

DICKS SPORTING GOODS INC

Form DEF 14A

April 24, 2006

Table of Contents

SCHEDULE 14A

**SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act Of 1934**

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

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

Dick's Sporting Goods, Inc.

(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):

x No fee required.

- o \$125 per Exchange Act Rules O-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and O-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 O-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:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule O-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:

Table of Contents

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held June 7, 2006

To our Stockholders:

The 2006 annual meeting of stockholders of Dick's Sporting Goods, Inc., a Delaware corporation, will be held at the Hyatt Regency, 1111 Airport Boulevard, Pittsburgh, PA 15231, (724) 899-1234, June 7, 2006, beginning at 1:30 p.m. local time. At the meeting, the holders of the Company's issued and outstanding Class B common stock and common stock will act on the following matters:

(1) Election of two Class A Directors, each for terms that expire in 2009; and

(2) Any other matters that properly come before the meeting.

All holders of record of shares of Dick's Sporting Goods' Class B common stock and common stock (NYSE: DKS) at the close of business on April 17, 2006 are entitled to vote at the meeting and any postponements or adjournments of the meeting.

A list of stockholders entitled to vote at the meeting may be examined by any stockholder, for any purpose germane to the meeting, at 300 Industry Drive, RIDC Park West, Pittsburgh, PA 15275 beginning on May 26, 2006.

By order of the Board of Directors,

William R. Newlin
*Executive Vice President, Chief Administrative
Officer and Corporate Secretary*

April 24, 2006
Pittsburgh, PA

TABLE OF CONTENTS

ABOUT THE MEETING	1
<u>What is the purpose of the annual meeting?</u>	1
<u>Who is entitled to vote at the meeting?</u>	1
<u>What are the voting rights of the holders of Dick's Sporting Goods common stock and Class B common stock?</u>	1
<u>Who can attend the meeting?</u>	1
<u>What constitutes a quorum?</u>	2
<u>How do I vote?</u>	2
<u>Can I change my vote after I return my proxy card?</u>	2
<u>What is the Board's recommendation?</u>	2
<u>What vote is required to approve each item?</u>	2
<u>We are a controlled Company under the New York Stock Exchange rules</u>	3
STOCK OWNERSHIP	4
<u>Who are the largest owners of the Company's stock?</u>	4
<u>How much stock do the Company's Directors and executive officers own?</u>	5
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	7
ITEM 1 ELECTION OF DIRECTORS	7
<u>Directors Standing for Election</u>	7
<u>How are Directors compensated?</u>	8
<u>How often did the Board meet during fiscal 2005?</u>	9
<u>What committees has the Board established?</u>	9
<u>How does the Board select nominees for the Board?</u>	10
<u>Does the Company have a Code of Ethics?</u>	11
<u>How do stockholders communicate with the Board?</u>	11
<u>How does the Board determine which directors are considered independent?</u>	11
<u>Policy on Annual Meeting Attendance</u>	11
<u>Compensation Committee Interlocks and Insider Participation</u>	12
<u>Certain Relationships and Related Transactions</u>	12
<u>Report of the Audit Committee</u>	13
<u>Audit and Non-Audit Fees and Independent Public Accountants</u>	14
<u>Executive Compensation</u>	15
<u>Report of the Compensation Committee</u>	15
<u>What is the Company's philosophy on executive officer compensation?</u>	15
<u>How is the Company's Chief Executive Officer compensated?</u>	16
<u>How is the Company addressing Internal Revenue Code limits on deductibility of compensation?</u>	16
<u>Severance and Other Arrangements</u>	17
<u>Summary Executive Compensation Table</u>	18
<u>Option Grants in Fiscal 2005</u>	19
<u>Option Exercises and Values for Fiscal 2005</u>	20
COMPARISON OF CUMULATIVE TOTAL RETURNS	21
OTHER MATTERS	22
ADDITIONAL INFORMATION	22

Table of Contents

300 Industry Drive, RIDC Park West

Pittsburgh, Pennsylvania 15275

PROXY STATEMENT

This proxy statement contains information related to the annual meeting of stockholders of Dick's Sporting Goods, Inc., a Delaware corporation, to be held at the Hyatt Regency, 1111 Airport Boulevard, Pittsburgh, PA 15231, (724) 899-1234, June 7, 2006, beginning at 1:30 p.m. local time, and at any postponements or adjournments thereof. This proxy statement is being mailed to stockholders on or about April 24, 2006.

ABOUT THE MEETING

What is the purpose of the annual meeting?

At our annual meeting, stockholders will act upon the matters outlined in the notice of meeting on the cover page of this proxy statement, including the election of two Class A Directors and to act on any other matter to properly come before the meeting. In addition, management will report on the performance of the Company and respond to questions from stockholders.

Who is entitled to vote at the meeting?

Only stockholders of record at the close of business on April 17, 2006, the record date for the meeting, are entitled to receive notice of and to participate in the annual meeting. If you were a stockholder of record on that date, you will be entitled to vote all of the shares that you held on that date at the meeting or any postponements or adjournments of the meeting.

What are the voting rights of the holders of Dick's Sporting Goods common stock and Class B common stock?

Holders of our common stock and Class B common stock have identical rights, except that holders of the common stock are entitled to one (1) vote for each share held of record and holders of Class B common stock are entitled to ten (10) votes for each share held of record on all matters submitted to a vote of the stockholders, including the election of Directors. Stockholders do not have cumulative voting rights. Holders of common stock and Class B common stock vote together as a single class on all matters presented to the stockholders for their vote or approval, except as may be required by Delaware law.

Who can attend the meeting?

Subject to space availability, all common stockholders and Class B stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis. Registration will begin at 1:00 p.m. If you attend, please note that you may be asked to present valid picture identification, such as a driver's license or passport. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

Table of Contents

Please also note that if you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date and check in at the registration desk at the meeting.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of record of the issued and outstanding shares of capital stock representing a majority of the votes entitled to be cast at the meeting constitutes a quorum, permitting the meeting to conduct its business. As of the record date, April 17, 2006, 36,883,659 shares of common stock representing the same number of votes and 13,629,395 shares of Class B common stock representing 136,293,950 votes were issued and outstanding. Thus, the presence of the holders of common stock or Class B common stock or the combination thereof representing at least 86,588,805 votes will be required to establish a quorum.

Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of votes considered to be present at the meeting but will not be deemed a vote cast with respect to the matters to be acted upon at the meeting.

How do I vote?

If you complete and properly sign the accompanying proxy card and return it to the Company, it will be voted as you direct. If you are a registered stockholder and attend the meeting, you may deliver your completed proxy card in person. Street name stockholders who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares.

Can I change my vote after I return my proxy card?

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is exercised by filing with the Corporate Secretary of the Company either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

What is the Board's recommendation?

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote in accordance with the recommendation of the Board of Directors. The Board's recommendation is set forth together with the description of each item in this proxy statement. In summary, the Board recommends a vote *for* election of the nominated slate of Class A Directors (see Item 1).

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion.

What vote is required to approve each item?

Election of Directors. The affirmative vote of a plurality of the votes cast at the meeting is required for the election of Directors. A properly executed proxy marked **WITHHOLD** with respect to the election of one or more Directors will not be voted with respect to the Director or Directors indicated, although it will be counted for purposes of determining whether there is a quorum.

Other Items. For any other item, the affirmative vote of a majority of the votes represented in person or by proxy and entitled to vote on the item will be required for approval. A properly executed proxy marked **ABSTAIN** with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote.

If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your

shares may not be voted on those matters and will

Table of Contents

not be counted in determining the number of shares necessary for approval. Shares represented by such broker non-votes will, however, be counted in determining whether there is a quorum.

We are a controlled Company under the New York Stock Exchange rules.

