common stock, plus any shares subject to awards previously granted under the Company s prior stock incentive plans (the Pre-2016 Plans ) which are or were forfeited, expire or otherwise terminate without the issuance of shares on or after the April 19, 2016 effective date of the 2016 Plan.

As of April 11, 2019, 548,803 shares remained available for future grants of awards under the 2016 Plan (excluding any additional shares that may thereafter become available under the 2016 Plan as a result of future forfeiture, expiration or other termination of awards under the Pre-2016 Plans). Based on its currently projected needs, the Company anticipates that it could exhaust these available shares during its 2020 fiscal year.

Accordingly, effective April 11, 2019, the Board adopted the Company s 2019 Equity Incentive Plan (the 2019 Equity Plan ) which, subject to approval of our stockholders, will (i) permit the Company to issue up to a total of 3,848,803 shares of the Company s common stock (representing an increase of 3,300,000 over the 548,803 shares of the Company s common stock available for issuance under the 2016 Plan as of April 11, 2019) plus the number of any additional shares that may thereafter become available under as a result of future forfeiture, expiration or other termination of awards under the 2016 Plan or the Pre-2016 Plans (the Prior Plans ); and (ii) have a term which expires on April 11, 2029. Upon the approval of the 2019 Equity Plan by the Company s stockholders, no further awards will be issued under the 2016 Plan, although the Company will continue to honor any outstanding awards under the 2016 Plan.

**Overhang Data as of April 11, 2019**

Total stock options outstanding	544,950
Weighted-average exercise price of outstanding stock options	\$ 6.14
Weighted-average remaining term of outstanding stock options	8.83 years
Total restricted stock units and shares of restricted stock outstanding	536,525
Total shares available for grant under equity compensation plans	548,803
Total Shares Outstanding	21,624,672

**Proposal**

Our stockholders are requested to approve the 2019 Equity Plan, which (i) permits the Company to issue up to a total of 3,848,803 shares of the Company s common stock (representing an increase of 3,300,000 over the 548,803 shares of the Company s common stock available for issuance under the 2016 Plan as of April 11, 2019) plus the number of any additional shares that may thereafter become available under as a result of future forfeiture, expiration or other termination of awards under the Prior Plans; and (ii) expires on April 11, 2029. The terms of the 2019 Equity Plan, assuming that the stockholders approve this Proposal No. 4, are described below under Summary of the 2019 Equity Plan. A copy of the 2019 Equity Plan is attached in this Proxy Statement as Appendix B.

The Board of Directors believes that the 2019 Equity Plan, including the proposed increase in shares authorized for issuance to the Company's employees, directors and consultants, are necessary to ensure that the Company maintains the ability in the future to continue to attract and retain highly qualified officers and other employees by providing adequate incentives through the issuance of stock awards. As of April 11, 2019, 548,803 shares remained available for future grants of awards under the 2016 Plan (excluding any additional shares that may become available under the 2016 Plan as a result of future forfeiture, expiration or other termination of awards)

under the Prior Plans). The increase in shares effected as a result of the adoption of the 2019 Equity Plan is therefore necessary to ensure that enough shares will be available for the issuance of stock awards so as to incentivize and retain key employees of the Company, which can assist in maximizing the full potential of stockholder value.

### **Required Vote**

Affirmative votes representing a majority of the votes cast for , against or abstain with respect to the proposal in person or by proxy and entitled to vote at the Annual Meeting will be required to approve this proposal. A vote to abstain on the proposal will be considered as a vote cast with respect to such matter, and will have the same effect as a vote against the proposal. Broker non-votes will have no effect on the proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE 2019 EQUITY PLAN.**

### **Purpose of the 2019 Equity Plan**

The Board of Directors believes that the 2019 Equity Plan is necessary to ensure that the Company maintains the ability in the future to continue to attract and retain highly qualified officers and other employees by providing adequate incentives through the issuance of stock options, stock appreciation rights, restricted stock and other stock unit awards, so as to incentivize and retain key employees of the Company, which can assist in maximizing the full potential of stockholder value.

### **Summary of the 2019 Equity Plan**

The principal features of the 2019 Equity Plan are summarized below. This summary, however, is not intended to be a complete discussion of all of the terms of the 2019 Equity Plan. A copy of the 2019 Equity Plan is attached hereto as Appendix B.

### **Shares Subject to the 2019 Equity Plan**

Up to an aggregate of 3,848,803 shares of common stock of the Company are authorized for issuance under the 2019 Equity Plan, plus the number of shares which were subject to awards granted under the Prior Plans and which awards are or were forfeited, expired or cancelled without the issuance of shares after the April 11, 2019 effective date of the 2019 Equity Plan. This represents an increase of 3,300,000 shares from the amount available under the Prior Plans as previously in effect. The maximum aggregate number of shares issuable under the 2019 Equity Plan which may be subject to ISOs (as defined below) is 3,848,803 shares, regardless of any such transfer of shares from the Prior Plans to the 2019 Equity Plan.

Any shares that are subject to awards of options or stock appreciation rights shall be counted against this limit as one share for every one share granted. Any shares that are subject to awards other than options or stock appreciation rights (including shares delivered on the settlement of dividend equivalents) shall be counted against this limit as 2.5 shares for every one share granted. The aggregate number of shares available under the 2019 Equity Plan and the number of shares subject to outstanding options will be increased or decreased to reflect any changes in the outstanding common stock of the Company by reason of any recapitalization, spin-off, reorganization, reclassification, stock dividend, stock split, reverse stock split, or similar transaction.

If any shares subject to an award under the 2019 Equity Plan or to an award under the Prior Plans are forfeited, expire or are cancelled without issuance of such shares, the shares shall again be available for awards under the 2019 Equity Plan. Any shares that again become available for grant shall be added back as one share if such shares were subject to options or stock appreciation rights granted under the 2019 Equity Plan or options or stock appreciation rights granted under the Prior Plans and as 2.5 shares if such shares were subject to awards other than options or stock appreciation



rights granted under the 2019 Equity Plan or under the Prior Plans. Shares which are received or withheld by the Company to satisfy tax liabilities arising from the grant or exercise of an option or award, or as a result of the use of shares to pay the option price, shall not again be available to awards under the 2019 Equity Plan.

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## **Eligibility and Participation**

All employees (including officers), directors, and consultants of the Company or any subsidiary are eligible for selection to receive awards under the 2019 Equity Plan, except that no ISO may be granted to any person who, at the time of grant, is not an employee of the Company or any subsidiary. An individual who has been granted an option or stock appreciation right or other award may, if such individual is otherwise eligible, be granted additional options or stock appreciation rights or other awards as the Committee may determine.

## **Administration of the 2019 Equity Plan**

The 2019 Equity Plan shall be administered by the Compensation Committee of the Board of Directors (the Committee), consisting of two or more directors of the Company who are (a) non-employee directors within the meaning of Rule 16b-3 of the Exchange Act, and (b) independent directors under Nasdaq or other applicable stock exchange rules; except that, so long as the Committee contains at least two such directors that meet the above requirements, the Committee may also include one additional director who does not meet those criteria if he or she abstains or recuses himself or herself in connection with voting on grants and awards to all officers of the Company who are subject to Section 16 of the Exchange Act. The Committee has extremely broad discretion and power in interpreting and operating the 2019 Equity Plan and in determining the employees, directors and consultants who shall be participants, and the terms of individual options, stock appreciation rights, restricted stock, other stock unit awards and dividend equivalents. To the extent permitted by applicable law, the Committee may delegate to one or more directors or officers the authority to grant awards to employees or officers who are not directors or officers subject to the short-swing rules of Section 16 of the Exchange Act.

## **Types of Awards**

Awards under the 2019 Equity Plan may consist of options, stock appreciation rights, restricted stock, other stock unit awards or dividend equivalents. The nature of each of such type of award is discussed below. Each award will be made by an award agreement whose form and content shall be determined by the Committee in its discretion, consistent with the provisions of the 2019 Equity Plan. The terms of award agreements for a particular type of award need not be uniform.

## **Type of Options**

Two types of options may be granted under the 2019 Equity Plan: options intended to qualify as incentive stock options (ISOs) under Section 422 of the Internal Revenue Code, and options not so qualified for favorable federal income tax treatment (NSOs). In the past, options issued by the Company have typically been non-qualified options.

## **Stock Appreciation Rights**

The Committee, in its discretion, may also issue stock appreciation rights to employees, consultants and directors of the Company. A stock appreciation right is a right to receive a payment based on the increase in the fair market value of a share after the date of grant. The Committee may determine, in its discretion, that a stock appreciation right will be paid out in cash or in shares on its exercise. The number of shares that may be issued on the exercise of a stock appreciation right shall be determined by dividing: (a) the total number of shares as to which the stock appreciation right is exercised, multiplied by the amount by which the fair market value of one share on the exercise date exceeds the fair market value of one share on the date of grant of the stock appreciation right, by (b) the fair market value of one share on the exercise date; provided, however, that fractional shares shall not be issued and in lieu thereof, a cash adjustment shall be paid. In lieu of issuing shares on the exercise of a stock appreciation right, the Committee may in its sole discretion elect to pay the cash value of such shares. The Committee will not, however, take any action regarding a stock appreciation right, or otherwise under the 2019 Equity Plan, that could subject a participant to a

penalty tax under Section 409A of the Internal Revenue Code.

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### **Restricted Stock**

The Committee, in its discretion, may also grant awards of restricted stock to participants. Restricted stock shall be shares granted or sold to a participant that are subject to vesting restrictions based on continued employment or attainment of performance goals.

### **Other Stock Unit Awards**

The Committee, in its discretion, may grant other stock unit awards, which are awards valued in whole or part by reference to, or otherwise based on, shares. Other stock unit awards shall be subject to such conditions and restrictions as may be determined by the Committee, and may be payable in the form of cash or shares.

### **Dividend Equivalents**

The Committee, in its sole discretion, may determine that a participant who receives an award (other than an award of stock options or stock appreciation rights) will also be entitled to receive, currently or on a deferred basis, cash, stock or other property dividends, or cash payments in amounts equivalent to stock or other property dividends on shares ( dividend equivalents ) with respect to the number of shares covered by the award. The Committee may also provide that such amounts (if any) shall be deemed to have been reinvested in additional shares or otherwise reinvested. In the event of a recapitalization, reorganization, spin-off, reclassification, stock dividend, stock split, reverse stock split or similar transaction, the Committee may, in its discretion, make an appropriate adjustment to dividend equivalents.

### **Option and Other Award Price**

The purchase price for shares covered by each option shall not be less than 100% of the fair market value of such shares on the date of grant, but if an ISO is granted to a more than 10% stockholder of the Company or its subsidiaries (measured by ownership of voting power), the purchase price of an ISO shall not be less than 110% of the fair market value of such shares on the date of grant. The base price for a stock appreciation right shall not be less than 100% of the fair market value of shares as of the date of grant. The Committee, in its discretion, may determine the purchase price, if any, for restricted stock and other stock unit awards.

### **Exercisability of Options and Stock Appreciation Rights; Vesting of Restricted Stock and Other Awards**

The Committee shall determine when and under what conditions any option or stock appreciation right shall become exercisable and when restricted stock and other stock unit awards shall become vested. However, the aggregate fair market value of shares of common stock of the Company (determined at the date of grant) for which ISOs (whenever granted) are exercisable for the first time by a participant during any calendar year shall not exceed \$100,000; any options in excess of this limit shall be treated as NSOs. The purchase price of shares on the exercise of an option shall be paid in full at the time of exercise in cash or by check payable to the order of the Company, or, subject to the approval of the Committee and subject to applicable law, by the delivery of shares of common stock of the Company already owned by the participant, through a broker's exercise involving the immediate sale or pledge of shares with a value sufficient to pay the exercise price, or by any other method permitted by applicable law. The Committee shall determine, in its discretion, the form of any payment for restricted stock and other stock unit awards.

### **Duration of Options and Stock Appreciation Rights**

Each option or stock appreciation right shall expire on the date specified by the Committee, but all options and stock appreciation rights shall expire within 10 years of the date of grant. ISOs granted to more than 10% stockholders of the Company (measured by ownership of voting power) shall expire within five years from the date of grant.



### **No Repricing**

The Committee has no authority to reprice any option, to reduce the base price of any stock appreciation right, or cancel any option or stock appreciation right and replace it with another award available under the 2019 Equity Plan, including cash, when the fair market value of the underlying shares is less than the award's exercise or base price per share.

### **Termination of Employment**

If a participant ceases to be employed by the Company or any of its subsidiaries for any reason (including death or permanent disability) other than termination for cause, the participant's options and stock appreciation rights that were vested and exercisable shall remain exercisable until the end of the original term or for the period determined by the Committee in the individual award agreement or otherwise, whichever expires earlier. After a participant's death, options and stock appreciation rights may be exercised by the person or persons to whom the participant's rights pass by will or the laws of descent and distribution. The treatment of each award of restricted stock or other stock unit award on the termination of employment, death, or disability of the participant shall be determined by the Committee in its discretion. If a participant's employment is terminated for cause, all of his awards may be immediately terminated and canceled, in the Committee's discretion.

### **Certain Corporate Transactions**

Upon the happening of a merger, reorganization or sale of substantially all of the assets of the Company or other change of control events specified in the 2019 Equity Plan, the Committee, may, in its sole discretion, do one or more of the following: (i) shorten the period during which options and stock appreciation rights are exercisable (provided they remain exercisable for at least 30 days after the date notice of such shortening is given to the participants); (ii) accelerate in whole or in part any vesting schedule to which an option, stock appreciation right, restricted stock or other stock unit award is subject; (iii) arrange to have the surviving or successor entity or any parent entity thereof assume the restricted stock, other stock unit awards, stock appreciation rights or options or grant replacement options or stock appreciation rights with appropriate adjustments in the option prices and adjustments in the number and kind of securities issuable upon exercise; (iv) cancel options upon payment to the participants in cash of an amount that is the equivalent of the excess of the fair market value of the common stock of the Company (at the effective time of the merger, reorganization, sale or other event) over the exercise price of the option to the extent the options are vested and exercisable, and cancel stock appreciation rights by paying the value thereof; or (v) make any other modification or adjustment that the Committee deems appropriate in its discretion. The Committee may also provide for one or more of the foregoing alternatives in any particular award agreement.

### **Rights as a Stockholder**

The recipient of an option or stock appreciation right will have no rights as a stockholder with respect to shares of Company common stock covered by an option or stock appreciation right until the date such recipient becomes a holder of record of such shares. The recipient of restricted stock or of an other stock unit award will generally have all the rights of a stockholder with respect to the shares of common stock of the Company issued pursuant to such award, including the right to vote such shares, but the Committee may determine that any dividends and distributions with respect to such shares will be subject to the same vesting restrictions, if any, as the underlying shares.

### **Assignability of Options, Stock Appreciation Rights and Other Awards**

An ISO granted under the 2019 Equity Plan shall, by its terms, be non-transferable by the participant, either voluntarily or by operation of law, other than by will or the laws of descent and distribution, and shall be exercisable during the participant's lifetime only by him or her. Any award issued under the 2019 Equity Plan other than an ISO

shall be nontransferable by the participant, either voluntarily or by operation of law, other than by will or the laws of descent and distribution, or, with the consent of the Committee, during the participant's lifetime by gift to one or more members of the participant's immediate family or to a trust for their benefit.

### **Duration, Termination and Amendment of the 2019 Equity Plan; Effectiveness of the 2019 Equity Plan**

The 2019 Equity Plan became effective upon its adoption by the Board on April 11, 2019, subject to the approval of the 2019 Equity Plan by our stockholders within 12 months thereafter, by affirmative votes representing a majority of the votes cast under applicable law or rules at a duly constituted meeting of the stockholders of the Company. Under currently applicable law or rules, to be duly constituted, a majority of the shares of Company's common stock outstanding and entitled to vote would have to be present in person or by proxy at the meeting at which stockholders vote to approve the 2019 Equity Plan. If the stockholders do not approve the 2019 Equity Plan within 12 months after its adoption by the Board, the 2019 Equity Plan shall be null and void and of no effect, and the 2016 Plan (as restated in 2016, and all awards thereunder) shall continue in effect under the terms in effect prior to the adoption of the 2019 Equity Plan. Once the 2019 Equity Plan is adopted by our stockholders, the 2019 Equity Plan shall continue in effect for a period of 10 years following the adoption of the 2019 Equity Plan by the Board (i.e., through April 11, 2029). The Board of Directors, however, may suspend or terminate the 2019 Equity Plan at any time.

The Board of Directors may also amend the 2019 Equity Plan at any time, except that the Board will not amend the 2019 Equity Plan in a way which violates Rule 16b-3 of the Exchange Act. The Board will not amend the 2019 Equity Plan without obtaining stockholder approval to (a) increase the number of shares that may be the subject of awards under the 2019 Equity Plan, (b) expand the types of awards available under the 2019 Equity Plan, (c) materially expand the class of persons eligible to participate in the 2019 Equity Plan, (d) amend any provision prohibiting the Committee from repricing options or stock appreciation rights or taking similar action, (e) increase the maximum permissible term of any option or stock appreciation rights, or (f) make any modification that requires stockholder approval under applicable law. Furthermore, no amendment of the 2019 Equity Plan shall amend or impair any rights or obligations under any award theretofore granted under the 2019 Equity Plan without the written consent of the holder of the affected award.

### **New Plan Benefits**

Awards to be received by participants in the Restatement are not determinable at this time because the Committee, in its discretion, will determine the nature and performance criteria for any award provided under the 2019 Equity Plan at the time of grants. With respect to the 2018 fiscal year, the awards under the 2016 Plan to our Named Executive Officers and our directors are disclosed elsewhere in this Proxy Statement. The Company does not believe that such awards would have differed had the 2019 Equity Plan been in effect for 2018.

### **Federal Income Tax Matters**

The following discussion of federal income tax consequences does not purport to be a complete analysis of all of the potential tax effects of the 2019 Equity Plan. It is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. No information is provided with respect to persons who are not citizens or residents of the United States, or foreign, state or local tax laws, or estate and gift tax considerations. In addition, the tax consequences to a particular participant may be affected by matters not discussed above. **ACCORDINGLY, EACH PARTICIPANT IS URGED TO CONSULT HIS TAX ADVISOR CONCERNING THE TAX CONSEQUENCES TO HIM OF THE 2019 EQUITY PLAN, INCLUDING THE EFFECTS OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND OF CHANGES IN THE TAX LAWS.**

The 2019 Equity Plan is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974 ( ERISA ) and is not qualified under Section 401(a) of the Internal Revenue Code.