Because as of March 1, 2006, Edward W. Stack, our Chairman and Chief Executive Officer, controlled approximately 68% of the combined voting power of our common stock and Class B common stock, we are a controlled company under the New York Stock Exchange's Corporate Governance Standards, and we have chosen to take advantage of all of the exemptions available to controlled companies under Section 303A of the New York Stock Exchange Corporate Governance Standards.

Table of Contents**STOCK OWNERSHIP****Who are the largest owners of the Company's stock?**

Based on a review of filings with the Securities and Exchange Commission (the Commission) and information known to us about our Class B common stock, the following are the non-management beneficial holders of more than 5% of the outstanding shares of Dick's Sporting Goods, Inc. (i) common stock (or Class B common stock that is convertible into more than 5% of the outstanding shares of our common stock) or (ii) Class B common stock, as of December 31, 2005 (the date on which holders of more than 5% of our outstanding common stock report their ownership):

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(4)	Percentage of Common Stock(5)	Percentage of Class B Common Stock(5)
Common Stock	Ronald Baron and Baron Capital Group, Inc.(1) 767 Fifth Avenue, New York, NY 10153	4,381,900 shares of common stock shared disposition(1)	12.2%	
Common Stock	Stephen F. Mandel, Jr. and Lone Pine Associates LLC(2) Two Greenwich Plaza, Greenwich, CT 06830	3,242,510 shares of common stock shared power to vote and direct disposition(2)	8.9%	
Class B Common Stock	Michael Hefferon, Trustee, for The Frederick & Nancy Heichemer Intangible Asset Management Trust c/o Dick's Sporting Goods, Inc. 300 Industry Drive, RIDC Park West Pittsburgh, PA 15275	800,000 shares of Class B common stock shared voting and dispositive power(3)	(6)	5.82%
Class B Common Stock	Kim Myers c/o Dick's Sporting Goods, Inc. 300 Industry Drive, RIDC Park West Pittsburgh, PA 15275	969,810 shares of Class B common stock sole power to vote and direct disposition	(6)	7.05%

(1) Of the shares beneficially owned, 50,000 shares have sole power to vote and direct disposition, and 3,913,400 shares of common stock have shared voting power. Amount includes 4,431,900 shares of common stock owned by Baron Capital Group, Inc., 4,149,000 shares of common stock owned by BAMCO, Inc., 282,900 shares of common stock owned by Baron Capital Management, Inc. and 2,500,000 shares of common stock owned by Baron Growth Fund. BAMCO and Baron Capital Management, Inc. are subsidiaries of Baron Capital Group. Baron Growth Fund is an advisory client of BAMCO, Inc. Ronald Baron owns a controlling interest in Baron Capital Group. Share ownership amounts are based on figures set forth in the Schedule 13G filed by Baron Capital Group, Inc., BAMCO, Inc., Baron Capital Management, Inc., Baron Growth Fund and Ronald Baron filed on February 14, 2006.

(2) Includes 58,130 shares of common stock owned by Lone Spruce, L.P., 127,568 shares of common stock owned by Lone Balsam, L.P., 106,575 shares of common stock owned by Lone Sequoia, L.P., 597,711 shares of common stock owned by Lone Cascade, L.P., 48,538 shares of common stock owned by Lone Sierra, L.P., 292,273 shares of common stock owned by Lone Pine Associates, LLC, 646,249 shares of common stock owned by Lone Pine Members, LLC and 2,303,988 shares of common stock owned by Lone Pine Capital LLC. Lone Pine Associates LLC is the general partner of Lone Balsam, L.P., Lone Sequoia, L.P., and Lone Spruce, L.P., and has the power to direct the affairs of each, including decisions respecting the disposition of the proceeds from the sale of shares. Lone Pine Members,

Table of Contents

Sierra, has the power to direct the affairs of each, including decisions respecting the dispositions of the proceeds from the sale of the shares. Stephen F. Mandel, Jr. is the Managing Member of each of Lone Pine Associates LLC, Lone Pine Members LLC and Lone Pine Capital LLC and in that capacity directs its operations. Share ownership amounts are based on figures set forth in the Schedule 13G-A filed by Mr. Mandel, Jr., Lone Spruce, L.P., Lone Balsam, L.P., Lone Sequoia, L.P., Lone Cascade, L.P., Lone Sierra, L.P., Lone Pine Associates LLC, Lone Pine Members LLC, and Lone Pine Capital LLC on February 14, 2006.

- (3) Includes 800,000 shares of Class B common stock beneficially owned by Michael Hefferon, Trustee, for the Frederick & Nancy Heichemer Intangible Asset Management Trust.
- (4) A person has beneficial ownership of shares if he has the power to vote or dispose of the shares. This power can be exclusive or shared, direct or indirect. In addition, a person is considered by Commission rules to beneficially own shares underlying options or convertible securities that are presently exercisable or will become exercisable within 60 days of December 31, 2005. The shares listed in this table above include shares issuable upon the exercise of options or other rights that are exercisable or will become exercisable within 60 days of December 31, 2005.
- (5) As of December 31, 2005, there were 36,451,932 shares of our common stock outstanding and 13,755,945 shares of Class B common stock outstanding. To calculate a stockholder's percentage of beneficial ownership of common stock, we must include in the numerator and denominator those shares of common stock underlying options or convertible securities (such as our Class B common stock) that the stockholder is considered to beneficially own. Shares of common stock underlying options or convertible securities held by other stockholders, however, are disregarded in this calculation. Therefore, the denominator used in calculating beneficial ownership among our stockholders may differ.
- (6) Less than 5%.

How much stock do the Company's Directors and executive officers own?

The following table shows the amount of Dick's Sporting Goods Class B common stock and common stock beneficially owned (unless otherwise indicated) by our Directors, the executive officers named in the Summary Executive Compensation Table below and the Directors and executive officers as a group. Except as otherwise indicated, all information is as of March 1, 2006.

A person has beneficial ownership of shares if he has the power to vote or dispose of the shares. This power can be exclusive or shared, direct or indirect. In addition, a person is considered by the Commission rules to beneficially own shares underlying options and convertible securities that are presently exercisable or will become exercisable within 60 days of March 1, 2006. The shares listed in this table below include shares of

Table of Contents

common stock issuable upon the exercise of options or other rights that are exercisable or will become exercisable within 60 days of March 1, 2006.

Name of Beneficial Owner	Shares Beneficially Owned				Voting Power
	Number		Percent(12)		
	Common Stock	Class B	Common Stock	Class B	
Executive Officers and Directors					
Edward W. Stack			25.05% (includes Class B common shares owned by Mr. Stack)(12)	85.99%	68.13%
William J. Colombo	442,750(1)	11,797,790(2)	1.33%		*
William R. Newlin	492,946(3)		1.37%		*
Michael F. Hines	507,903(4)		*		*
Gwen K. Manto	319,648(5)		*		*
Gary Sterling	278,777(6)		*		*
Emanuel Chirico	17,500(7)		*		*
David I. Fuente	286,250(8)		*		*
Walter Rossi	262,350(9)		*		*
Lawrence J. Schorr	120,826(10)		*		*
All Executive Officers and Directors as a group (10 persons)	2,728,950(11)	11,797,790	31.24%	85.99%	69.44%

* Percentage of shares of common stock beneficially owned does not exceed one percent (1%).

- (1) Includes 437,750 shares of common stock issuable upon exercise of options that were exercisable within 60 days of March 1, 2006. Also includes 5,000 shares held by Mr. Stack's minor children. Mr. Stack disclaims beneficial ownership of those securities, and the inclusion of such shares shall not be an admission that the reporting person is the beneficial owner for the purposes of Section 16 under the Securities Exchange Act of 1934. On January 15, 2004, Mr. Stack entered into a three-year variable prepaid forward contract. At maturity on or just after January 16, 2007, Mr. Stack will deliver a maximum of 300,000 shares of common stock (the Pre-paid Shares) of the Company to the counter party in the transaction, based upon the closing sale price of the common stock on January 16, 2007. At Mr. Stack's option, he may deliver cash in an amount equivalent to the value of the required number of shares at maturity. As part of this transaction, Mr. Stack is required to pledge with the counter party shares of common stock and/or Class B common stock equal to the number of Pre-paid Shares.
- (2) Includes 435,100 shares of Class B Common Stock held by Richard T. Stack, over which Edward W. Stack maintains sole voting power.
- (3) Includes 384,134 shares of common stock issuable upon exercise of options that were exercisable within 60 days of March 1, 2006. Also includes 1,200 shares held by Mr. Colombo's children. Mr. Colombo disclaims beneficial ownership of those securities, and the inclusion of such shares shall not be an admission that the reporting person is the beneficial owner for the purposes of Section 16 under the Securities Exchange Act of 1934.
- (4) Includes 485,500 shares of common stock issuable upon the exercise of options that were exercisable within 60 days of March 1, 2006. Includes 18,000 shares held by Mr. Newlin's spouse. Mr. Newlin disclaims beneficial ownership of those securities, and the inclusion of such shares shall not be an admission that the reporting person is the beneficial owner for the purposes of Section 16 under the Securities Exchange Act of 1934.
- (5) Includes 311,140 shares of common stock issuable upon exercise of options that were exercisable within 60 days of March 1, 2006.

Table of Contents

- (6) Includes 98,280 shares of common stock issuable upon exercise of options that were exercisable within 60 days of March 1, 2006. Also includes 1,000 shares held by Mr. Sterling's daughter. Mr. Sterling disclaims beneficial ownership of those securities, and the inclusion of such shares shall not be an admission that the reporting person is the beneficial owner for the purposes of Section 16 under the Securities Exchange Act of 1934. On December 5, 2005, Mr. Sterling, our then Senior Vice President-Merchandising, announced his retirement. On February 1, 2006, Mr. Sterling entered into a consulting and separation agreement with us. See Severance and Other Arrangements.
- (7) Includes 17,500 shares of common stock issuable upon the exercise of options that were exercisable within 60 days of March 1, 2006.
- (8) Includes 273,150 shares of common stock issuable upon exercise of options that were exercisable within 60 days of March 1, 2006.
- (9) Includes 250,050 shares of common stock issuable upon exercise of options that were exercisable within 60 days of March 1, 2006.
- (10) Includes 85,500 shares of common stock issuable upon exercise of options that were exercisable within 60 days of March 1, 2006.
- (11) A total of 2,343,004 shares of common stock are issuable upon the exercise of options for all 10 officers and directors as a group within 60 days of March 1, 2006.
- (12) As of March 1, 2006, there were 36,627,084 shares of common stock outstanding and 13,719,395 shares of Class B common stock outstanding. To calculate an individual Director or executive officer's percentage of beneficial ownership of common stock, we must include in the numerator and denominator those shares of common stock underlying options or convertible securities (such as our Class B common stock) that the Director or executive officer is considered to beneficially own. Shares of common stock underlying options or convertible securities held by other directors, executive officers and stockholders, however, are disregarded in this calculation. Therefore, the denominator used in calculating beneficial ownership among our Directors and executive officers may differ.

Section 16(a) Beneficial Ownership Reporting Compliance.

Based upon a review of filings with the Commission and written representations that no other reports were required we believe that all of our Directors and executive officers complied during 2005 with the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934.

ITEM 1 ELECTION OF DIRECTORS

The Board is divided into three (3) classes, each containing as nearly as possible an equal number of Directors. The current term of office of our Class A Directors expires at the 2006 annual meeting while the Class B Directors expires at the 2007 annual meeting and the Class C Directors expires at the 2008 annual meeting. Upon recommendation by the Governance and Nominating Committee of the Board of Directors, the Board of Directors proposes that the following nominees, William J. Colombo (a Class A Director) and David I. Fuente (a Class A Director), be elected for new terms of three (3) years and until their successors are duly elected and qualified as Class A Directors. Each of the nominees has consented to serve if elected. If any of them becomes unavailable to serve as a Director, the Board may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board.

Directors Standing for Election.

The Directors standing for election at the annual meeting are:

William J. Colombo, 50, became our President and a board member in 2002 in addition to being Chief Operating Officer. From late in 1998 to 2000, Mr. Colombo served as President of dsports.com LLC, our internet commerce subsidiary. Mr. Colombo served as Chief Operating Officer and an Executive Vice President from 1995 to 1998. Mr. Colombo joined us in 1988. From 1977 to 1988, he held various field and district positions with J.C. Penney Company, Inc. (a retailing company listed on the NYSE). He is also on the board of directors of

Table of Contents

Gibraltar Industries (a leading processor, manufacturer and provider of high value-added, high margin steel products and services listed on Nasdaq). Mr. Colombo's term as a Class A Director expires at the 2006 annual meeting.

David I. Fuente, 60, has served on the Board since 1993. Mr. Fuente is currently a member of the board of Office Depot, Inc. (an office supply retailer listed on the NYSE) and was Chairman of Office Depot from 1987 to 2001 and its Chief Executive Officer from 1987 to 2000. He currently serves as a director for Ryder System, Inc. (a truck leasing and logistics company listed on the NYSE). Mr. Fuente's term as a Class A Director expires at the 2006 annual meeting.

The Board unanimously recommends that the stockholders vote For the persons nominated by the Board as Class A Directors.

Other Directors Not Standing for Election at this Meeting.

Other than the current nominees, the four (4) remaining members of the Board of Directors who served during fiscal 2005 will continue to serve as members of our Board. Our other Directors who will serve after the 2006 annual meeting are:

Edward W. Stack, 51, has served as our Chairman and Chief Executive Officer since 1984 when the founder and Edward Stack's father, Richard Dick Stack, retired from our then two store chain. Mr. Edward Stack has served us full time since 1977 in a variety of positions, including President, Store Manager and Merchandise Manager. Mr. Stack's current term of office as a Class C Director expires at the 2008 annual meeting.

Lawrence J. Schorr, 52, has served on the Board since 1985. Mr. Schorr currently serves as Chief Executive Officer of Boltaron Performance Products, LLC (formerly, Empire Plastics, Inc.) (a privately owned plastics manufacturing company) and as co-managing partner of the law firm of Levene, Gouldin and Thompson LLP. Mr. Schorr has held both of these positions for the last five years. He previously was President of RRT-Recycle America, a subsidiary of WMX Technologies, Inc. He formerly served in the same position for Resource Recycling Technologies, Inc. (a solid waste material management company listed on the American Stock Exchange). Prior to that he served as a partner in the law firm of Levene, Gouldin and Thompson LLP. Mr. Schorr's term as a Class C Director expires at the 2008 annual meeting.

Emanuel Chirico, 48, has served on the Board since December 2003. On June 14, 2005, Mr. Chirico became a Director of the Phillips-Van Heusen Corporation (apparel and footwear listed on the NYSE) and was named its Chief Executive Officer on February 27, 2006. Previously, Mr. Chirico had been Phillips-Van Heusen's President and Chief Operating Officer since June of 2005. Mr. Chirico had been the Executive Vice President and Chief Financial Officer of Phillips-Van Heusen Corporation from 1999 until June 2005. From 1993 until 1999, Mr. Chirico was Phillips-Van Heusen Corporation's controller. Prior to that, he was a partner at Ernst & Young LLP. Mr. Chirico's current term of office as a Class B Director expires at the 2007 annual meeting.

Walter Rossi, 63, has served on the Board since 1993. In 2004, Mr. Rossi became a director of Guitar Center, Inc. (a retailer of musical instruments listed on Nasdaq). Mr. Rossi formerly served as Chief Executive Officer of Naartjie Custom Kids, Inc. (a children's apparel retailer), Chief Executive Officer of Home Express (a retailer of home furnishings), Chairman of the Retail Group at Phillips-Van Heusen Corporation (apparel and footwear company listed on the NYSE) and Chairman and Chief Executive Officer of Mervyn's (a department store chain). Mr. Rossi's current term of office as a Class B Director expires at the 2007 annual meeting.