### **Non-Qualified Stock Options**



Under current federal income tax law, the grant of an NSO has no tax effect on the Company or the participant. If the shares of common stock of the Company received on the exercise of an NSO are not subject to restrictions on transfer or risk of forfeiture, the exercise of the NSO will result in ordinary income to the participant equal to the excess of the fair market value of the shares at the time of exercise over the option price. The participant's tax basis in the shares will be equal to the option price plus the amount of ordinary income recognized upon the

exercise of the option. Upon any subsequent disposition of the shares, any gain or loss recognized by the participant will be treated as capital gain or loss and will be long-term capital gain or loss if the shares are held for more than one year after exercise. At the time of recognition of ordinary income by the participant upon exercise, the Company will normally be allowed to take a deduction for federal income tax purposes in an amount equal to such recognized ordinary income.

If the shares received on the exercise of an NSO are subject to restrictions on transfer or risk of forfeiture (e.g., a vesting condition), different rules will apply, and the tax consequences will depend on whether the participant makes an election under Section 83(b) of the Internal Revenue Code within 30 days after exercise of the option. If the participant does not make a Section 83(b) election, the participant will recognize ordinary income when the shares vest in an amount equal to the excess of the fair market value on the date of vesting over the exercise price. In that case, the participant's basis in the shares will be the fair market value of the shares on the date of vesting, and the participant's holding period will begin on the date of vesting. Upon any later disposition of the shares, any gain or loss that the participant recognizes will be capital gain or loss, and will be long-term capital gain or loss if the participant holds the shares more than one year after vesting. The Company will be allowed a deduction for federal income tax purposes when the shares vest equal to the amount of ordinary income the participant recognizes.

On the other hand, if the participant makes a Section 83(b) election, the participant will recognize ordinary income at the time of exercise equal to the excess of the fair market value on the date of exercise over the exercise price. The Company will be allowed a deduction for federal income tax purposes on the date of exercise equal to the amount of ordinary income he or she recognizes. The participant's basis in the shares will generally begin on the date of exercise, and the participant's basis in the shares will generally be the option price increased by the amount of ordinary income the participant recognized at the time of exercise. Upon any later disposition of the shares, any gain or loss that the participant recognizes will be capital gain or loss, and will be long-term capital gain or loss if the participant holds the shares more than one year after exercise. However, if the participant later forfeits the shares, the participant will recognize a capital loss equal to excess (if any) of the option price over any amount the participant receives from the Company on the forfeiture. In other words, if a participant makes the Section 83(b) election and thereby recognizes ordinary income on the date of exercise, the participant will receive no corresponding deduction or loss if the participant later forfeits the shares for the amount of ordinary income the participant recognized.

### **Incentive Stock Options**

The federal income tax consequences associated with ISOs are generally more favorable to the participant and less favorable to the Company than those associated with NSOs. Under current federal income tax law, the grant of an ISO does not result in income to the participant or in a deduction for the Company at the time of the grant. Generally, the exercise of an ISO will not result in income for the participant if the participant does not dispose of the shares within two years after the date of grant or within one year after the date of exercise. If these requirements are met, the basis of the shares of common stock of the Company upon a later disposition will be the option price, any gain on the later disposition will be taxed to the participant as long-term capital gain, and the Company will not be entitled to a deduction. The excess of the market value on the exercise date over the option price is an adjustment to regular taxable income in determining alternative minimum taxable income, which could cause the participant to be subject to the alternative minimum tax, thereby in effect depriving the participant of the tax benefits of ISO treatment. If the participant disposes of the shares before the expiration of either of the holding periods described above (a

Disqualifying Disposition), the participant will have compensation taxable as ordinary income, and the Company will normally be entitled to a deduction, equal to the lesser of (a) the fair market value of the shares on the exercise date minus the option price, or (b) the amount realized on the disposition minus the option price. If the price realized in any such Disqualifying Disposition of the shares exceeds the fair market value of the shares on the exercise date, the excess will be treated as long-term or short-term capital gain, depending on the participant's holding period for the shares.



### **Stock Appreciation Rights**

A participant holding a stock appreciation right will recognize ordinary income on the exercise of the stock appreciation right equal to the amount of cash or the fair market value of the shares he receives on the exercise. The Company will receive a tax deduction in the same amount. Upon disposition of the shares acquired, the participant will recognize the appreciation or depreciation on the shares after the date of grant as either short-term or long-term capital gain or loss, depending on how long the shares have been held.

### **Other Awards**

The taxation of an award other than an option or a stock appreciation right depends on whether or not it consists of restricted stock (i.e., stock subject to a vesting restriction based on continued employment or attainment of performance goals). If an other stock unit award does not consist of restricted stock, and is not settled in restricted stock, the participant will recognize ordinary income on the receipt of cash or shares equal to the amount of cash, or the excess of the fair market value of the shares over the amount (if any) that the participant pays for the shares. The Company will receive a tax deduction in the same amount. Upon disposition of the shares acquired, the participant will recognize the appreciation or depreciation on the shares after the date of grant as either short-term or long-term capital gain or loss, depending on how long the shares have been held.

In general, no taxable income will be recognized by a participant at the time restricted stock is granted. Generally, on the date the restricted stock becomes vested, the participant will recognize ordinary income in an amount equal to the difference between the fair market value of the shares on the date the shares vest and the purchase price, and the Company will receive a tax deduction for the same amount. Upon disposition of the shares acquired, the participant will recognize the appreciation or depreciation on the shares after the date of vesting as either short-term or long-term capital gain or loss, depending on how long the shares have been held. Alternatively, a participant may elect to make an election under Section 83(b) of the Internal Revenue Code with respect to unvested shares. If a participant makes a Section 83(b) election with the Internal Revenue Service within 30 days from the date of grant, the participant will recognize ordinary income in an amount equal to the difference between the fair market value of the shares on the date of grant and the purchase price, and the Company will receive a tax deduction for the same amount. If the participant makes a timely Section 83(b) election, the participant will not recognize ordinary income when the shares vest. Upon disposition of the shares acquired, the participant will recognize the appreciation or depreciation on the shares after the date of grant as either short-term or long-term capital gain or loss, depending on how long the shares have been held. If the participant forfeits unvested shares, the participant will recognize a capital loss equal to the excess (if any) of the purchase price over any amount the participant receives from the Company on the forfeiture. Generally, if the participant makes a Section 83(b) election, and thereby recognizes ordinary income on the date of grant, the participant will receive no corresponding deduction or loss for the amount of ordinary income the participant recognized if the participant later forfeits any unvested shares.

### **\$1,000,000 Limit on Deductible Compensation**

Section 162(m) of the Internal Revenue Code provides that any publicly-traded corporation will be denied a deduction for compensation paid to certain executive officers to the extent that the compensation exceeds \$1,000,000 per officer per year. Taxable income realized by the Company's executive officers as a result of awards under the 2019 Equity Plan will count as compensation for purposes determining whether the \$1,000,000 threshold of Section 162(m) has been met or exceeded.

### **Excess Parachute Payments**

Under Section 4999 of the Internal Revenue Code, certain officers, stockholders, or highly-compensated individuals ( Disqualified Individuals ) will be subject to an excise tax (in addition to federal income taxes) of 20% of the amount

of certain excess parachute payments which they receive as a result of a change in control of the Company. Furthermore, Section 280G of the Internal Revenue Code prevents the Company from taking a deduction for any excess parachute payments. The cash out or acceleration of the vesting of stock options,

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stock appreciation rights, restricted stock or other stock unit awards upon a change of control may cause the holders of such stock options, stock appreciation rights, restricted stock and other stock unit awards who are Disqualified Individuals to recognize certain amounts as excess parachute payments on which they must pay the 20% excise tax, and for which the Company will be denied a tax deduction.

**Special Rules; Withholding of Taxes**

Special tax rules may apply to a participant who is subject to Section 16 of the Exchange Act. Other special tax rules will apply if a participant exercises a stock option by delivering shares of Company common stock which he or she already owns, or through a broker's exercise.

The Company may take whatever steps the Committee deems appropriate to comply with any applicable withholding tax obligation in connection with the exercise of an option or stock appreciation right or the grant or vesting of restricted stock, or other stock unit awards, including requiring any participant to pay the amount of any applicable withholding tax to the Company in cash. The Committee may, in its discretion, authorize cashless withholding.

## **CAUTION CONCERNING FORWARD-LOOKING STATEMENTS**

Statements made in this Proxy Statement that are not historical in nature, or that state our or our management's intentions, hopes, beliefs, expectations or predictions of the future, may constitute forward-looking statements within the meaning of Section 21E of the Exchange Act. Forward-looking statements can often be identified by the use of forward-looking language, such as could, should, will, intend, continue, believe, may, expect, hope, forecast, plan, or estimate or variations thereof or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements may include, without limitation, discussions of our business strategies, future operations, financial condition and prospects, and market factors influencing our results.

Forward-looking statements involve risks, uncertainties and assumptions. It is important to note that any such performance and actual results, financial condition or business, could differ materially from those expressed in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the risk factors discussed under Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 30, 2018, as well as factors discussed elsewhere in this and other reports and documents we file with the Securities and Exchange Commission. Other unforeseen factors not identified herein could also have such an effect. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial condition or business over time unless required by law. Interested persons are urged to review the risks described under Risk Factors and in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 30, 2018, as well as in our other public disclosures and filings with the Securities and Exchange Commission.