How are Directors compensated?

Beginning in fiscal 2001, non-employee Directors were compensated by means of an annual retainer of \$20,000 plus \$7,500 per meeting (\$3,750 for teleconferences) both paid in cash. In addition to the annual retainer and per meeting fees (Board and committee per meeting fee is reduced if attended by teleconference), each committee chair receives \$15,000 per committee chairmanship per year, except that the audit committee chair receives an annual retainer of \$25,000. Each committee member also receives a per committee meeting fee of \$1,500 (\$750 for teleconferences). There are generally six (6) Board meetings per year. Prior to fiscal 2001, non-employee Directors received no cash compensation. Instead, there was an initial stock option grant of

Table of Contents

46,200 shares and annual stock option grants of 23,100 shares. Currently, each Director receives an initial option grant exercisable for 20,000 shares upon his first election to the board with an additional annual option grant exercisable for 10,000 shares for each year of service thereafter. In accordance with our practice, each of Messrs. Fuente, Chirico, Rossi and Schorr received option grants exercisable for 10,000 shares of the Company's common stock at an exercise price of \$37.90 as part of their annual stock option grant made in fiscal 2006. In each case these options vest in equal installments over four years from the date of grant. Additionally, members of our Board of Directors are reimbursed for their expenses incurred in connection with attending any meeting.

How often did the Board meet during fiscal 2005?

The Board of Directors met six (6) times during fiscal 2005. Each Director attended all Board of Director meetings either in person or via teleconference except that one director was absent from one meeting held via teleconference. The Audit Committee met five (5) times during fiscal 2005. Each Audit Committee member attended all Audit Committee Meetings. During fiscal 2005, the Compensation Committee met five (5) times. Each Compensation Committee member attended all of the Compensation Committee Meetings. The Governance and Nominating Committee met five (5) times during fiscal 2005. Each Governance and Nominating Committee member attended all of the Governance and Nominating Committee Meetings.

What committees has the Board established?

The Board of Directors has standing Compensation and Audit Committees that were established prior to our initial public offering, and in March 2003 we constituted a standing Governance and Nominating Committee. The following sets forth Committee memberships as of the date of this proxy statement.

Director	Compensation Committee	Audit Committee	Governance and Nominating Committee
Edward W. Stack			
William J. Colombo			
David I. Fuente	X(c)		X
Emanuel Chirico		X(c)	
Walter Rossi		X	
Lawrence J. Schorr	X	X	X(c)

(c) Denotes chair.

Mr. Chirico became Chairman of the Audit Committee in March 2005.

Messrs. Chirico (Chairperson), Schorr and Rossi were members of the Audit Committee during fiscal 2005, which has been established in accordance with Section 3(a)(58)A of the Securities Exchange Act of 1934. We adopted an Audit Committee charter that was effective upon completion of our initial public offering, which we amended and restated after the adoption of the final New York Stock Exchange rules relating to corporate governance in December 2003 and amended further in December 2004 to reflect additional changes in the New York Stock Exchange rules relating to corporate governance under which the Audit Committee reviews with management our internal financial controls, accounting procedures and reports. The Audit Committee also reviews the engagement of our independent auditors, makes recommendations to the Board of Directors regarding the selection of independent auditors and reviews the scope, fees and results of any audit. Emanuel Chirico is qualified as the audit committee financial expert within the meaning of the Commission regulations and the Board has determined that he has accounting and financial management expertise within the meaning of the standards of the New York Stock Exchange. The Board has determined that Mr. Chirico is independent as the term is defined in Item 7(d)(3)(iv) of Schedule 14A and the Board has determined that all members of our Audit Committee are independent within the meaning of the Commission regulations relating to audit committee independence, the listing standards of New York Stock Exchange and the Company's Corporate Governance Guidelines. Our Audit Committee Charter is available on the Investor Relations portion of our website (www.dickssportinggoods.com).

Table of Contents

Messrs. Fuente (Chairperson) and Schorr comprise the Compensation Committee. The Compensation Committee monitors our stock option and stock purchase plans and establishes the terms and conditions of all stock option grants. Our Compensation Committee Charter, which was amended in December 2004 to reflect changes in the New York Stock Exchange Rules relating to corporate governance, is available on the Investor Relations portion of our website (www.dickssportinggoods.com).

Messrs. Fuente and Schorr (Chairperson) currently comprise the Governance and Nominating Committee. Mr. Stack served on the Governance and Nominating Committee in 2004 but resigned from the Committee in March of 2005. This committee provides oversight and guidance to the Board of Directors to ensure that the membership, structure, policies and processes of the Board and its committees facilitate the effective exercise of the Board's role in our governance. The committee reviews and evaluates the policies and practices with respect to the size, composition and functioning of the board, evaluates the qualifications of and recommends to the full Board candidates for election as Directors, and reviews and recommends to the full Board the compensation and benefits for non-employee Directors. The Governance and Nominating Committee recommended to the Board of Directors that Messrs. Colombo and Fuente stand for election as Class A Directors. Our Governance and Nominating Committee charter is available on the Investor Relations portion of our website (www.dickssportinggoods.com). Because the Company is a controlled company under the New York Stock Exchange's Corporate Governance Standards, it is not required to have an independent nominating committee. However, both Messrs. Fuente and Schorr would qualify as independent under the standards applicable to non-controlled companies under the New York Stock Exchange's Corporate Governance Standards.

On March 1, 2006, the Board named David I. Fuente to act as the presiding non-management director for a one-year term (until the 2007 annual meeting proxy statement is filed or until his successor is duly appointed and qualified).

How does the Board select nominees for the Board?

The Governance and Nominating Committee will consider candidates for Board membership suggested by its members and other Board members and management. This committee will consider Director candidates from stockholders for election at the 2007 annual meeting if such nominees are submitted in accordance with the procedures set forth in Additional Information Advanced Notice Procedures.

The Governance and Nominating Committee, at the direction of the Committee Chair, makes an initial determination as to whether to conduct a full evaluation of a prospective candidate. This initial determination is based on whatever information is provided to the Committee with the recommendation of the prospective candidate, as well as the Committee's own knowledge of the prospective candidate, which may be supplemented by inquiries to the person making the recommendation or others. The preliminary determination is based primarily on the need for additional Board members to fill vacancies or to expand the size of the Board and the likelihood that the prospective nominee can satisfy the evaluation factors described below. If the Committee determines, in consultation with the other Board members as appropriate, that additional consideration is warranted, it may request that additional information about the prospective nominee's background and experience be gathered and a report be prepared for the Committee. The Committee then would evaluate the prospective nominee against the standards and qualifications set out in the Company's Corporate Governance Guidelines, including independence, integrity, experience, sound judgment in areas relevant to the Company's businesses and willingness to commit sufficient time to the Board, all in the context of an assessment of the perceived needs of the Board at that point in time. The Committee will also measure candidates against the criteria it sets, including skills and attributes that reflect the values of the Company. The Governance and Nominating Committee will also be responsible for reviewing with the Board, on an annual basis, the criteria it believes appropriate for Board membership.

The Committee will also consider such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors, the need for Audit Committee expertise and the evaluations of other prospective nominees. Depending on the needs of the Company at the time, the prospective nominees and such other factors as the Committee deems in its business judgment to be relevant, the Committee will take such other steps as are necessary to evaluate the prospective nominee, including, if

Table of Contents

warranted, one or more of the members of the Committee interviewing the prospective nominee. After completing this evaluation and other steps of the process the Committee would make a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the recommendation and report of the Committee.

Does the Company have a Code of Ethics?

Our Code of Business Conduct and Ethics is applicable to all of our officers, directors and employees, including the principal executive officer, the principal financial officer and the principal accounting officer. The Code is available on the Investor Relations portion of our website (www.dickssportinggoods.com). We intend to post amendments to or waivers from the Code (to the extent applicable to our chief executive officer, principal financial officer or principal accounting officer or Directors).

How do stockholders communicate with the Board?

Stockholders and other parties interested in communicating directly with the Board, the presiding non-management director or with the non-management directors as a group may do so by writing to the Board or Presiding Director (as the case may be), c/o Chief Administrative Officer and the Corporate Secretary, Dick's Sporting Goods, Inc., 300 Industry Drive, RIDC Park West, Pittsburgh, PA 15275 or e-mail at investors@dcs.com to the attention of the Chief Administrative Officer and the Corporate Secretary. Effective March 25, 2004, the Governance and Nominating Committee of the Board approved a process for handling letters received by the Company and addressed to non-management members of the Board. Under that process, our Governance and Nominating Committee has instructed our Chief Administrative Officer to (i) review any such correspondence, (ii) regularly forward to the Board a summary of all such correspondence and (iii) regularly forward to the presiding non-management director copies of all correspondence that is addressed to the presiding director or the non-management directors as a group or that, in the opinion of the Chief Administrative Officer, is intended for the presiding director or the non-management directors or that otherwise requires their attention. Directors may at any time review a log of all correspondence received by the Company that is addressed to members of the Board and request copies of any such correspondence. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of the Company's internal audit department and handled in accordance with procedures established by the Audit Committee with respect to such matters.

How does the Board determine which directors are considered independent?

On December 4, 2003, the Board adopted its Corporate Governance Guidelines which were amended on December 1, 2004 to reflect certain changes made by the New York Stock Exchange to its listing standards. The Guidelines adopted by the Board meet the listing standards adopted by the New York Stock Exchange for controlled companies, and the full text of the Guidelines can be found in the Investor Relations section of the Company's website (www.dickssportinggoods.com). A copy may also be obtained upon request from the Company's Corporate Secretary.

Pursuant to the Guidelines, the Board undertook its annual review of director independence on March 1, 2006 and March 20, 2006. During this review, the Board considered transactions and relationships between each director with the Company (either directly or as a partner, stockholder or officer of any organization that has a relationship with the Company). As provided in the Guidelines, the purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent.

As a result of this review, the Governance and Nominating Committee affirmatively determined that Messrs. Chirico, Fuente, Rossi and Schorr are independent directors in accordance with the standards set forth in the Guidelines.

Policy on Annual Meeting Attendance

The Board's official policy with respect to Board attendance at the annual meeting of stockholders is that the Board strongly encourages its members to attend the Company's annual meeting of stockholders; the Company

Table of Contents

also expects that most of its Directors will attend its 2006 annual meeting. All of the current members of the Board were in attendance at last year's annual meeting.

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee currently consists of Messrs. Fuente and Schorr. Neither Mr. Fuente nor Mr. Schorr has ever been an officer or employee of ours or any of our subsidiaries. None of our executive officers serve or have served as a member of the Board of Directors, Compensation Committee or other Board committee performing equivalent functions of any entity that has one or more executive officers serving as one of our Directors or on our Compensation Committee. Our Compensation Committee customarily has met and discussed matters relating to the compensation of our employees and key officers.

Certain Relationships and Related Transactions

Some of our stockholders who own more than 5% of a class of our common stock have registration rights to register shares of our common stock under the Securities Act of 1933. They may request that we register their shares of common stock with the Commission, and, if all conditions under our registration rights agreement are met, we must register their shares. We would be required to bear specified expenses related to those registrations.

We owe entities established by the estate of Richard Dick Stack, our founder and father of Edward W. Stack, a balance of \$40,000 as of January 28, 2006. The obligation represents the remaining balance on a \$1,251,000 (the largest aggregate amount of indebtedness outstanding under the promissory note) in principal amount loan granted to us in 1986, payable at an annual interest rate of 12% in monthly installments of approximately \$14,000 through May 1, 2006. The loan, which is subordinated to all of our senior indebtedness, may be prepaid, in whole or in part, at any time without premium or penalty. The loan may be accelerated upon an event of default, including default on any payment on the loan for a period of 15 days after notice, default in the observance of any other covenant, condition or agreement for a period of 30 days, the acceleration of our other indebtedness or our inability to pay our debts as they become due. At the time the loan was granted to us, we believed the terms were consistent with the terms that we would have received from an unaffiliated third party in an arms-length transaction.

We also lease two locations from entities established by Dick Stack's estate, one of which continues to operate as one of our stores and the second of which has been subleased to a third party. Our total monthly lease payments for the two locations is \$20,000. We paid \$240,000 under these leases in fiscal year 2005. The amount we are paying per square foot under these leases is comparable to the amounts we agreed to pay to unaffiliated third parties for other new leases that were entered into around the same time period.

We entered into an agreement with Edward W. Stack and Richard T. Stack, dated November 12, 1992, which gives Edward W. Stack an irrevocable proxy to vote all of our shares owned (including shares acquired in the future) by Richard T. Stack.

Kim Myers, the sister of our Chairman and CEO and a holder of our Class B common stock, is married to Tim Myers, our Director of Reverse Logistics, an employee in our Conklin, New York facility. During fiscal 2005, Mr. Myers was paid an aggregate salary and bonus of \$122,375 for his services during the year.

Mr. Newlin's son-in-law is a shareholder of the law firm of Buchanan Ingersoll PC, which provided legal services in excess of \$60,000 in fiscal year 2005 to the Company. The amounts paid by the Company to Buchanan Ingersoll were not material to the Company.

On February 13, 2006, we entered into an Aircraft Sublease Agreement with Corporate Air, LLC (Corporate Air). Under that sublease we will charter for business use an aircraft owned by EWS, LLC (EWS), an entity owned by Edward W. Stack. Corporate Air, an independent airline charter company, has a master lease with EWS under which Corporate Air operates and maintains this aircraft, hires pilots and other staff for flight operations and also may act to charter the aircraft for use by third parties. During the five (5) year sublease term, we have the right to use this aircraft on a flight available basis for one thousand five hundred (1,500) hours for travel purposes. The sublease may be terminated on certain conditions as set forth in the

Table of Contents

sublease and terminates automatically if Corporate Air no longer has the right to operate the aircraft under the master lease. Under this arrangement, we will pay Corporate Air (i) a base fee of \$150,000 per month and (ii) an hourly charter rate of \$1,900 per block hour of actual usage. The hourly charter rate is subject to a fuel surcharge adjustment, as set forth in the sublease. Since the beginning of this arrangement until March 5, 2006 we have paid Corporate Air \$300,000 under the sublease. EWS has no interest in the amounts we pay Corporate Air but is paid certain amounts by Corporate Air for its third party charter use of the aircraft.

Report of the Audit Committee

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.

The charter of the Audit Committee of the Board of Directors specifies that the purpose of the Committee is to assist the Board of Directors in its responsibility to:

oversee the integrity of the audit process, financial reporting and internal accounting controls of the Company;

oversee the work of the Company's financial management, the internal auditors employed by the Company and any registered public accounting firm employed by the Company for the purpose of preparing or issuing an audit report or related work;

oversee management's development of, and adherence to, a sound system of internal accounting and financial controls and that internal auditors and outside auditors objectively assess the Company's financial reporting, accounting practices and internal controls; and

provide an open avenue of communication between outside auditors, internal auditors and the Board.

(In connection with the New York Stock Exchange's adopting its revised Corporate Governance Standards, we amended and restated the Company's Audit Committee Charter on December 1, 2004. The full text of the Committee's charter is available on the Investor Relations portion of our website (www.dickssportinggoods.com).