## **OTHER MATTERS**

Management knows of no business which will be presented for consideration at the Annual Meeting other than as stated in the Notice of Annual Meeting. If, however, other matters are properly brought before the Annual Meeting, it is the intention of the proxyholders to vote the shares represented by the proxies on such matters in accordance with the recommendation of the Board of Directors and authority to do so is included in the proxy.

## **STOCKHOLDER PROPOSALS**

In order to be eligible for inclusion in the Company's proxy statement and proxy card for the next annual meeting of the Company's stockholders pursuant to Rule 14a-8 under the Exchange Act, stockholder proposals must be received by the Secretary of the Company at its principal executive offices no later than January 4, 2020 if the Company's next annual meeting is held within 30 days of June 7, 2020. In the event that the Company elects to hold its next annual meeting more than 30 days before or after June 7, 2020, such stockholder proposals would have to be received by the Company a reasonable time before the Company's solicitation is made. Further, in order for the stockholder proposals to be eligible to be brought before the Company's stockholders at the next annual meeting, the stockholder submitting such proposals must also comply with the procedures, including the deadlines, required by the Company's Amended and Restated Bylaws. Stockholder nominations of directors are not stockholder proposals within the meaning of Rule 14a-8 and are not eligible for inclusion in the Company's proxy statement. The Company will provide a copy of its Amended and Restated Bylaws to any stockholder of record upon written request.

## **ANNUAL REPORT ON FORM 10-K**

The Company's Annual Report on Form 10-K, exclusive of exhibits, including consolidated financial statements for the fiscal year ended December 30, 2018, is being mailed to stockholders with this Proxy Statement and contains financial and other information about the Company.





*The information set forth under Compensation Committee Report, Audit Committee Report and the Company-operated website referenced in the Proxy Statement shall not be deemed filed with the Securities and Exchange Commission or subject to Regulations 14A or 14C or to the liabilities of Section 18 of the Exchange Act and shall not be incorporated by reference in any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.*

THE COMPANY WILL PROVIDE WITHOUT CHARGE A COPY OF ITS ANNUAL REPORT ON FORM 10-K, EXCLUSIVE OF EXHIBITS, INCLUDING THE CONSOLIDATED FINANCIAL STATEMENTS AND THE FINANCIAL STATEMENT SCHEDULES, FILED WITH THE SECURITIES AND EXCHANGE COMMISSION FOR THE FISCAL YEAR ENDED DECEMBER 30, 2018 TO ANY BENEFICIAL OWNER OF THE COMPANY'S COMMON STOCK AS OF THE RECORD DATE UPON WRITTEN REQUEST TO BIG 5 SPORTING GOODS CORPORATION, 2525 EAST EL SEGUNDO BOULEVARD, EL SEGUNDO CALIFORNIA, 90245, ATTENTION: SECRETARY

**DEFINITION OF NON-GAAP (GENERALLY ACCEPTED ACCOUNTING PRINCIPLES) MEASURE**

This Proxy Statement contains a non-GAAP financial measure (as defined by SEC Regulation G). While we believe that this non-GAAP financial measure may be useful in evaluating the Company, this information should be considered supplemental and is not a substitute for financial information prepared in accordance with GAAP. In addition, our definition or calculation of this non-GAAP measure may differ from similarly titled measures used by other companies or analysts.

**EBITDA**

EBITDA is defined as earnings before interest, taxes, depreciation and amortization, and has been calculated as follows:

	<b>Fiscal year ended</b> <b>(all amounts in 000 s)</b>	
	<b>December 30,</b> <b>2018(1)</b>	<b>December 31,</b> <b>2017(2)</b>
Net income	(\$ 3,531)	\$ 1,104
+ Interest	3,374	1,644
+ Taxes	(1,070)	13,594
+ Depreciation and amortization	19,538	19,222
<b>EBITDA</b>	<b>\$ 18,311</b>	<b>\$ 35,564</b>

- (1) In fiscal 2018, an adjusted EBITDA figure was used for certain bonus purposes, which excluded asset impairment and contract termination charges. The amount excluded for such calculation was \$1,925, resulting in adjusted EBITDA of \$20,236.
- (2) In fiscal 2017, an adjusted EBITDA figure was used for certain bonus purposes, which excluded a non-cash charge for goodwill impairment. The amount excluded for such calculation was \$4,400, resulting in adjusted EBITDA of \$39,964.

**BIG 5 SPORTING GOODS CORPORATION**

**2019 EQUITY INCENTIVE PLAN**

BIG 5 SPORTING GOODS CORPORATION, a corporation existing under the laws of the State of Delaware (the **Company**), has established and adopted this 2019 Equity Incentive Plan, effective as of April 11, 2019 (the **Plan**). Certain capitalized terms used in the Plan are defined in Article II.

**RECITALS**

WHEREAS, the Company desires to encourage high levels of performance by those individuals who are key to the success of the Company, to attract new individuals who are highly motivated and who are expected to contribute to the success of the Company and to encourage such individuals to remain as directors, employees, consultants and/or advisors of the Company and its Affiliates by increasing their proprietary interest in the Company's growth and success; and

WHEREAS, to attain these ends, the Company has established this Plan to authorize the granting of Awards to Participants whose judgment, initiative and efforts are or have been or are expected to be responsible for the success of the Company.

NOW, THEREFORE, the Company hereby adopts and agrees to the following provisions:

**ARTICLE I**

**PURPOSE OF THE PLAN**

1.1 **Purpose.** The purpose of the Plan is to assist the Company and its Affiliates in attracting and retaining selected individuals to serve as directors, employees, consultants and/or advisors of the Company who are expected to contribute to the Company's success and to achieve long-term objectives which will inure to the benefit of all stockholders of the Company through the additional incentives inherent in the Awards hereunder.

**ARTICLE II**

**DEFINITIONS**

2.1 **Affiliate** shall mean (i) any person or entity that directly, or through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company (including any Parent or Subsidiary) or (ii) any entity in which the Company has a significant equity interest, as determined by the Committee.

2.2 **Applicable Laws** means the legal requirements relating to the administration of and issuance of securities under stock incentive plans, including, without limitation, the requirements of state corporations law, federal and state securities law, federal and state tax law, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted. For all purposes of this Plan, references to statutes and regulations shall be deemed to include any successor statutes and regulations, to the extent reasonably appropriate as determined by the Committee.

2.3 **Award** shall mean any Option, Stock Appreciation Right, Restricted Stock Award, Dividend Equivalent, Other Stock Unit Award or any other right, interest or option relating to Shares or other property (including cash) granted

pursuant to the provisions of the Plan.

2.4 **Award Agreement** shall mean any written agreement, contract or other instrument or document evidencing any Award granted by the Committee hereunder.

2.5 **Board** shall mean the board of directors of the Company.

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2.6 **Cause** shall have the meaning set forth in a Participant's employment or consulting agreement with the Company (if any), or if not defined therein, shall mean (i) acts or omissions by the Participant which constitute intentional material misconduct or a knowing violation of a material policy of the Company or any of its subsidiaries, (ii) the Participant 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, (iii) an act of fraud, conversion, misappropriation, or embezzlement by the Participant or his conviction of, or entering a guilty plea or plea of no contest with respect to, a felony, or the equivalent thereof (other than DUI), or (iv) any deliberate and material misuse or improper disclosure of confidential or proprietary information of the Company.

2.7 **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) of more than 50% of the voting power of the Company's issued and outstanding voting securities in a single transaction or a series of related transactions;

(ii) The direct or indirect sale or transfer by the Company of substantially all of its assets to one or more unrelated Persons or Groups in a single transaction or a series of related transactions;

(iii) The merger, consolidation or reorganization of the Company with or into another corporation or other entity in which the Beneficial Owners of more than 50% of the voting power of the Company'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); or

(iv) During any consecutive two-year period, individuals who at the beginning of such period constituted the Board of the Company (together with any new Directors whose election to such Board or whose nomination for election by the stockholders of the Company was approved by a vote of a majority of the Directors of the Company then still in office who were either Directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of the Company then in office.

None of the foregoing events, however, shall constitute a Change of Control if such event is not a Change in Control Event under Treasury Regulations Section 1.409A-3(i)(5). 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 the Company's voting securities immediately before the transaction in question, (B) the Company 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 the Company'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.

2.8 **Code** shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

2.9 **Committee** shall mean the Committee constituted under Section 4.2 to administer this Plan.

2.10 **Company** has the meaning set forth in introductory paragraph of the Plan.

2.11 **Consultant** means any person, including an advisor, who (i) is a natural person, (ii) provides bona fide services to the Company or a Parent or Subsidiary, and (iii) provides services that are not in connection with the offer or sale of securities in a capital-raising transaction, and that do not directly or indirectly promote or

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maintain a market for the securities of the Company; provided that the term **Consultant** does not include (i) Employees or (ii) Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

**2.12 Continuous Status as an Employee, Director or Consultant** means that the employment, director or consulting relationship is not interrupted or terminated by the Company, any Parent or Subsidiary, or by the Employee, Director or Consultant. Continuous Status as an Employee, Director or Consultant will not be considered interrupted in the case of: (i) any leave of absence approved by the Board, including sick leave, military leave, or any other personal leave, provided, that for purposes of Incentive Stock Options, any such leave may not exceed 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract (including certain Company policies) or statute; (ii) transfers between locations of the Company or between the Company, its Parent, its Subsidiaries or its successor; or (iii) in the case of an Award other than an Incentive Stock Option, the ceasing of a person to be an Employee while such person remains a Director or Consultant, the ceasing of a person to be a Director while such person remains an Employee or Consultant or the ceasing of a person to be a Consultant while such person remains an Employee or Director.