In carrying out these responsibilities, the Audit Committee, among other things:

95,000		16,922					
78,750		19,402					
75,000		17,063					
Greg Henslee	2005	450,000	206,640	-	-	60,000	10,509
Chief Executive Officer and Co-President	2004	430,500	145,550	-	-	43,050	11,334
	2003	410,000	102,500	-	-	41,000	7,768
Ted F. Wise	2005	450,000	206,640	-	-	60,000	11,754
Chief Operating Officer and Co-President	2004	430,500	145,550	-	-	43,050	11,845
	2003	410,000	102,500	-	-	41,000	11,125
James R. Batten	2005	235,000	210,000	100,800	-	-	38,500
		190,000					6,713
Executive Vice-President of Finance and Chief Financial Officer	2004		67,450	-	-	21,000	6,946
	2003		47,500	-	-	19,000	6,523
Jeff Shaw	2005	148,500	19,433	-	12,375	7,500	4,880

Edgar Filing: DICKS SPORTING GOODS INC - Form DEF 14A

Senior Vice-	2004	140,000	18,578	-	9,688	-	4,701
President of Store	2003	127,500	17,000	-	8,991	15,000	4,501
Operations and Sales							

- (a) Includes portion of salary deferred at named executive's election under the Company's Profit Sharing and Savings Plan.
- (b) Shares awarded to Mr. Shaw under the PIP include 472 shares for fiscal year 2003, having a per share fair market value of \$19.05 on the day awarded, for an aggregate value of \$8,991 and 394 shares for fiscal year 2004, having a per share fair market value of \$24.59 on the day awarded, for an aggregate value of \$9,688. As of December 31, 2005, Mr. Shaw owned in the aggregate, 708 of such shares having an aggregate value of \$22,663. All shares awarded under the PIP vest in equal installments over a three-year period commencing on the first anniversary of the award and are based on the achievement of certain performance goals. No dividends are paid on shares of restricted stock.
- (c) See Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values tables for additional information with respect to these options.
- (d) "All Other Compensation" for the year ended December 31, 2005, includes primarily (i) Company contributions of \$16,406, \$10,329, \$11,237, \$6,593 and \$4,760 to its Profit Sharing and Savings Plan made on behalf of David E. O'Reilly, Greg Henslee, Ted Wise, James R. Batten and Jeff Shaw, respectively.

Information as to Stock Options

The following table provides certain information concerning options to purchase Common Stock granted pursuant to the Company's 2003 Incentive Plan during the 2005 fiscal year to the named executive officers.

Option Grants in Last Fiscal Year**Individual Grants**

Name	Number of Securities Underlying Options Granted(#)	% of Total Options Granted to Employees in 2005	Exercise Price Per Share(\$)	Expiration Date	Grant Date
					Present Value\$(2)
David E. O'Reilly	80,000 (1)	4.1%	23.20	02/03/15	631,000
	15,000 (1)	0.8%	24.84	04/06/15	125,000
Ted F. Wise	45,000 (1)	2.3%	23.20	02/03/15	355,000
	15,000 (1)	0.8%	24.84	04/06/15	125,000
Greg Henslee	45,000 (1)	2.3%	23.20	02/03/15	355,000
	15,000 (1)	0.8%	24.84	04/06/15	125,000
James R. Batten	23,500 (1)	1.2%	23.20	02/03/15	185,000
	15,000 (1)	0.8%	24.84	04/06/15	125,000
Jeff Shaw	7,500 (1)	0.4%	24.84	04/06/15	62,000

(1) Stock options become exercisable with respect to 25% of the covered shares one year from the date of grant; 50% exercisable two years from the date of grant; 75% exercisable three years from the date of grant and the remainder become exercisable four years from the date of grant. On October 28, 2005, the Board of Directors of the Company accelerated the vesting of all unvested stock options previously awarded to employees and executive officers. This acceleration included the option grants shown in the above table. The Board of Directors imposed restrictions on any shares received through the subsequent exercise of an accelerated option. These restrictions prevent the sale of any stock obtained through exercise of an accelerated option prior to the earlier of the original vesting date or the individual's termination of employment.

Stock option grants awarded after October 28, 2005 are not subject to the acceleration and will become exercisable with respect to 25% of the covered shares one year from the date of grant; 50% exercisable two years from the date of grant; 75% exercisable three years from the date of grant and the remainder become exercisable four years from the date of grant.

Edgar Filing: DICKS SPORTING GOODS INC - Form DEF 14A

(2) The Company used a Black-Scholes model of option valuation to determine grant date present value. Calculations for the named executive officers are based on a four-year option term, which reflects the Company's expectation that its options, on average, will be exercised within four years of grant. Other assumptions used for the valuations are: risk free rate of return of 4.25%; annual dividend yield of 0%; and volatility of .358.

*Aggregated Option Exercises in Last Fiscal Year**and Fiscal Year-End Option Values*

Name	Number of Securities Underlying Options Exercised (#)	Value Realized(\$)	Number of Unexercised Options at FY-End (#)		Value of Unexercised In-The-Money Options at FY-End \$(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
David O Reilly	120,000	\$ 2,446,152	562,500	--	\$ 9,193,188	\$ --
Ted Wise	--	\$ --	388,100	--	\$ 6,563,704	\$ --
Greg Henslee	30,000	\$ 563,690	363,100	--	\$ 6,029,860	\$ --
Jim Batten	10,000	\$ 157,858	178,500	--	\$ 2,790,790	\$ --
Jeff Shaw	90,000	\$ 2,149,404	235,500	--	\$ 5,095,055	\$ --

(1) Represents the market value of the underlying Common Stock on December 31, 2005, less the aggregate exercise price.

Employment Arrangements with Executive Officers

The Company entered into a written employment agreement effective January 1, 1993, with David E. O'Reilly. Such agreement provides for Mr. O Reilly to be employed by the Company for a minimum period of three years and automatically renews for each calendar year thereafter. As compensation for services rendered to the Company, the agreement provides for Mr. O Reilly to receive (i) a base annual salary adjusted annually, and (ii) a bonus, the amount of which is determined by reference to such criteria as may be established by the Compensation Committee.

Mr. O Reilly's employment may be terminated by the Company for cause (as defined in the agreement) or without cause. If Mr. O Reilly's employment is terminated for cause or if Mr. O Reilly resigns, his salary and bonus rights will cease on the date of such termination or resignation. If the Company terminates Mr. O Reilly without cause, all compensation payments will continue through the remainder of the agreement's term. Pursuant to his agreement, Mr. O Reilly has agreed for so long as he is receiving payments thereunder to refrain from disclosing information confidential to the Company or engaging, directly or indirectly, in any automotive parts distribution, manufacturing or sales business in the states in which the Company operates without prior written consent of the Company.

The Company has also entered into written retirement agreements with David E. O'Reilly, Lawrence P. O'Reilly, Charles H. O'Reilly, Jr. and Rosalie O Reilly-Wooten. Such agreements, as amended and which are in substantially identical form, provide for each of the foregoing executive officers to be employed as a consultant upon retirement, for a period of ten years at a yearly salary of \$125,000, adjusted annually three percent for inflation and payable in equal monthly payments. The agreements also provide for each officer to receive medical benefits, death and disability benefits, as well as the use of a car.

Edgar Filing: DICKS SPORTING GOODS INC - Form DEF 14A

Lawrence P. O Reilly, Charles H. O Reilly, Jr. and Rosalie O Reilly-Wooten have retired from the Company and currently receive payments under the retirement agreements.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is now an officer or an employee of the Company or any of its subsidiaries or has been at any time an officer or an employee of the Company or any of its subsidiaries.

Compensation Committee Report

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might be incorporated by reference in future filings, including this Proxy Statement, in whole or in part, the following Compensation Committee Report shall not be incorporated into any such filings.

General

The Compensation Committee of the Board of Directors is responsible for recommending to the Board of Directors, a compensation package and specific compensation levels for the executive officers of the Company. Additionally, the Compensation Committee establishes policies and guidelines for other benefit programs and administers the award of stock options under the Company's 2003 Incentive Plan. The Compensation Committee is composed of three independent members of the Board of Directors.

Policy

The Compensation Committee's policy, with respect to executive compensation, is to provide the executive officers of the Company with a total compensation package which is competitive and equitable and which encourages and rewards performance based in part upon the Company's performance in terms of increases in share value. The key components of the Company's compensation package for its executive officers are base salary, annual cash bonuses and long-term, stock-based incentives.

Base Salary

The annual base salary of each executive officer is set to bring them in line with base compensation then being paid by the Company's competitors for executive management, based upon the Compensation Committee's review of, among other things, compensation data for comparable companies and positions. The Compensation Committee believes that the Company's principal competitors for executive management are not necessarily the same companies that would be included in a peer group compiled for purposes of comparing shareholder returns. Consequently, the companies that are reviewed for such compensation purposes may not be the same as the companies comprising The Nasdaq Retail Trade Stock Price Index included in this Proxy Statement. The base salaries of the executive officers were increased in 2005 to reflect increases in the Consumer Price Index from 2004 to 2005, increases in responsibilities due to the Company's growth and to align executive compensation with comparable companies and positions.

Bonuses

The Compensation Committee has established a bonus plan for the Chairman of the Board, Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer of the Company based upon objective criteria. Under this bonus plan, these executive officers of the Company each will receive a bonus based upon a percentage of their respective base salary for the attainment of certain performance goals for the Company. Such performance goals are designed to address multiple facets of financial performance, including sales performance, operating income performance, financial returns and various balance sheet measures. Actual Company performance in each of these areas is compared to the targets pre-determined by the Compensation Committee, in order to determine the bonus amount achieved by each executive officer. The bonuses to be awarded to all other senior management of the Company are based upon each individual's contribution, responsibility and performance during the year as well as the attainment of certain performance goals for the Company.

Long-Term Incentives

The Company offers long-term incentives for senior executives in the form of stock option awards. Stock options may be awarded to the Chief Executive Officer, the other individual executive officers and upper and middle managers by the Board of Directors, based upon, in the case of the Chief Executive Officer and other executive officers, the recommendation of the Compensation Committee.

It is the stock option program which links rewards to the achievement of long-term corporate performance. In determining whether and how many options should be granted, the Compensation Committee may consider the responsibilities and seniority of each of the executive officers, as well as the financial performance of the Company and other factors as it deems appropriate, consistent with the Company's compensation policies.

The Chairman of the Board, Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer of the Company can receive option grants annually in an amount determined by the Compensation Committee. The Compensation Committee has also established specific target awards governing the receipt, timing and size of option grants to other individuals based upon the respective individual's level of responsibility within the Company.

CEO Compensation

The base salary of David E. O'Reilly, the Chairman of the Board of Directors of the Company, was established under his employment agreement dated January 1, 1993, and the criterion to be achieved for his bonus was determined by the Compensation Committee in February 2005, based upon a percentage of his base salary for the attainment of certain performance goals for the Company. This cash bonus will be paid to the Chairman of the Board during 2006. The cash bonus to be earned by the Chairman of the Board in 2006 will be based upon performance goals to be determined by the Compensation Committee.

The base salary of Greg Henslee, the Chief Executive Officer of the Company, and the criterion to be achieved for his bonus was determined by the Compensation Committee in February 2005. The bonus is based upon a percentage of his base salary for the attainment of certain performance goals for the Company. This cash bonus will be paid to the Chief Executive Officer during 2006. The cash bonus to be earned by the Chief Executive Officer in 2006 will be based upon performance goals to be determined by the Compensation Committee.

Respectfully submitted,

THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF
O'REILLY AUTOMOTIVE, INC.

Jay D. Burchfield
Chairman of the Compensation Committee

Paul R. Lederer
Member of the Compensation Committee

Ronald Rashkow
Member of the Compensation Committee

Audit Committee Report

The Audit Committee functions pursuant to a written charter, which may be viewed on our website at www.oreillyauto.com. In compliance with that charter and in connection with the December 31, 2005, financial statements, the Audit Committee:

reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2005; and discussed with the Company's independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended, by the Auditing Standards Board of American Institute of Certified Public Accountants; and received and reviewed the written disclosures and the letter from the Company's independent accountants required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as amended, and discussed with the independent accountant the independent accountant's independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements referred to above be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

THE AUDIT COMMITTEE OF THE
BOARD OF DIRECTORS OF
O'REILLY AUTOMOTIVE, INC.

John Murphy

Chairman of the Audit Committee

Paul R. Lederer

Member of the Audit Committee

Ronald Rashkow

Member of the Audit Committee

Transactions with Management and Others

The Company leases 70 store locations (three of such locations are no longer occupied, but remain subject to a lease agreement) from one of two real estate investment partnerships and a limited liability corporation formed by the O'Reilly family. David E. O'Reilly, Lawrence P. O'Reilly, Charles H. O'Reilly, Jr. and Rosalie O'Reilly-Wooten, their spouses, children and grandchildren each hold a beneficial interest in such partnerships or the limited liability company. The Company has entered into separate master lease agreements with each of the affiliated real estate investment partnerships and the limited liability company for the store locations covered thereby. The master leases generally provide for payment of a fixed base rent, payment of certain tax, insurance and maintenance expenses, and an original term of six years, subject to one or more renewals at the Company's option. The original term of the master lease agreements with the real estate investment partnerships expired in December 2004 and has been renewed by modifications to the master lease agreements that extend the term of the lease for each individual property under the lease. The terms of these modifications expire on dates ranging from March 31, 2008 to December 31, 2019. The term of the master lease with the limited liability company expires on either December 31, 2013 or August 31, 2016. The total aggregate rent payments paid by the Company to the partnerships and the limited liability company was \$3,380,000 in fiscal 2005. The Company believes that the terms and conditions of the transactions with affiliates described above were no less favorable to the Company than those that would have been available to the Company in comparable transactions with unaffiliated parties.

Performance Graph

Set forth below is a line graph comparing the annual percentage change in the cumulative total shareholder return of a \$100 investment on December 31, 2000, in the Company's Common Stock against The Nasdaq United States Stock Market Total Return Index and The Nasdaq Retail Trade Stocks Total Return Index, assuming reinvestment of all dividends.

Measurement Period	O Reilly	Nasdaq Retail	Nasdaq U.S.
<u>(Fiscal Year Covered)</u>	<u>Automotive, Inc.</u>	<u>Trade Stocks</u>	<u>Stock Market</u>
12/00	100	100	100
12/01	136	138	79
12/02	95	117	55
12/03	144	164	82
12/04	168	207	89
12/05	239	209	91

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers and Directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Such individuals are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such forms furnished to us and written representations with respect to the timely filing of all reports required to be filed, we believe that such persons complied with all Section 16(a) filing requirements applicable to them with respect to transactions during fiscal 2005 with the following exception (in which such person has not timely reported one transaction on Form 4, resulting in one late filing of such Form 4): Charles H. O Reilly Jr., sold shares held under direct ownership and shares held under indirect ownership on May 5, 2005 that was not reported until May 18, 2005

PROPOSAL 2 RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as our independent auditors for the year ending December 31, 2006, and has further directed that management submit the selection of independent auditors for ratification by the shareholders at the annual meeting. Ernst & Young LLP has audited our financial statements since 1992. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

None of our Bylaws, our other governing documents, Missouri or federal law or The Nasdaq National Market listing requirements require shareholder ratification of the selection of Ernst & Young LLP as our independent auditors. However, the Audit Committee is submitting the selection of Ernst & Young LLP to the shareholders for ratification as a matter of good corporate practice. If the shareholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company and our shareholders.