**2.13 Director** shall mean a non-employee member of the Board or a non-employee member of the board of directors of a Parent or Subsidiary.

**2.14 Disability** shall mean total and permanent disability as defined in Section 22(e)(3) of the Code.

**2.15 Dividend Equivalents** shall have the meaning set forth in Section 10.5.

**2.16 Employee** shall mean any employee of the Company or any Parent or Subsidiary.

**2.17 Exchange Act** shall mean the Securities Exchange Act of 1934 and the rules promulgated thereunder, as amended.

**2.18 Fair Market Value** shall mean, with respect to any property other than Shares, the market value of such property determined by such methods or procedures as shall be established from time to time by the Committee. The Fair Market Value of Shares as of any date shall be determined as follows:

(i) If the Shares are listed on any established stock exchange or a national market system, including without limitation, the NASDAQ Stock Market, the Fair Market Value of a Share will be (i) the closing sales price for such Shares (or the closing bid, if no sales are reported) as quoted on that system or exchange (or the system or exchange with the greatest volume of trading in Shares) on the last market trading day prior to the day of determination or (ii) any sales price for such Shares (or the closing bid, if no sales are reported) as quoted on that system or exchange (or the system or exchange with the greatest volume of trading in Shares) on the day of determination, as the Committee may select, in each case as reported in the Wall Street Journal or any other source the Committee considers reliable.

(ii) If the Shares are not listed on an established stock exchange or a national market system, the Fair Market Value of a Share will be determined in good faith by the Committee with reference to the earnings history, book value and prospects of the Company in light of market conditions generally, and any other factors the Committee considers appropriate, such determination by the Committee to be final, conclusive and binding.

**2.19 Family Member** means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than 50 percent of the voting interests.

2.20 **Incentive Stock Option** means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

2.21 **Option** shall mean any right granted to a Participant under the Plan allowing such Participant to purchase Shares at such price or prices and during such period or periods as the Committee shall determine.

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- 2.22 **Other Stock Unit Award** shall have the meaning set forth in Section 8.1.
- 2.23 **Parent** means a parent corporation with respect to the Company, whether now or later existing, as defined in Section 424(e) of the Code.
- 2.24 **Participant** shall mean an Employee, Director or Consultant who is selected by the Committee to receive an Award under the Plan.
- 2.25 **Payee** shall have the meaning set forth in Section 11.1.
- 2.26 **Prior Plan** means the Company's 2007 Equity and Performance Incentive Plan, as amended and restated prior to the date of this Plan.
- 2.27 **Restricted Stock** shall mean any Share issued with the restriction that the holder may not sell, transfer, pledge or assign such Share and with such other restrictions as the Committee, in its sole discretion, may impose (including any restriction on the right to vote such Share and the right to receive any dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.
- 2.28 **Restricted Period** shall have the meaning set forth in Section 7.1.
- 2.29 **Restricted Stock Award** shall have the meaning set forth in Section 7.1.
- 2.30 **Shares** shall mean the shares of common stock of the Company, par value \$0.01 per share.
- 2.31 **Stock Appreciation Right** shall mean a right granted to a Participant pursuant to Article VI.
- 2.32 **Subsidiary** shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the Award, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.
- 2.33 **Substitute Awards** shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, by a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

### ARTICLE III

#### SHARES SUBJECT TO THE PLAN

##### 3.1 Number of Shares.

(a) Subject to adjustment as provided in Section 10.2, the total number of Shares authorized for grant under this Plan shall be (i) 3,848,803 Shares plus (ii) any Shares subject to awards granted under the Prior Plan, which such awards were outstanding as of April 11, 2019 and which have subsequently been forfeited, have expired or have otherwise terminated, or which hereafter are forfeited, expire or otherwise terminate, without issuance of Shares, or were or are settled for cash or otherwise did not and do not result in the issuance of Shares. Any Shares that are subject to Awards of Options or Stock Appreciation Rights shall be counted against this limit as one Share for every one Share granted, regardless of the number of shares actually delivered pursuant to such Awards. For purposes of the preceding sentence, Awards that are valued by reference to the value of Shares shall be treated and counted as though such

Award constituted an award of a number of Shares equal to the number of Shares taken into account in such valuation. Any Shares that are subject to Awards other than Options or Stock Appreciation Rights (including, but not limited to, Shares delivered in satisfaction of Dividend Equivalents) shall be counted against this limit as two and one-half (2.5) Shares for every one Share granted.

(b) If any Shares subject to an Award or to an award under the Prior Plan are forfeited, expire or otherwise terminate without issuance of such Shares, or any Award or award under the Prior Plan is settled for cash or otherwise does not result in the issuance of all or a portion of the Shares subject to such Award, the Shares shall, to the extent of such forfeiture, expiration, termination, cash settlement or non-issuance, again be available for Awards under the Plan, subject to Section 3.1(e) below.

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(c) In the event that (i) any Option or other Award granted under this Plan or any option or award granted under the Prior Plan is exercised through the tendering of Shares (either actually, by attestation, or by the giving of instructions to a broker to remit to the Company that portion of the sales price required to pay the exercise price) or by the withholding of Shares by the Company, or (ii) withholding tax liabilities arising from such Options or Awards under this Plan or options or awards under a Prior Plan are satisfied by the tendering of Shares (either actually, by attestation, or by the giving of instructions to a broker to remit to the Company that portion of the sales price required to pay the exercise price) or by the withholding of Shares by the Company, then the Shares so tendered or withheld shall not again be available for Awards under the Plan.

(d) Substitute Awards shall not reduce the Shares authorized for issuance under the Plan or authorized for grant to a Participant in any calendar year. Additionally, in the event that a company acquired by the Company or any Subsidiary, or with which the Company or any Subsidiary combines, has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for issuance under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were employees, directors or consultants of such acquired or combined company before such acquisition or combination.

(e) Any Shares that again become available for grant pursuant to this Article III shall be added back as one Share if such Shares were subject to Options or Stock Appreciation Rights granted under the Plan or options or stock appreciation rights granted under the Prior Plan, and as two and one-half (2.5) Shares if such Shares were subject to Awards other than Options or Stock Appreciation Rights granted under the Plan or awards other than options or stock appreciation rights granted under the Prior Plan.

3.2 Character of Shares. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares purchased in the open market or otherwise.

## ARTICLE IV

### ELIGIBILITY AND ADMINISTRATION

4.1 Eligibility. Any Employee, Director or Consultant shall be eligible to be selected as a Participant. Only Employees may receive awards of Incentive Stock Options.

4.2 Administration.

(a) The Plan shall be administered by the Committee, constituted as follows:

(i) The Committee will consist of the Board, or a committee designated by the Board, which Committee will be constituted to satisfy Applicable Laws. Once appointed, a Committee will serve in its designated capacity until otherwise directed by the Board. The Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and substitute new members, fill vacancies (however caused), and remove all members of the Committee and thereafter directly administer the Plan. Notwithstanding the foregoing, unless the Board expressly resolves to the contrary, while the Company is registered pursuant to Section 12 of the Exchange Act, the Plan will be administered only by the Compensation Committee of the Board (or such other committee designated by the Compensation Committee of the Board), consisting of no fewer than two Directors, each of whom is (A) a non-employee director within the meaning of Rule 16b-3 (or any successor rule) of the Exchange Act, and (B) an

independent director for purpose of the rules and regulations of the NASDAQ Stock Market or other exchange or quotation system on which the Shares are principally traded; provided, however, (X) so long as the Committee has at least two directors that meet the above requirements, the Committee may contain one additional director who is not a non-employee director, or independent director, but only if

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such director abstains from voting on all grants or awards to those Participants who have been designated by the Board of Directors as being officers for purposes of Section 16 of the Exchange Act and the rules promulgated thereunder and (Y) the failure of the Committee to be composed solely of individuals who are non-employee directors and independent directors, whether pursuant to clause (X) above or otherwise, shall not render ineffective or void any awards or grants made by, or other actions taken by, such Committee.

(ii) The Plan may be administered by different bodies with respect to Directors, officers who are not Directors, and Employees and Consultants who are neither Directors nor officers.

(b) The Committee shall have full discretion, power and authority, subject to the provisions of the Plan and subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to: (i) select the Employees, Consultants and Directors to whom Awards may from time to time be granted hereunder; (ii) determine the type or types of Awards, not inconsistent with the provisions of the Plan, to be granted to each Participant hereunder; (iii) determine the number of Shares to be covered by each Award granted hereunder; (iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder and the form and content of any Award Agreement; (v) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property, subject to the provisions of the Plan; (vi) determine whether, to what extent and under what circumstances any Award shall be modified, amended, canceled or suspended; (vii) interpret and administer the Plan and any instrument or agreement entered into under or in connection with the Plan, including any Award Agreement; (viii) correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent that the Committee shall deem desirable to carry it into effect; (ix) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (x) subject to Section 10.5, determine whether any Award will have Dividend Equivalents; (xi) determine whether, to what extent, and under what circumstances cash, Shares, or other property payable with respect to an Award shall be deferred either automatically or at the election of the Participant; provided that the Committee shall take no action that would subject the Participant to a penalty tax under Section 409A of the Code; and (xii) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

(c) Decisions of the Committee shall be final, conclusive and binding on all persons or entities, including the Company, any Participant, any stockholder and any Employee or any Affiliate. A majority of the members of the Committee may determine its actions and fix the time and place of its meetings.

(d) The Committee may delegate to a committee of one or more Directors of the Company or, to the extent permitted by Applicable Law, to one or more officers or a committee of officers, the authority to grant Awards to Employees and officers of the Company who are not Directors or officers (as such term is defined by Rule 16a-1(f) of the Exchange Act), and to cancel or suspend Awards to Employees and officers of the Company who are not Directors or officers (as such term is defined by Rule 16a-1(f) of the Exchange Act).

## ARTICLE V

### OPTIONS

5.1 Grant of Options. Options may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan. Any Option shall be subject to the terms, restrictions and conditions of this Article V and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable.

5.2 Award Agreements. All Options granted pursuant to this Article V shall be evidenced by a written Award Agreement in such form and containing such terms and conditions as the Committee shall determine which are not

inconsistent with the provisions of the Plan. Granting of an Option pursuant to the Plan shall impose no obligation on the recipient to exercise such Option. Any individual who is granted an Option pursuant to this Article V may hold more than one Option granted pursuant to the Plan at the same time.

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5.3 Option Price. Other than in connection with Substitute Awards, the option price per each Share purchasable under any Option granted pursuant to this Article V shall not be less than 100% of the Fair Market Value of such Share on the date of grant of such Option. Other than pursuant to Section 10.2, the Committee shall not be permitted to (a) lower the option price per Share of an Option after it is granted, (b) cancel an Option when the option price per Share exceeds the Fair Market Value of the underlying Shares in exchange for cash or for another Award (other than in connection with Substitute Awards), and (c) take any other action with respect to an Option that may be treated as repricing under the rules and regulations of the NASDAQ Stock Market or other exchange or quotation system on which the Shares are principally traded.

5.4 Option Period. The term of each Option shall be fixed by the Committee in its sole discretion; provided that no Option shall be exercisable after the expiration of ten years from the date the Option is granted.

5.5 Exercise of Options. Vested Options granted under the Plan shall be exercised by the Participant or by a Permitted Assignee thereof (or by the Participant's executors, administrators, guardian, beneficiary, or legal representative, or Family Members, as may be provided in an Award Agreement) as to all or part of the Shares covered thereby, by the giving of written notice of exercise to the Company or its designated agent, specifying the number of Shares to be purchased, accompanied by payment of the full purchase price for the Shares being purchased. Unless otherwise provided in an Award Agreement, full payment of such purchase price shall be made at the time of exercise and shall be made (a) in cash or by certified check or bank check or wire transfer of immediately available funds, (b) with the consent of the Committee, by tendering previously acquired Shares (either actually or by attestation, valued at their then Fair Market Value) that have been owned for a period of at least six months (or such other period to avoid accounting charges against the Company's earnings), (c) with the consent of the Committee, by delivery of other consideration (including, where permitted by law and the Committee, other Awards) having a Fair Market Value on the exercise date equal to the total purchase price, (d) with the consent of the Committee, by withholding Shares otherwise issuable in connection with the exercise of the Option, (e) with the consent of the Committee, by delivery of a properly executed exercise notice together with any other documentation as the Committee and the Participant's broker, if applicable, require to effect an exercise of the Option and delivery to the Company of the sale or other proceeds (as permitted by Applicable Law) required to pay the exercise price, (f) through any other method specified in an Award Agreement, or (g) any combination of any of the foregoing. In connection with a tender of previously acquired Shares pursuant to clause (b) above, the Committee, in its sole discretion, may permit the Participant to constructively exchange Shares already owned by the Participant in lieu of actually tendering such Shares to the Company, provided that adequate documentation concerning the ownership of the Shares to be constructively tendered is furnished in form satisfactory to the Committee. The notice of exercise, accompanied by such payment, shall be delivered to the Company at its principal business office or such other office as the Committee may from time to time direct, and shall be in such form, containing such further provisions consistent with the provisions of the Plan, as the Committee may from time to time prescribe. In no event may any Option granted hereunder be exercised for a fraction of a Share. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such issuance.

5.6 Form of Settlement. In its sole discretion, the Committee may provide, at the time of grant, that the Shares to be issued upon an Option's exercise shall be in the form of Restricted Stock or other similar securities, or may reserve the right so to provide after the time of grant.

5.7 Incentive Stock Options. With respect to the Options that may be granted by the Committee under the Plan, the Committee may grant Options intended to qualify as Incentive Stock Options to any Employee of the Company or any Parent or Subsidiary, subject to the requirements of Section 422 of the Code. The Award Agreement of an Option intended to qualify as an Incentive Stock Option shall designate the Option as an Incentive Stock Option. Notwithstanding anything in Section 3.1 to the contrary and solely for the purposes of determining whether Shares are available for the grant of Incentive Stock Options under the Plan, the maximum aggregate number of Shares with respect to which Incentive Stock Options may be granted under the Plan shall be 3,848,803 Shares. Notwithstanding

the provisions of Section 5.3, in the case of an Incentive Stock Option granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent of the voting power of all classes of capital stock of the Company or any Parent or Subsidiary,

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the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the date of grant. Notwithstanding the provisions of Section 5.4, in the case of an Incentive Stock Option granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent of the voting power of all classes of capital stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five years from the date of grant or any shorter term specified in the Award Agreement. Notwithstanding the foregoing, if the Shares subject to an Employee's Incentive Stock Options (granted under all plans of the Company or any Parent or Subsidiary), which become exercisable for the first time during any calendar year, have a Fair Market Value in excess of \$100,000, the Options accounting for this excess will not be treated as Incentive Stock Options. For purposes of the preceding sentence, Incentive Stock Options will be taken into account in the order in which they were granted, and the Fair Market Value of the Shares will be determined as of the time of grant.

5.8 Termination of Employment or Consulting Relationship or Directorship. If a Participant holds exercisable Options on the date his or her Continuous Status as an Employee, Director or Consultant terminates (other than because of termination due to Cause, but including death or Disability), the Participant may exercise the Options that were vested and exercisable as of the date of termination until the end of the original term or for the period set forth in the Award Agreement or determined by the Committee, whichever is earlier. If the Participant is not entitled to exercise his or her entire Option at the date of such termination, the Shares covered by the unexercisable portion of the Option will revert to the Plan, unless otherwise set forth in the Award Agreement or determined by the Committee. If the Participant does not exercise an Option within the time specified after termination, that Option will expire, and the Shares covered by it will revert to the Plan, except as otherwise determined by the Committee.

## ARTICLE VI

### STOCK APPRECIATION RIGHTS

6.1 Grant and Exercise. The Committee may provide Stock Appreciation Rights either alone or in addition to other Awards upon such terms, restrictions and conditions as the Committee may establish in its sole discretion. Upon the exercise of a Stock Appreciation Right, the holder shall have the right to receive the excess of (i) the Fair Market Value of one Share on the date of exercise or such other amount as the Committee shall so determine at any time during a specified period before the date of exercise over (ii) the exercise price of the Stock Appreciation Right. Upon the exercise of a Stock Appreciation Right, payment shall be made in whole Shares or cash as determined by the Committee. Any Stock Appreciation Right shall be subject to the terms and conditions of this Article VI and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable.

6.2 Award Agreements. All Stock Appreciation Rights granted pursuant to this Article VI shall be evidenced by a written Award Agreement in such form and containing such terms and conditions as the Committee shall determine which are not inconsistent with the provisions of the Plan. Granting of a Stock Appreciation Right pursuant to the Plan shall impose no obligation on the recipient to exercise such Stock Appreciation Right. Any individual who is granted a Stock Appreciation Right pursuant to this Article VI may hold more than one Stock Appreciation Right granted pursuant to the Plan at the same time. The provisions of Stock Appreciation Rights need not be the same with respect to each recipient.

6.3 Exercise Price. Other than in connection with Substitute Awards, the exercise price per each Share under any Stock Appreciation Right granted pursuant to this Article VI shall not be less than 100% of the Fair Market Value of such Share on the date of grant of such Stock Appreciation Right. Other than pursuant to Section 10.2, the Committee shall not be permitted to (a) lower the exercise price per Share of a Stock Appreciation Right after it is granted, (b) cancel a Stock Appreciation Right when the exercise price per Share exceeds the Fair Market Value of the underlying Shares in exchange for cash or for another Award (other than in connection with Substitute Awards), and (c) take any other action with respect to a Stock Appreciation Right that may be treated as a repricing under the rules

and regulations of the NASDAQ National Market System or other exchange or quotation system on which the Shares are principally traded.

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6.4 Term of Stock Appreciation Right. The term of each Stock Appreciation Right shall be fixed by the Committee in its sole discretion; provided that no Stock Appreciation Right shall be exercisable after the expiration of ten years from the date the Stock Appreciation Right is granted.

6.5 Exercise of Stock Appreciation Rights. Vested Stock Appreciation Rights granted under the Plan shall be exercised by the Participant or by a Permitted Assignee thereof (or by the Participant's executors, administrators, guardian, beneficiary, or legal representative, or Family Members, as may be provided in an Award Agreement) as to all or part of the Shares covered thereby, by the giving of written notice of exercise to the Company or its designated agent, specifying the number of Stock Appreciation Rights to be exercised. The notice of exercise shall be delivered to the Company at its principal business office or such other office as the Committee may from time to time direct, and shall be in such form, containing such further provisions consistent with the provisions of the Plan, as the Committee may from time to time prescribe. In no event may any Stock Appreciation Right granted hereunder be exercised for a fraction of a Share. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such issuance.

6.6 Termination of Employment or Consulting Relationship or Directorship. If a Participant holds exercisable Stock Appreciation Rights on the date his or her Continuous Status as an Employee, Director or Consultant terminates (other than because of termination due to Cause, but including death or Disability), the Participant may exercise the Stock Appreciation Rights that were vested and exercisable as of the date of termination until the end of the original term or for the period set forth in the Award Agreement or determined by the Committee, whichever is earlier. If the Participant is not entitled to exercise all of his or her Stock Appreciation Rights at the date of such termination, the Shares covered by the unexercisable portion of the Stock Appreciation Rights will revert to the Plan, unless otherwise set forth in the Award Agreement or determined by the Committee. If the Participant does not exercise a Stock Appreciation Right within the time specified after termination, that Stock Appreciation Right will expire, and the Shares covered by it will revert to the Plan, except as otherwise determined by the Committee.

## ARTICLE VII

### RESTRICTED STOCK AWARDS

7.1 Grants. Awards of Restricted Stock may be issued hereunder to Participants either alone or in addition to other Awards granted under the Plan (a **Restricted Stock Award** ). A Restricted Stock Award shall be subject to terms, conditions and restrictions imposed by the Committee covering a period of time specified by the Committee (the **Restricted Period** ). The provisions of Restricted Stock Awards need not be the same with respect to each recipient. The Committee has absolute discretion to determine whether any consideration (other than services) is to be received by the Company or any Affiliate as a condition precedent to the issuance of Restricted Stock.

7.2 Award Agreements. The terms of any Restricted Stock Award granted under the Plan shall be set forth in a written Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan.

7.3 Rights of Holders of Restricted Stock. Except as otherwise provided in the Award Agreement, beginning on the date of grant of the Restricted Stock Award and subject to execution of the Award Agreement, the Participant shall become a stockholder of the Company with respect to all Shares subject to the Award Agreement and shall have all of the rights of a stockholder, including the right to vote such Shares and the right to receive distributions made with respect to such Shares; provided, however that the Award Agreement may provide that any Shares or any other property (including cash) distributed as a dividend or otherwise with respect to any Restricted Shares as to which the restrictions have not yet lapsed shall be subject to the same restrictions as such Restricted Shares.



## ARTICLE VIII

### OTHER STOCK UNIT AWARDS

8.1 Other Stock Unit Awards. Other Awards of Shares and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Shares or other property ( **Other Stock Unit Awards** ) may be granted hereunder to Participants, either alone or in addition to other Awards granted under the Plan, and such Other Stock Unit Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan. Other Stock Unit Awards shall be paid in Shares or cash. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees, Consultants and Directors to whom and the time or times at which such Other Stock Unit Awards shall be made, the number of Shares to be granted pursuant to such Awards, and all other terms, conditions and restrictions of the Awards. The provisions of Other Stock Unit Awards need not be the same with respect to each recipient.

8.2 Terms and Conditions. Shares (including securities convertible into Shares) subject to Awards granted under this Article VIII may be issued for no consideration or for such minimum consideration as may be required by Applicable Law. Shares (including securities convertible into Shares) purchased pursuant to a purchase right awarded under this Article VIII shall be purchased for such consideration as the Committee shall determine in its sole discretion.

## ARTICLE IX

### CHANGE OF CONTROL PROVISIONS

9.1 Impact of Change of Control. The terms of any Award may provide in the Award Agreement evidencing the Award, or the Committee may determine in its discretion, that, upon a Change of Control of the Company, (a) Options and Stock Appreciation Rights outstanding as of the date of the Change of Control immediately vest and become exercisable in full or in part, (b) restrictions and deferral limitations on Restricted Stock lapse and the Restricted Stock becomes free of some or all restrictions and limitations and becomes partially or fully vested, (c) the restrictions and deferral limitations and other conditions applicable to any Other Stock Unit Awards or any other Awards shall lapse in full or in part, and such Other Stock Unit Awards or such other Awards shall become free of some or all restrictions, limitations or conditions and become partially or fully vested and transferable, and (d) such other additional benefits, changes or adjustments as the Committee deems appropriate shall apply, subject in each case to any terms and conditions contained in the Award Agreement evidencing such Award. Notwithstanding any other provision of the Plan, the Committee, in its discretion, may determine that, upon the occurrence of a Change of Control of the Company, (x) each Option and Stock Appreciation Right shall remain exercisable for only a limited period of time determined by the Committee (provided that they remain exercisable for at least 30 days after notice of such action is given to the Participants), or (y) each Option and Stock Appreciation Right outstanding shall terminate within a specified number of days after notice to the Participant, and such Participant shall receive, with respect to each Share subject to such Option or Stock Appreciation Right, an amount equal to the excess of the Fair Market Value of such Share immediately prior to the occurrence of such Change of Control over the exercise price per share of such Option and/or Stock Appreciation Right; such amount to be payable in cash, in one or more kinds of stock or property (including the stock or property, if any, payable in the transaction) or in a combination thereof, as the Committee, in its discretion, shall determine. Notwithstanding the foregoing and the provisions of Section 9.2, the Committee will take no action that would subject any Participant to a penalty tax under Section 409A of the Code.

9.2 Assumption Upon Change of Control. The terms of any Award Agreement may also provide that, if in the event of a Change of Control the successor company assumes or substitutes for an Option, Stock Appreciation Right, Share of Restricted Stock or Other Stock Unit Award, then each outstanding Option, Stock Appreciation Right, Share of Restricted Stock or Other Stock Unit Award shall not be accelerated as described in clauses (a), (b) and (d) of Section 9.1. For the purposes of this Section 9.2, an Option, Stock Appreciation Right, Share of Restricted Stock or

Other Stock Unit Award shall be considered assumed or substituted for if following the Change of Control the award confers the right to purchase or receive, for each Share subject to the Option, Stock Appreciation Right, Restricted Stock Award or Other Stock Unit Award immediately prior to the Change

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of Control, the consideration (whether stock, cash or other securities or property) received in the transaction constituting a Change of Control by holders of Shares for each Share held on the effective date of such transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the transaction constituting a Change of Control is not solely common stock of the successor company, the Committee may, with the consent of the successor company, provide that the consideration to be received upon the exercise or vesting of an Option, Stock Appreciation Right, Restricted Stock Award or Other Stock Unit Award, for each Share subject thereto, will be solely common stock of the successor company substantially equal in fair market value to the per share consideration received by holders of Shares in the transaction constituting a Change of Control. The determination of such substantial equality of value of consideration shall be made by the Committee in its sole discretion and its determination shall be conclusive and binding. Any assumption or substitution of an Incentive Stock Option will be made in a manner that will not be considered a modification under the provisions of Section 424(h)(3) of the Code. Notwithstanding the foregoing, an Award Agreement may provide that, in the event of a termination of a Participant's employment in such successor company within a specified time period following such Change of Control, all or part of any such Award held by such Participant at the time of the Change of Control shall be accelerated as described in Sections 10.1(a), (b) and (d) above.

## ARTICLE X

### GENERALLY APPLICABLE PROVISIONS

10.1 Amendment and Modification of the Plan. The Board may, from time to time, alter, amend, suspend or terminate the Plan as it shall deem advisable, subject to any requirement for stockholder approval imposed by Applicable Law; provided that the Board may not amend the Plan in any manner that would result in noncompliance with Rule 16b-3 of the Exchange Act; and further provided that the Board may not, without the approval of the Company's stockholders, amend the Plan to (a) increase the number of Shares that may be the subject of Awards under the Plan (except for adjustments pursuant to Section 10.2), (b) expand the types of awards available under the Plan, (c) materially expand the class of persons eligible to participate in the Plan, (d) amend any provision of Section 5.3 or Section 6.3, (e) increase the maximum permissible term of any Option specified by Section 5.4 or of any Stock Appreciation Right specified in Section 6.4, or (f) permit the issuance of Dividend Equivalents with respect to Options or Stock Appreciation Rights. In addition, no amendments to, or termination of, the Plan (other than by reason of the failure of stockholders to approve the Plan in the manner set forth in Section 11.12) shall in any way impair the rights of a Participant under any Award previously granted without such Participant's consent.

10.2 Adjustments. In the event of any merger, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares or other property), stock split, reverse stock split, spin-off or similar transaction or other change in corporate structure affecting the Shares or the value thereof, such adjustments and other substitutions shall be made to the Plan and to Awards as the Committee, in its sole discretion, deems equitable or appropriate, including such adjustments in the aggregate number, class and kind of securities that may be delivered under the Plan and, in the aggregate or to any one Participant, in the number, class, kind and option or exercise price of securities subject to outstanding Awards granted under the Plan (including, if the Committee deems appropriate, the substitution of similar options to purchase the shares of, or other awards denominated in the shares of, another company) as the Committee may determine to be appropriate in its sole discretion; provided, however, that the number of Shares subject to any Award shall always be a whole number. Where an adjustment under this Section 10.2 is made to an Incentive Stock Option, the adjustment will be made in a manner which will not be considered a modification under the provisions of Sections 409A or 424(h)(3) of the Code.

10.3 Transferability of Awards. Except as provided below, no Award, and no Shares subject to Awards that have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, pledged or otherwise encumbered, other than by will or the laws of descent and distribution, and

such Award may be exercised during the life of the Participant only by the Participant or the Participant's guardian or legal representative. Notwithstanding the foregoing, to the extent that the Committee so

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authorizes in the Award Agreement or otherwise, an Award other than an Incentive Stock Option may be assigned, in whole or in part, during the Participant's lifetime to one or more Family Members of the Participant. Rights under the assigned portion may be exercised by the Family Member(s) who acquire a proprietary interest in such Award pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the Award immediately before such assignment and shall be set forth in such documents issued to the assignee as the Committee deems appropriate.

(a) Designation of Beneficiary. A Participant may file a written designation of a beneficiary who is to receive any Awards that remain unexercised in the event of the Participant's death. If a Participant is married and the designated beneficiary is not the spouse, spousal consent will be required for the designation to be effective. The Participant may change such designation of beneficiary at any time by written notice to the Committee, subject to the above spousal consent requirement.

(b) Effect of No Designation. If a Participant dies and there is no beneficiary validly designated and living at the time of the Participant's death, the Company will deliver such Participant's Awards to the executor or administrator of his or her estate, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Awards to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

(c) Death of Spouse or Dissolution of Marriage. If a Participant designates his or her spouse as beneficiary, that designation will be deemed automatically revoked if the Participant's marriage is later dissolved. Similarly, any designation of a beneficiary will be deemed automatically revoked upon the death of the beneficiary if the beneficiary predeceases the Participant. Without limiting the generality of the preceding sentence, the interest in Awards of a spouse of a Participant who has predeceased the Participant or whose marriage has been dissolved will automatically pass to the Participant, and will not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor will any such interest pass under the laws of intestate succession.

10.4 Termination of Employment. The Committee shall determine and set forth in each Award Agreement whether any Awards granted in such Award Agreement will continue to be exercisable, and the terms of such exercise, on and after the date that a Participant's Continuous Status as an Employee, Director, or Consultant ceases, whether by reason of death, disability, voluntary or involuntary termination of employment or services, or otherwise. The date of termination of a Participant's Continuous Status as an Employee, Director or Consultant will be determined by the Committee, which determination will be final.

10.5 Dividend Equivalents. Subject to the provisions of the Plan and any Award Agreement, the recipient of an Award (including any deferred Award) may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, cash, stock or other property dividends, or cash payments in amounts equivalent to stock or other property dividends on Shares ( **Dividend Equivalents** ) with respect to the number of Shares covered by the Award, as determined by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested; provided, however, notwithstanding the foregoing, Dividend Equivalents may not be awarded in respect of Options or Stock Appreciation Rights.

## ARTICLE XI

### MISCELLANEOUS

11.1 Tax Withholding. The Company shall have the right to make all payments or distributions pursuant to the Plan to a Participant (or to the Participant's executors, administrators, guardian, beneficiary, or legal representative, or Family Members) (any such person, a **Payee** ) net of any applicable Federal, State and local taxes required to be paid

or withheld as a result of (a) the grant of any Award, (b) the exercise of an Option or Stock Appreciation Rights, (c) the delivery of Shares or cash, (d) the lapse of any restrictions in connection with any Award, or (e) any other event occurring pursuant to the Plan. The Company or any Affiliate shall have the

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right to withhold from wages or other amounts otherwise payable to such Payee such withholding taxes as may be required by law, or to otherwise require the Payee to pay such withholding taxes. If the Payee shall fail to make such tax payments as are required, the Company or its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to such Payee or to take such other action as may be necessary to satisfy such withholding obligations. The Committee shall be authorized to establish procedures for election by Participants to satisfy such obligation for the payment of such taxes by tendering previously acquired Shares (either actually or by attestation, valued at their then Fair Market Value) that have been owned for a period of at least six months (or such other period to avoid accounting charges against the Company's earnings), or by directing the Company to retain Shares (up to the employee's minimum required tax withholding rate) otherwise deliverable in connection with the Award. If Shares acquired upon exercise of any Incentive Stock Option are disposed of in a disposition that, under Section 422 of the Code, disqualifies the holder from the application of Section 421(a) of the Code, the holder of the Shares immediately before the disposition will comply with any requirements imposed by the Company in order to enable the Company to secure the related income tax deduction to which it is entitled in such event.

11.2 Right of Discharge Reserved; Claims to Awards. Nothing in the Plan nor the grant of an Award hereunder shall confer upon any Employee, Consultant or Director the right to continue in the employment or service of the Company or any Affiliate or affect any right that the Company or any Affiliate may have to terminate the employment or service of (or to demote or to exclude from future Awards under the Plan) any such Employee, Consultant or Director at any time for any reason. The Company shall not be liable for the loss of existing or potential profit from an Award granted in the event of termination of an employment or other relationship. No Employee or Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Employees or Participants under the Plan.

11.3 Prospective Recipient. The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument evidencing the Award and delivered a copy thereof to the Company, and otherwise complied with the then applicable terms and conditions.

11.4 Cancellation of Award. Notwithstanding anything to the contrary contained herein, all outstanding Awards granted to any Participant may be canceled in the discretion of the Committee if the Participant's Continuous Status as an Employee, Director or Consultant is terminated for Cause, or if, after the termination of the Participant's Continuous Status as an Employee, Director, or Consultant, the Committee determines that Cause existed before such termination.

11.5 Stop Transfer Orders. All certificates for Shares delivered under the Plan pursuant to any Award shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the provisions of this Plan, the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

11.6 Nature of Payments. All Awards made pursuant to the Plan are in consideration of services performed or to be performed for the Company or any Affiliate, division or business unit of the Company. Any income or gain realized pursuant to Awards under the Plan and any Stock Appreciation Rights constitute a special incentive payment to the Participant and shall not be taken into account, to the extent permissible under Applicable Law, as compensation for purposes of any of the employee benefit plans of the Company or any Affiliate except as may be determined by the Committee or by the Board or board of directors of the applicable Affiliate.

11.7 Other Plans. Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may

be either generally applicable or applicable only in specific cases.

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11.8 **Severability.** If any provision of the Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (a) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (b) not affect any other provision of the Plan or part thereof, each of which shall remain in full force and effect. If the making of any payment or the provision of any other benefit required under the Plan shall be held unlawful or otherwise invalid or unenforceable by a court of competent jurisdiction, such unlawfulness, invalidity or unenforceability shall not prevent any other payment or benefit from being made or provided under the Plan, and if the making of any payment in full or the provision of any other benefit required under the Plan in full would be unlawful or otherwise invalid or unenforceable, then such unlawfulness, invalidity or unenforceability shall not prevent such payment or benefit from being made or provided in part, to the extent that it would not be unlawful, invalid or unenforceable, and the maximum payment or benefit that would not be unlawful, invalid or unenforceable shall be made or provided under the Plan.

11.9 **Construction.** All references in the Plan to **Section**, **Sections**, or **Article** are intended to refer to the Section, Sections or Article, as the case may be, of the Plan. As used in the Plan, the words **include** and **including**, and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words **without limitation**.

11.10 **Unfunded Status of the Plan.** The Plan is intended to constitute an **unfunded** plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver the Shares or payments in lieu of or with respect to Awards hereunder; provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

11.11 **Governing Law.** The Plan and all determinations made and actions taken thereunder, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed accordingly.

11.12 **Effective Date of Plan; Termination of Plan.** The Plan shall be effective as of April 11, 2019, subject to the approval of the Plan, within 12 months thereafter, by affirmative votes representing a majority of the votes cast under Applicable Laws at a duly constituted meeting of the stockholders of the Company. Notwithstanding any other provision of the Plan to the contrary, if stockholders of the Company do not approve the Plan, the Plan shall be void and null *ab initio* and the Prior Plan shall continue in full force and effect. If the stockholders of the Company do not approve the Plan in the manner set forth herein, all Awards granted under the Plan shall be subject to the terms of the Prior Plan. If the Company's stockholders approve the Plan as set forth above, Awards may be granted under the Plan at any time and from time to time on or prior to the tenth anniversary of the effective date of the Plan (e.g., April 11, 2029) (unless the Board sooner suspends or terminates the Plan under **Section 10.1**), on which date the Plan will expire except as to Awards then outstanding under the Plan (which Awards shall remain in effect until they have been exercised or terminated, or have expired).

11.13 **Foreign Employees.** Awards may be granted to Participants who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those applicable to Awards to Employees employed in the United States as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for Employees on assignments outside their home country.

11.14 **Prior Plan.** Upon approval of the Plan by the Company's stockholders, the Prior Plan shall be automatically cancelled, effective as of April 11, 2019 (the effective date of the Plan), and no further grants or awards can thereafter

be made under the Prior Plan. Grants and awards made under the Prior Plan before the date of such cancellation, however, shall continue in effect in accordance with their terms.

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11.15 Other Company Compensation Plans. Shares available for Awards under the Plan may be used by the Company as a form of payment of compensation under other Company compensation plans, whether or not existing on the date hereof. To the extent any Shares are used as such by the Company, such Shares will reduce the then number of Shares available under Article III of the Plan for future Awards.

11.16 Captions. The captions in the Plan are for convenience of reference only, and are not intended to narrow, limit or affect the substance or interpretation of the provisions contained herein.

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