Fees Paid to Independent Auditors

The following is a summary of fees billed by Ernst & Young LLP for audit and other professional services during the year ended December 31:

	2005	2004
Audit Fees:		
Consists of fees and expenses billed for the audit of O'Reilly's consolidated financial statements for such year and for the review of O'Reilly's quarterly reports on Form 10-Q and reviews and reports relating to internal control over financial reporting	\$ 869,191	\$ 927,720
Audit-Related Fees:		
Consists of fees and expenses billed for the annual audit of the Company's employee benefit plan, and consultations regarding restructuring of the Company's synthetic lease arrangement and assistance in documenting internal control policies and procedures over financial reporting	12,920	165,160
Tax Fees:		
Consists of fees and expenses billed for tax advisory services, including compliance and planning	91,460	85,347
All Other Fees	\$ --	\$ --
Total Fees	\$ 973,571	\$ 1,178,227

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax services, and other services performed by the independent auditor. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously approved with respect to that year, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it. The Audit Committee has delegated to the Chairman of the Audit Committee authority to approve permitted services, provided that the Chairman reports any decisions to the Committee at its next scheduled meeting.

The Audit Committee, after review and discussion with Ernst & Young LLP of the preceding information, determined that the provision of these services was compatible with maintaining Ernst & Young LLP's independence.

Ratification of Independent Auditors

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to ratify the selection of Ernst & Young LLP.

The Board of Directors recommends that you vote FOR the proposal to ratify the selection of Ernst & Young LLP as our independent auditors for the year ending December 31, 2006.

ANNUAL SHAREHOLDERS' REPORT

The Annual Shareholders' Report of the Company for fiscal 2005 containing, among other things, audited consolidated financial statements of the Company, accompanies this Proxy Statement.

FUTURE PROPOSALS OF SHAREHOLDERS

Shareholder proposals intended to be presented at the 2007 Annual Meeting and included in the Company's proxy statement and form of proxy relating to that meeting pursuant to Rule 14a-8 under the Exchange Act must be received by the Company at the Company's principal executive offices by November 22, 2006. In order for shareholder proposals made outside of Rule 14a-8 under the Exchange Act to be considered "timely" within the meaning of Rule 14a-4(c) under the Exchange Act, the Company's Amended Bylaws require that such proposals must be submitted, not later than February 9, 2007, and not earlier than January 9, 2007.

OTHER BUSINESS

The Board of Directors knows of no business to be brought before the Annual Meeting other than as set forth above. If other matters properly come before the meeting, it is the intention of the persons named in the solicited proxy to vote the proxy on such matters in accordance with their judgment as to the best interests of the Company.

MISCELLANEOUS

The Company will pay the cost of soliciting proxies in the accompanying form. In addition to solicitation by use of the mails, certain officers and regular employees of the Company may solicit the return of proxies by telephone, telegram or personal interview and may request brokerage houses and custodians, nominees and fiduciaries to forward soliciting material to their principals and will agree to reimburse them for their reasonable out-of-pocket expenses.

Shareholders are urged to mark, sign, date and send in their proxies without delay or vote via telephone or Internet using the instructions on the proxy card.

COMMUNICATION WITH THE BOARD OF DIRECTORS

A shareholder who wishes to communicate with our Board of Directors, specific individual directors or the independent directors as a group, may do so by directing a written request addressed to such director(s) in care of the Corporate Secretary at the Company's address appearing on

Edgar Filing: DICKS SPORTING GOODS INC - Form DEF 14A

the first page of this proxy statement or via e-mail through our website at www.oreillyauto.com. Such communication will be directed to the intended director, group of directors or the entire Board, as the case may be.

HOUSEHOLDING OF MATERIALS

In some instances, only one copy of this Proxy Statement or Annual Report is being delivered to multiple shareholders, sharing an address, unless we have received instructions from one or more of the shareholders to continue to deliver multiple copies. We will deliver promptly upon oral or written request a separate copy of the Proxy Statement or Annual Report, as applicable, to any shareholder at your address. If you wish to receive a separate copy of the Proxy Statement or Annual Report, you may call us at (417) 862-6708, or send a written request to O'Reilly Automotive, Inc., 233 South Patterson, Springfield, Missouri 65802, Attention: Secretary. Alternatively, shareholders sharing an address who now receive multiple copies of the Proxy Statement or Annual Report may request delivery of a single copy, also by calling us at the number or writing to us at the address listed above.

ADDITIONAL INFORMATION

Additional information regarding the Company can be found in the Company's Annual Report on Form 10-K for the year ended December 31, 2005, filed by the Company with the Securities and Exchange Commission.

A copy of the Company's Annual Report on Form 10-K for fiscal year 2005 (as filed with the Securities and Exchange Commission), including financial statements and financial statement schedules (excluding exhibits), is available to shareholders without charge, upon written request to O'Reilly Automotive, Inc., 233 South Patterson, Springfield, Missouri 65802, Attention: Secretary.

By Order of the Board of Directors

Tricia Headley

Secretary

Springfield, Missouri

March 21, 2006

23

O REILLY AUTOMOTIVE, INC.

You are cordially invited to attend the Annual Meeting of Shareholders of O Reilly Automotive, Inc., to be held at the Clarion Hotel, 3333 South Glenstone Avenue, Springfield, Missouri on Tuesday, May 9, 2006, at 10:00 a.m. Central Time.

2005 HIGHLIGHTS

13th Consecutive Year of Record Revenues and Earnings

18.8% Increase in Sales to \$2.05 Billion

7.5% Comparable Store Product Sales

221 New Stores Opened

Net Income of \$164.3 Million

PROXY

O REILLY AUTOMOTIVE, INC.

Annual Meeting of Shareholders Tuesday, May 9, 2006

(THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS)

The undersigned hereby appoints David E. O Reilly, Lawrence P. O Reilly and Charles H. O Reilly, Jr., and each of them, as proxies, with full power of substitution, and hereby authorizes them to represent and vote as the undersigned designates, all shares of Common Stock of O Reilly Automotive, Inc., a Missouri corporation (the Company), held by the undersigned on February 28, 2006, at the Annual Meeting of Shareholders (the Annual Meeting) to be held on May 9, 2006, at 10:00 a.m. Central Time in Springfield, Missouri or at any adjournment or postponement thereof, upon the matters set forth on the reverse side of this card, all in accordance with and as more fully described in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement, receipt of which is hereby acknowledged.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE ACTIONS OR PROPOSALS.

O REILLY AUTOMOTIVE, INC.

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time, May 8, 2006. Have your proxy card in hand when you access the web site. You will be prompted to enter your 12-digit Control Number, which is located below to obtain your records and to create an electronic voting instruction form.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time, May 8, 2006. Have your proxy card in hand when you call. You will be prompted to enter your 12-digit Control Number, which is located below and then follow the simple instructions the Vote Voice provides you.

VOTE BY MAIL

Mark, sign and date your proxy card and return in the postage-paid envelope we have provided or return to O Reilly Automotive, Inc., c/o ADP, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

O REILLY AUTOMOTIVE, INC.

The Board of Directors recommends a vote **FOR** the following actions

or proposals (as described in the accompanying Proxy Statement).

Election of Directors

- 1. Proposal to elect Class I Directors (three-year term).
 - 01) Charles H. O Reilly, Jr.
 - 02) John Murphy
 - 03) Ronald Rashkow

For All **Withhold All** **For All Except**

_____ _____ _____

To withhold authority to vote, mark **For All Except** and write the nominee's number on the line below.

Vote on Proposal

For **Against** **Abstain**

2. Ratification of appointment of Ernst & Young, LLP
as independent auditors.

In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Annual Meeting.

Please sign exactly as name(s) appear hereon. When shares are held by joint tenants, both should sign. When signing as an attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners)