



# One Team. One Goal.

Big Lots, Inc. 2014 Annual Report



## Mission

Guided by an understanding of our core customer Jennifer, our mission is simple:

**Surprises in every aisle,  
every day.**

## Vision

Recognized for providing an outstanding shopping experience for our customers, valuing and developing our associates, and creating growth for our shareholders.

## Values

**Exceed** customer expectations

Treat people with **respect** and **dignity**

Be a **passionate** leader

Participate and **contribute**

Pursue **excellence**

Work as a **team**

**Share** knowledge

Make **quick**, responsible decisions

**Listen** and communicate

Have **fun**

# BIG LOTS!

## Our Core Customer: Jennifer

**Jennifer** is one of the most popular names in our Big Lots Buzz Club Rewards® program. So it's the name we've chosen to represent our target audience—the person most likely to shop often at Big Lots!





# One Team. One Goal.

**David J. Campisi**  
Chief Executive Officer and President

## Dear Shareholders,

2014 was a very good year for our Company, our associates, and our shareholders. Our team made meaningful and lasting improvements to our business strategy and our corporate culture, and did so while delivering to you on our full year financial commitments. We improved the consistency of our performance, and we've established the **solid** foundation we set out to deliver with our SPP (Strategic Planning Process) to position the Company for long-term success for many years to come. In short, **we did what we said we were going to do.** And while I will be the first to tell you we are **still** "at the beginning of the beginning," it is important for me to take a moment to thank – and congratulate – all of our associates in our stores, our distribution centers, and the office here in Columbus. We are one team with one goal, and 2014 – with cross-functional engagement from all levels of the organization – is a great example of how we win together.

2015 is the next step in our journey, and we're prepared to raise our game. There will be no resting on last year's performance, and there is no room for complacency... we will lead with Curiosity, Courage, Confidence, and Consistency. The team is focused on the critical initiatives within our three-pillar framework:

### **Jennifer Pillar**

The Jennifer pillar represents the sales portion of our strategy and includes Merchandising, Marketing, and Store Execution – or the 3-legged stool. Our leadership team clearly understands and has demonstrated the importance of consistency of comparable store sales growth... 2014 was the first year of 4 consecutive quarters of positive comps in the last 8 years. Each leg of the stool has made

meaningful strides, but we remain "at the beginning of the beginning."

**Merchandising:** Our "edit to amplify" merchandising strategy emphasizes the winnable, ownable merchandise categories of Food, Consumables, Furniture, Soft Home, and Seasonal. Jennifer has asked for more consistency in our merchandise offering, and we have responded. We've expanded our assortment of replenishable products – or never-outs – particularly in Food and completed our rollout of coolers and freezers and SNAP eligible stores this year. We expanded our Easy Leasing program to more locations and made available more of our product assortment. And we've engrained new disciplines in the merchant organization around the principles of Quality, Brand, Fashion, and Value (or QBFV). Our team is relentlessly focused on improving the QBFV and merchandise presentation of our product. With 2015, we have moved into the second phase of "edit to amplify" which is SKU or choice optimization, or a focus on narrower assortments (choices), while providing more depth available for sale in the best of the best items.

**Marketing:** The next key element of our SPP and the Jennifer pillar is Marketing. Our team continues to break new ground for our business as we reach Jennifer through more channels than ever before. 2014 was highlighted with award-winning television and online video campaigns including "Hostess the Thrift is Back." We achieved our goal of 1 million Facebook fans and significantly expanded our followings on Twitter, Instagram, and Pinterest. Remember, our company had virtually no social media presence 18 months ago, so 2014 was a major step forward. We expanded our reach from a

multicultural perspective airing television spots in multiple languages on culturally diverse television networks, which we see as an accomplishment for our Company and for Jennifers everywhere.

**Ecommerce:** In 2015, we plan to expand our digital outreach by making investments in the development of our new Ecommerce strategy. We have discussed the need for this channel almost since the day I walked into the building, and I am so excited to see the opportunity coming together. Our plans are to finalize the development of the site and our infrastructure and to begin testing with Jennifer in the latter part of fiscal 2015, with a goal of a marketing launch of the site in early fiscal 2016. This first phase of developing our Omnichannel capabilities will focus solely on Ecommerce ... or allowing a customer to purchase product online and ship directly to her home. We know Jennifer frequents our Website today as evidenced by the 2 to 3 million visitors to our current Website each and every week. We have talked to her, and we know she wants to buy from us online, and we have a very good sense as to the product she wants to purchase. She is social, mobile, and shops online from our competitors. We have one chance to get this right with Jennifer. Longer term, we will take the “next steps” in the Omnichannel space, meaning offering drop shipment, buy online/pick up in store, and maybe someday buy online/ship from store ... but, I want to emphasize here we are solely focused on first things first and that is delivering Jennifer the option to purchase from us online.

**Store Execution:** The final leg of the Jennifer pillar is our stores and field operations. In 2014, we made important changes with the introduction of:

- New in-store execution standards, or the Jennifer “must haves”
- New customer service program
- New tools to self-assess our progress on store execution through the “J-walk”
- New ways to gather feedback from Jennifer about her shopping experience

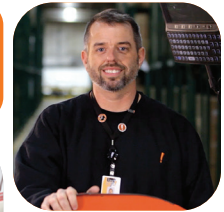
The field team enthusiastically embraced this direction, and Jennifer has been pleased with our progress to date.

In 2015, we’ve embarked upon an ambitious program to take store execution to the next level through five major areas of focus in our Store Revolution:

- Defining the roles and responsibilities of our in-store associates



*We are one team with one goal, and 2014 – with cross-functional engagement from all levels of the organization – is a great example of how we win together.*



- Improving the flow of merchandise from our backrooms to the store floor
- Utilizing online recruiting tools to deepen our bench strength
- Automating the labor scheduling process
- Training our Furniture associates on the “art of the sale”

This is – by far – the Company’s most comprehensive in-store execution program ever, and I’m excited to see the improvements in our stores in the near future.

## **Associate Pillar**

The second pillar of the SPP - the Associate pillar – is structured around our team. We have listened to our associates to understand what we do well and where we can make improvements to our Company culture. I am pleased to report our associate engagement, which we measure both quantitatively and qualitatively, has dramatically improved over the last 12 months. While we have offered and will continue to offer very competitive compensation for our associates, it’s about more than just what we pay ... it’s a comprehensive benefits program, it’s treating our associates with respect and dignity, it’s breaking down the silos and fostering collaboration, it’s openly communicating our strategy and much, much more. We are living our Mission, Vision, and Values, and our entire team has developed the trust that we truly are **One Team with One Goal**.

Our focus in this pillar is attracting, developing, and retaining the best talent in the industry. I want our associates to wake up each morning and say, "I get to go to work at Big Lots," not "I have to go to work." In the first year, the team has made enhancements in our recruiting processes by leveraging digital and social networks, automating our application processes with paperless systems, and creating succession planning programs.

**Giving Back:** Big Lots has long been a company that cares, and our associates are passionate about getting involved and making a difference. We recently launched our own charitable foundation to raise funds and guide our philanthropy efforts as a Company. The Big Lots Foundation is our way of standing together – with our business partners, our customers, and our 35,000+ associates across the country – to address some of the most pressing issues facing our communities. I firmly believe this will be a game-changer for us and our non-profit partners, allowing us to have a much greater impact over time. The Foundation will focus on four key areas of need: hunger, housing, healthcare, and education. These key areas align with our company values and address the basic needs of families and children.

### Shareholder Pillar

The third and final pillar of the SPP is focused on you, our shareholders...driving appropriate financial returns through improvements in our operating model and profits, maximizing cash flow while investing in our business, and returning excess cash and utilizing our balance sheet to enhance shareholder return.

During fiscal 2014, we firmly believe we drove significant value for our shareholders through:

- Delivering on our full year EPS guidance ... Actual \$2.46 per share versus original guidance of \$2.25 to \$2.45 per share (issued in March of 2014)
- Improving the overall consistency of our business by delivering comp store growth in all four quarters for the first time since 2006



- Generating cash flow of \$228 million
- Returning \$278 million of cash to shareholders through a "balanced approach" including both share repurchase activity and our quarterly dividend program:
  - Investing \$250 million to repurchase 6.1 million shares, or approximately 10% of our outstanding shares, at a weighted average price of \$40.94 per share
  - Introducing our first ever quarterly dividend program ... \$0.17 per share which was subsequently raised to \$0.19 per share in March 2015 (or a payout ratio estimated to be in excess of 25% of our estimated fiscal 2015 earnings per share)

Our efforts were recognized by the market as our stock price appreciated 71% (\$45.91 per share compared to \$26.79 at the end of the prior fiscal year).

### It's not business as usual at Big Lots

Each of the pillars, and the key initiatives within, will appear in more full view and importance in 2015. They share a common goal ... to fundamentally improve our business with even more focus on Jennifer. I think our new marketing campaign, **Big Lots First**, sums it up best ... We want to be the FIRST stop when Jennifer shops ... the FIRST choice of employer for associates, and the FIRST investment for our shareholders. It's NOT business as usual here at Big Lots. It hasn't been for some time. And I am more excited than ever about what's to come.



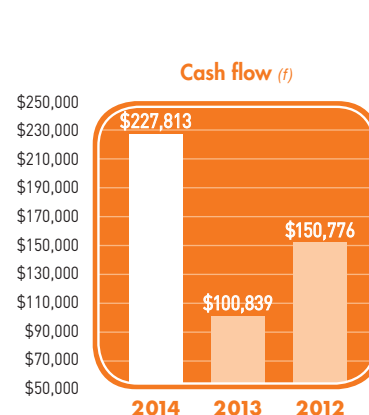
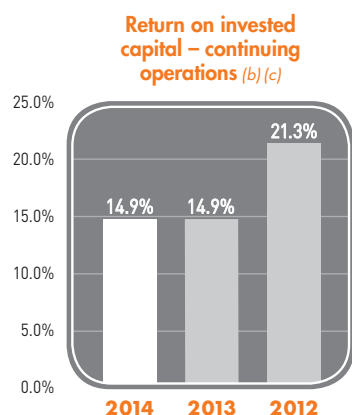
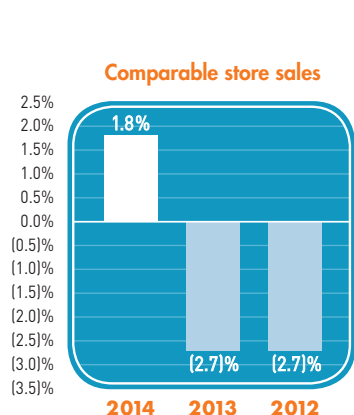
On behalf of the entire Big Lots organization, our Board of Directors, and all of our associates, I thank you for your support.

Sincerely,

**David J. Campisi**  
Chief Executive Officer and President

# Financial Highlights (Unaudited Adjusted Results)

	<b>Fiscal Year</b>		
	<b>2014</b>	<b>2013 <sup>(a)</sup></b>	<b>2012 <sup>(a)</sup></b>
<i>(\$ in thousands, except per share amounts and sales per selling square foot)</i>			
<b>Earnings Data <sup>(b)</sup></b>			
Net sales	\$ 5,177,078	\$ 5,124,755	\$ 5,212,318
Net sales increase (decrease)	1.0%	(1.7)%	2.3%
Income from continuing operations <sup>(c)</sup>	\$ 136,661	\$ 141,871	\$ 193,905
Income from continuing operations decrease <sup>(c)</sup>	(3.7)%	(26.8)%	(11.7)%
Earnings from continuing operations per share - diluted <sup>(c)</sup>	\$ 2.46	\$ 2.45	\$ 3.21
Earnings from continuing operations per share - diluted increase (decrease) <sup>(c)</sup>	0.4%	(23.7)%	1.6%
Dividends declared per share <sup>(g)</sup>	\$ 0.51	-	-
Average diluted common shares outstanding [000's]	55,552	57,958	60,476
Gross margin - % of net sales <sup>(c)</sup>	39.5%	39.2%	39.5%
Selling and administrative expenses - % of net sales <sup>(c)</sup>	32.8%	32.5%	31.5%
Depreciation expense - % of net sales	2.3%	2.2%	2.0%
Operating profit - % of net sales <sup>(c)</sup>	4.3%	4.5%	6.1%
Non-operating expense, including interest - % of net sales	(0.0)%	0.1%	0.1%
Income from continuing operations - % of net sales <sup>(c)</sup>	2.6%	2.8%	3.7%
<b>Balance Sheet Data and Financial Ratios</b>			
Cash and cash equivalents	\$ 52,261	\$ 68,629	\$ 60,581
Inventories	851,669	914,965	918,023
Property and equipment - net	550,555	569,682	593,562
Total assets	1,635,891	1,739,599	1,753,626
Borrowings under bank credit facility	62,100	77,000	171,200
Shareholders' equity	789,550	901,427	758,142
Working capital	\$ 450,600	\$ 543,614	\$ 460,996
Current ratio	1.8	1.9	1.7
Inventory turnover <sup>(b)(c)</sup>	3.5	3.3	3.5
Bank borrowings to total capitalization	7.3%	7.9%	18.4%
Return on assets - continuing operations <sup>(b)(c)</sup>	8.1%	8.1%	11.4%
Return on invested capital - continuing operations <sup>(b)(c)</sup>	14.9%	14.9%	21.3%
<b>Cash Flow Data <sup>(b)</sup></b>			
Cash provided by operating activities <sup>(d)</sup>	\$ 318,562	\$ 198,334	\$ 281,133
Cash used in investing activities <sup>(e)</sup>	(90,749)	(97,495)	(130,357)
Cash flow <sup>(f)</sup>	227,813	100,839	150,776
Cash paid for dividends <sup>(g)</sup>	(27,828)	-	-
Cash used in share repurchase programs	\$ (250,000)	\$ -	\$ (298,501)
<b>Store Data</b>			
Stores open at end of the fiscal year	1,460	1,493	1,495
Comparable store sales increase (decrease)	1.8%	(2.7)%	(2.7)%
Average sales per store	\$ 3,506	\$ 3,430	\$ 3,539
Gross square footage (000's)	45,134	45,708	45,505
Selling square footage (000's)	32,006	32,732	32,623
(Decrease) increase in selling square footage	(2.2)%	0.3%	3.5%
Average selling square footage per store	21,922	21,924	21,821



(a) Recast to classify the results of Big Lots Canada into discontinued operations.

(b) The results for fiscal year 2014 and 2013 include 52 weeks, while the results for fiscal year 2012 include 53 weeks.

(c) This item is shown excluding the impact of certain items for fiscal years 2013 and 2012. A reconciliation of the difference between GAAP and the non-GAAP financial measures presented in this table for fiscal years 2013 and 2012 is shown on the following page.

(d) Includes depreciation and amortization of \$105,849, \$102,196, and \$95,602 for fiscal years 2014, 2013, and 2012, respectively.

(e) Includes capital expenditures of \$93,460, \$104,786, and \$131,273 for fiscal years 2014, 2013, and 2012, respectively.

(f) Cash flow is calculated as cash provided by operating activities less cash used in investing activities.

(g) In June 2014, we commenced a quarterly dividend program and, as such, fiscal year 2014 contains only 3 quarterly dividends.

The Unaudited Adjusted Results, which include financial measures that are not calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP"), are presented in order to provide additional meaningful financial information for the period presented. The Unaudited Adjusted Results should not be construed as an alternative to the reported results determined in accordance with GAAP. Our definition of adjusted results may differ from similarly titled measures used by other companies. While it is not possible to predict future results, our management believes that the adjusted non-GAAP information is useful for the assessment of our ongoing operations. The Unaudited Adjusted Results should be read in conjunction with our Consolidated Financial Statements and the related Notes contained in our Form 10-K for fiscal 2014.

### Fiscal 2013

The 2013 Unaudited Adjusted Results reflect lower selling and administrative expenses, as a result of the adjustment for a loss contingency partially offset by a gain on sale of real estate, and higher income tax expense, as described and reconciled below (\$ in thousands):

#### Adjustment to Loss Contingency Accrual

In fiscal 2013, we recorded a \$4,375 charge (\$2,760 net of tax) related to the settlement of a legal contingency which resulted in an increase of selling and administrative expenses.

#### Gain on Sale of Real Estate

In the third quarter of fiscal 2013, we recognized a \$3,579 gain on the sale of real estate (\$2,179 net of tax) related to a Company-owned and operated store in California which resulted in a decrease of selling and administrative expenses.

### Fiscal 2012

The 2012 Unaudited Adjusted Results reflect lower cost of goods sold as a result of a change in inventory accounting principle, as described and reconciled below (\$ in thousands):

#### Change in Inventory Accounting Principle

In the first quarter of fiscal 2012, we recorded a \$5,574 charge (\$3,388 net of tax) to cost of goods sold as a result of our successful implementation of new inventory management systems.

(\$ in thousands, except per share amounts)	Fiscal Year 2013						Fiscal Year 2012						
	Reported (GAAP)		Adjustment to loss contingency accrual		Gain on sale of real estate		Unaudited Adjusted Results (non-GAAP)		Reported (GAAP)		Adjustment to exclude change in inventory accounting principle		Unaudited Adjusted Results (non-GAAP)
Net sales	\$ 5,124,755	100.0%	\$ -	\$ -	\$ 5,124,755	100.0%	\$ 5,212,318	100.0%	\$ -	\$ 5,212,318	100.0%	\$ 5,212,318	100.0%
Cost of sales	3,117,386	60.8	-	-	3,117,386	60.8	3,157,632	60.6	(5,574)	3,152,058	60.5	3,152,058	60.5
Gross profit	2,007,369	39.2	-	-	2,007,369	39.2	2,054,686	39.4	5,574	2,060,260	39.5	2,060,260	39.5
Selling and administrative expenses	1,664,031	32.5	(4,375)	3,579	1,663,235	32.5	1,639,770	31.5	-	1,639,770	31.5	1,639,770	31.5
Depreciation expense	113,228	2.2	-	-	113,228	2.2	103,146	2.0	-	103,146	2.0	103,146	2.0
Operating profit	230,110	4.5	4,375	(3,579)	230,906	4.5	311,770	6.0	5,574	317,344	6.1	317,344	6.1
Interest expense	(3,293)	(0.1)	-	-	(3,293)	(0.1)	(4,184)	(0.1)	-	(4,184)	(0.1)	(4,184)	(0.1)
Other income (expense)	(12)	(0.0)	-	-	(12)	(0.0)	2	0.0	-	2	0.0	2	0.0
Income from continuing operations before income taxes	226,805	4.4	4,375	(3,579)	227,601	4.4	307,588	5.9	5,574	313,162	6.0	313,162	6.0
Income tax expense	85,515	1.7	1,615	(1,400)	85,730	1.7	117,071	2.2	2,186	119,257	2.3	119,257	2.3
Income from continuing operations	141,290	2.8	2,760	(2,179)	141,871	2.8	190,517	3.7	3,388	193,905	3.7	193,905	3.7
Loss from discontinued operations	(15,995)	(0.3)	-	-	(15,995)	(0.3)	(13,396)	(0.3)	-	(13,396)	(0.3)	(13,396)	(0.3)
Net income	\$ 125,295	2.4%	\$ 2,760	\$ (2,179)	\$ 125,876	2.5%	\$ 177,121	3.4%	\$ 3,388	\$ 180,509	3.5%	\$ 180,509	3.5%
Earnings per common share - basic: (h)													
Continuing operations	\$ 2.46		\$ 0.05	\$ (0.04)	\$ 2.47		\$ 3.18		\$ 0.06	\$ 3.24		\$ 3.24	
Discontinued operations	(0.28)		-	-	(0.28)		(0.22)		-	(0.22)		(0.22)	
Net income	\$ 2.18		\$ 0.05	\$ (0.04)	\$ 2.19		\$ 2.96		\$ 0.06	\$ 3.02		\$ 3.02	
Earnings per common share - diluted: (h)													
Continuing operations	\$ 2.44		\$ 0.05	\$ (0.04)	\$ 2.45		\$ 3.15		\$ 0.06	\$ 3.21		\$ 3.21	
Discontinued operations	(0.28)		-	-	(0.28)		(0.22)		-	(0.22)		(0.22)	
Net income	\$ 2.16		\$ 0.05	\$ (0.04)	\$ 2.17		\$ 2.93		\$ 0.06	\$ 2.98		\$ 2.98	

(h) The earnings per share for continuing operations, discontinued operations and net income are separately calculated in accordance with Accounting Standards Codification ("ASC") 260; therefore, the sum of earnings per share for continuing operations and discontinued operations may differ, due to rounding, from the calculated earnings per share of net income.

## Directors & Executives

### Board of Directors

#### Jeffrey P. Berger

former President & Chief Executive Officer  
Heinz North America Foodservice;  
former Executive Vice President, Global Foodservice  
H. J. Heinz Company

#### David J. Campisi

Chief Executive Officer & President  
Big Lots, Inc.

#### James R. Chambers

President & Chief Executive Officer  
Weight Watchers International, Inc.

#### Peter J. Hayes

former Chief Operating Officer  
Variety Wholesalers Inc.

#### Brenda J. Lauderback

former President  
Wholesale Group  
Nine West Group, Inc.

#### Philip E. Mallott

Chairman of the Board  
Big Lots, Inc.;  
former Vice President & Chief Financial Officer  
Intimate Brands, Inc.

#### Russell E. Solt

former Executive Vice President &  
Chief Financial Officer  
West Marine, Inc.

#### James R. Tener

former President & Chief Operating Officer  
Brook Mays Music Company

#### Dennis B. Tishkoff

Chairman & Chief Executive Officer  
Drew Shoe Corporation



### Chief Executive Officer & President

#### David J. Campisi

### Executive Vice Presidents

#### Lisa M. Bachmann

Chief Operating Officer

#### Richard R. Chene

Chief Merchandising Officer

#### Timothy A. Johnson

Chief Financial Officer

### Senior Vice Presidents

#### Michelle D. Christensen

General Merchandise Manager

#### Richard H. Flaks

Planning & Allocation

#### Leslie R. (Trey) Johnson III

General Merchandise Manager

#### Nicholas E. Padovano

Store Operations

#### Carlos V. Rodriguez

Distribution & Transportation Services

#### Michael A. Schlonsky

Human Resources & Corporate Secretary

#### Paul A. Schroeder

Controller & Treasurer

#### Andrew D. Stein

Chief Customer Officer

#### Stewart W. Wenerstrom

Chief Information Officer

#### Martha A. Withers - Hall

General Merchandise Manager





Big Lots, Inc.  
300 Phillipi Road  
Columbus, Ohio 43228

April 14, 2015

Dear Big Lots' Shareholder:

We cordially invite you to attend the 2015 Annual Meeting of Shareholders of Big Lots, Inc. The Annual Meeting will be held at our corporate offices located at 300 Phillipi Road, Columbus, Ohio, on May 28, 2015, beginning at 9:00 a.m. Eastern Time.

The following pages contain the Notice of Annual Meeting of Shareholders and the Proxy Statement. You should review this material for information concerning the business to be conducted at the Annual Meeting.

Your vote is important. Whether or not you plan to attend the Annual Meeting, we urge you to vote as soon as possible. Voting by proxy in any of the ways described in the Proxy Statement will not prevent you from attending the Annual Meeting or voting in person.

Thank you for your ongoing support of, and continued interest in, Big Lots, Inc.

Respectfully submitted,

PHILIP E. MALLOTT  
*Chairman*

DAVID J. CAMPISI  
*Chief Executive Officer and President*





Thursday, May 28, 2015  
9:00 a.m. Eastern Time  
300 Phillipi Road, Columbus, Ohio

### NOTICE OF 2015 ANNUAL MEETING OF SHAREHOLDERS

We are pleased to invite you to the 2015 Annual Meeting of Shareholders of Big Lots, Inc. The meeting will be held at our corporate offices located at 300 Phillipi Road, Columbus, Ohio, on May 28, 2015, beginning at 9:00 a.m. Eastern Time, for the following purposes:

1. To elect as directors the nine nominees named in our accompanying Proxy Statement;
2. To approve, on an advisory basis, the compensation of our named executive officers;
3. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2015;
4. To vote on a proposal to amend our Code of Regulations to adopt proxy access; and
5. To transact such other business as may properly come before the Annual Meeting.

Only shareholders of record at the close of business on the record date, March 30, 2015, are entitled to notice of and to vote at the Annual Meeting and any postponement or adjournment thereof.

By Order of the Board of Directors,

TIMOTHY A. JOHNSON  
*Executive Vice President, Chief Financial Officer*

April 14, 2015  
Columbus, Ohio

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**Your vote is important. Shareholders are urged to vote online. If you attend the Annual Meeting, you may revoke your proxy and vote in person if you wish, even if you have previously submitted a proxy.**

**BIG LOTS, INC.**

**PROXY STATEMENT**

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## PROXY STATEMENT

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The Board of Directors (“Board”) of Big Lots, Inc., an Ohio corporation (“we,” “us,” “our” and “Big Lots”), is furnishing you this Proxy Statement to solicit proxies for use at the 2015 Annual Meeting of Shareholders to be held on May 28, 2015 (“Annual Meeting”). The Annual Meeting will be held at our corporate offices located at 300 Phillipi Road, Columbus, Ohio at 9:00 a.m. Eastern Time.

On or about April 14, 2015, we began mailing to our shareholders of record at the close of business on March 30, 2015, a Notice of Internet Availability containing instructions on how to access the Notice of Annual Meeting of Shareholders, this Proxy Statement and our Annual Report to Shareholders for the fiscal year ended January 31, 2015 (“fiscal 2014”).

## ABOUT THE ANNUAL MEETING

### Purpose of the Annual Meeting

At the Annual Meeting, shareholders will act upon the matters outlined in the Notice of Annual Meeting included with this Proxy Statement. Specifically, the shareholders will be asked to:

- (1) elect nine directors to the Board;
- (2) approve, on an advisory basis, the compensation of our named executive officers, as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and the narrative discussion accompanying the tables (“say-on-pay vote”);
- (3) ratify the appointment of Deloitte & Touche LLP as our independent registered accounting firm for the fiscal year ending January 30, 2016 (“fiscal 2015”);
- (4) vote upon a proposal to amend our Code of Regulations to adopt proxy access; and
- (5) transact such other business as may properly come before the Annual Meeting.

### Shareholder Voting Rights

Only those shareholders of record at the close of business on March 30, 2015, the record date for the Annual Meeting, are entitled to receive notice of, and to vote at, the Annual Meeting. At the record date, we had outstanding 53,932,361 common shares, \$0.01 par value per share. Each of the outstanding common shares entitles the holder thereof to one vote on each matter to be voted upon at the Annual Meeting or any postponement or adjournment thereof. The holders of our common shares have no cumulative voting rights in the election of directors. All voting at the Annual Meeting will be governed by our Amended Articles of Incorporation, our Code of Regulations and the Ohio General Corporation Law.

### Registered Shareholders and Beneficial Shareholders

If your common shares are registered in your name directly with our transfer agent, Computershare Investor Services, LLC, you are considered a holder of record (which we also refer to as a registered shareholder). If you hold our common shares in a brokerage account or through a bank or other holder of record, you are considered the beneficial shareholder of the common shares, which shares are often referred to as held in “street name.”

## **Internet Availability of Proxy Materials**

In accordance with rules adopted by the Securities and Exchange Commission (“SEC”), instead of mailing a printed copy of our proxy materials to each shareholder of record, we are permitted to furnish our proxy materials, including the Notice of Annual Meeting of Shareholders, this Proxy Statement and our Annual Report to Shareholders, by providing access to such documents on the Internet. Generally, shareholders will not receive printed copies of the proxy materials unless they request them. We believe furnishing proxy materials to our shareholders on the Internet will allow us to provide our shareholders with the information they need, while lowering the costs of delivery of our proxy materials and reducing the environmental impact of the Annual Meeting.

A Notice of Internet Availability that provides instructions for accessing our proxy materials on the Internet was mailed directly to registered shareholders. The Notice of Internet Availability also provides instructions regarding how registered shareholders may vote their common shares on the Internet. Registered shareholders who prefer to receive a paper or email copy of our proxy materials should follow the instructions provided in the Notice of Internet Availability for requesting such materials.

A notice that directs our beneficial shareholders to the website where they can access our proxy materials should be forwarded to each beneficial shareholder by the broker, bank or other holder of record who is considered the registered shareholder with respect to the common shares of the beneficial shareholder. Such broker, bank or other holder of record should also provide to the beneficial shareholders instructions on how the beneficial shareholders may request a paper or email copy of our proxy materials. Beneficial shareholders have the right to direct their broker, bank or other holder of record on how to vote their common shares by following the voting instructions they receive from their broker, bank or other holder of record.

To enroll in the electronic delivery service for future shareholder meetings, use your Notice of Internet Availability (or proxy card, if you received printed copies of the proxy materials) to register online at [www.proxyvote.com](http://www.proxyvote.com) and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

## **Attendance at the Annual Meeting**

All of our shareholders as of the record date, or their duly appointed proxies, may attend the Annual Meeting. Registration and seating will begin at 8:30 a.m. Eastern Time, and the Annual Meeting will begin at 9:00 a.m. Eastern Time. If you attend the Annual Meeting, you may be asked to present valid photo identification, such as a driver’s license or passport. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting. If you hold your common shares as a beneficial shareholder, you may also be asked to present a copy of a brokerage or bank statement reflecting your beneficial ownership of our common shares as of the record date.

## **How to Vote**

### ***Registered Holders***

After receiving the Notice of Internet Availability (or proxy card, if you received printed copies of the proxy materials), registered shareholders are urged to visit [www.proxyvote.com](http://www.proxyvote.com) to access our proxy materials. You will have the opportunity to vote your common shares online at [www.proxyvote.com](http://www.proxyvote.com) until May 27, 2015 at 11:59 p.m. Eastern Time. When voting online, you must follow the instructions posted on the website and you will need the control number included on your Notice of Internet Availability (or proxy card, if applicable). If, after receiving the Notice of Internet Availability, you request (via toll-free telephone number, e-mail or online) that we send you paper or electronic copies of our proxy materials, you may vote your common shares by completing, dating and signing the proxy card included with the materials and returning it in accordance with the instructions provided. Your common shares will be voted as you direct if (1) you properly complete your proxy online, (2) you complete, date, sign and return your proxy card no later than 11:59 p.m. EDT on May 27, 2015 or (3) you are a registered shareholder, attend the Annual Meeting and deliver your completed proxy card in person.

A registered shareholder may revoke a proxy at any time before it is exercised by filing with our Corporate Secretary a written notice of revocation or duly executing and delivering to the Company a proxy bearing a later date. A registered shareholder may also revoke a proxy by attending the Annual Meeting and giving written notice of revocation to the secretary of the meeting. Attendance at the Annual Meeting will not by itself revoke a previously granted proxy.

### ***Beneficial Owners***

Beneficial shareholders should follow the procedures and directions set forth in the materials they receive from the broker, bank or other holder of record who is the registered holder of their common shares to instruct such registered holder how to vote those common shares or revoke previously given voting instructions. Please contact your broker, bank or other holder of record to determine the applicable deadlines. Beneficial shareholders who wish to vote at the Annual Meeting will need to obtain and provide to the secretary of the meeting a completed form of proxy from the broker, bank or other holder of record who is the registered holder of their common shares.

Brokers, banks and other holders of record who hold common shares for beneficial owners in street name may vote such common shares on “routine” matters (as determined under New York Stock Exchange (“NYSE”) rules), such as Proposal Three, without specific voting instructions from the beneficial owner of such common shares. Such brokers, banks and other holders of record may not, however, vote such common shares on “non-routine” matters, such as Proposal One, Proposal Two and Proposal Four without specific voting instructions from the beneficial owner of such common shares. Proxies submitted by such brokers, banks and other holders of record that have not been voted on “non-routine” matters are referred to as “broker non-votes.” Broker non-votes will not be counted for purposes of determining the number of common shares necessary for approval of any matter to which broker non-votes apply (i.e., broker non-votes will have no effect on the outcome of such matter).

### **Householding**

SEC rules allow multiple shareholders residing at the same address the convenience of receiving a single copy of the Annual Report to Shareholders, proxy materials and Notice of Internet Availability if they consent to do so (“householding”). Householding is permitted only in certain circumstances, including when you have the same last name and address as another shareholder. If the required conditions are met, and SEC rules allow, your household may receive a single copy of the Annual Report to Shareholders, proxy materials and Notice of Internet Availability. Upon request, we will promptly deliver a separate copy of the Annual Report to Shareholders, proxy materials and Notice of Internet Availability, as applicable, to a shareholder at a shared address to which a single copy of the document(s) was delivered. Such a request should be made in the same manner as a revocation of consent for householding.

You may revoke your consent for householding at any time by contacting Broadridge Financial Solutions, Inc. (“Broadridge”), either by calling 1-800-542-1061, or by writing to: Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. You will be removed from the householding program within 30 days of receipt of your instructions at which time you will be sent separate copies of the documents.

Beneficial shareholders can request more information about householding from their brokers, banks or other holders of record.

### **Board’s Recommendations**

Subject to revocation, all proxies that are properly completed and timely received will be voted in accordance with the instructions contained therein. If no instructions are given (excluding broker non-votes), the persons named as proxy holders will vote the common shares in accordance with the recommendations of the Board. The Board’s recommendations are set forth together with the description of each proposal in this Proxy Statement. In summary, the Board recommends a vote:

1. FOR the election of its nominated slate of directors (see Proposal One);
2. FOR the approval, on an advisory basis, of the compensation of our named executive officers, as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K, including the Compensation Disclosure and Analysis, compensation tables and the narrative discussion accompanying the tables (see Proposal Two);

3. FOR the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2015 (see Proposal Three); and
4. FOR the proposal to amend our Code of Regulations to adopt proxy access (see Proposal Four).

If any other matter properly comes before the Annual Meeting, or if a director nominee named in this Proxy Statement is unable to serve or for good cause will not serve, the proxy holders will vote on such matter or for a substitute nominee as recommended by the Board.

### **Quorum**

The presence, in person or by proxy, of the holders of a majority of the outstanding common shares entitled to vote at the Annual Meeting will constitute a quorum and permit us to conduct our business at the Annual Meeting. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of common shares considered to be present at the Annual Meeting for purposes of establishing a quorum.

### **Vote Required to Approve a Proposal**

#### ***Proposal One***

Our Corporate Governance Guidelines contain a majority vote policy and our Amended Articles of Incorporation impose a majority vote standard applicable to the uncontested election of directors. Specifically, Article Eighth of our Amended Articles of Incorporation provides that if a quorum is present at the Annual Meeting, a director nominee in an uncontested election will be elected to the Board if the number of votes cast for such nominee's election exceeds the number of votes cast against and/or withheld from such nominee's election. In all director elections other than uncontested elections, the nine director nominees receiving the greatest number of votes cast for their election will be elected as directors. An "uncontested election" means an election of directors at a meeting of shareholders in which the number of director nominees does not exceed the number of directors to be elected.

A properly executed proxy marked as withholding authority with respect to the election of one or more nominees for director will not be voted with respect to the nominee or nominees for director indicated. Broker non-votes will not be considered votes cast for or against or withheld from a director nominee's election at the Annual Meeting.

See the "Governance – Majority Vote Policy and Standard" section of this Proxy Statement for more information about our majority vote policy and standard.

#### ***Other Matters***

For purposes of Proposal Two and Proposal Three, the affirmative vote of the holders of a majority of the common shares represented in person or by proxy and entitled to vote on each such matter will be required for approval. The votes received with respect to Proposal Two and Proposal Three are advisory and will not bind the Board or us. For purposes of Proposal Four, the affirmative vote of the holders of our common shares entitling them to exercise not less than a majority of the voting power of the Company on the proposal will be required for approval. A properly executed proxy marked "abstain" with respect to Proposal Two, Proposal Three and Proposal Four will not be voted with respect to such matter, although it will be counted for purposes of determining the number of common shares necessary for approval of such matter. Accordingly, an abstention will have the effect of a vote against Proposal Two, Proposal Three and Proposal Four. If no voting instructions are given (excluding broker non-votes), the persons named as proxy holders on the proxy card will vote the common shares in accordance with the recommendation of the Board. Broker non-votes will have no effect on Proposal Two or Proposal Three, but will have the same effect as a vote against Proposal Four.



## PROPOSAL ONE: ELECTION OF DIRECTORS

At the Annual Meeting, the common shares represented by proxies will be voted, unless otherwise specified, for the election of the nine director nominees named below. Proxies cannot be voted at the Annual Meeting for more than nine persons. Directors are elected to serve until the next annual meeting of shareholders and until their respective successors are elected and qualified, or until their earlier death, resignation or removal.

Five of the nine nominees (Messrs. Berger, Campisi, Chambers, Mallott and Solt) are currently directors on our Board. Set forth below is certain information related to the nominees.

Name	Age	Director Since	Audit Committee	Compensation Committee	Nominating / Corporate Governance Committee
Jeffrey P. Berger	65	2006		*	**
David J. Campisi	59	2013			
James R. Chambers	57	2012	*		*
Marla C. Gottschalk	54				
Cynthia T. Jamison	55				
Philip E. Mallott	57	2003	**		
Nancy A. Reardon	62				
Wendy L. Schoppert	48				
Russell E. Solt	67	2003	*	**	

\* Committee Member

\*\* Committee Chair

**Jeffrey P. Berger** is the former Executive Vice President, Global Foodservice of H.J. Heinz Company (food manufacturer and marketer), and President and Chief Executive Officer of Heinz North America Foodservice (food manufacturer and marketer). Mr. Berger is also currently a director of GNC Holdings, Inc. (health and wellness specialty retailer). The Board would be well served by the perspective provided by Mr. Berger’s 14 years of experience as a chief executive of a multibillion dollar company, his service on another public company board and his qualification as an “audit committee financial expert,” as defined by applicable SEC rules.

**David J. Campisi** is the Chief Executive Officer (“CEO”) and President of Big Lots, Inc. Before joining Big Lots in May 2013, Mr. Campisi served as the Chairman and Chief Executive Officer of Respect Your Universe, Inc. (activewear retailer). Mr. Campisi previously served as the Chairman, President and Chief Executive Officer of The Sports Authority, Inc. (sporting goods retailer). Prior to that, Mr. Campisi served as Executive Vice President and General Merchandise Manager, Women’s Apparel, Accessories, Intimates and Cosmetics of Kohl’s Corporation (department store retailer). Mr. Campisi’s day-to-day leadership as Chief Executive Officer and President of Big Lots, strong leadership skills, proven management capabilities, and more than 30 years of diverse retail experience make Mr. Campisi an excellent choice to continue serving on the Board.

**James R. Chambers** is the President and Chief Executive Officer and a director of Weight Watchers International, Inc. (weight management services provider). He previously served as President of the US Snacks and Confectionery business unit and General Manager of the Immediate Consumption Channel of Kraft Foods Inc. (food manufacturer). Mr. Chambers also served as President and CEO of Cadbury Americas (confectionery manufacturer), and as the President and Chief Executive Officer of Remy Amerique, Inc. (spirits manufacturer). Prior to his employment with Remy Amerique, Inc., Mr. Chambers served as the Chief Executive Officer of Paxonix, Inc. (online branding and packaging process solutions business), as the Chief Executive Officer of Netgrocer.com (online grocery retailer), and as the Group President of Information Resources, Inc. (global market research provider). Mr. Chambers spent the first 17 years of his career at Nabisco (food manufacturer), where he held leadership roles in sales, distribution, marketing and information technology, culminating in the role of President, Refrigerated Foods. Mr. Chambers previously served as a director of B&G Foods (food manufacturer) for seven years where he chaired the Nominating and Governance Committee and served on the Compensation

Committee. Mr. Chambers' extensive cross-functional packaged goods industry experience, 15-year track record in general management and his service on the boards of other public companies makes him an excellent candidate to serve on the Board.

**Marla C. Gottschalk** is the former Chief Executive Officer of The Pampered Chef Ltd. (marketer of kitchen tools, food products and cookbooks), where she also previously served as President and Chief Operating Officer. Prior to that, Ms. Gottschalk was Senior Vice President of Financial Planning and Investor Relations for Kraft Foods, Inc. (food manufacturer), where she also previously served as Executive Vice President and General Manager of the Post Cereal division and Vice President of Marketing and Strategy of the Kraft Cheese division. Ms. Gottschalk is currently a director of Potbelly, Inc. (food retailer), where she is chair of the compensation committee and a member of the audit committee. Ms. Gottschalk's extensive experience in operations and strategic management, her qualification as an "audit committee financial expert," as defined by applicable SEC rules, and her expertise in the food industry make her an excellent candidate to join our Board.

**Cynthia T. Jamison** is the former Chief Financial Officer of AquaSpy, Inc. (provider of soil moisture sensors to monitor soil moisture levels). Prior to that, Ms. Jamison was a partner with Tatum, LLC, (an executive services firm that supports the chief financial officers of public and private companies). Prior to joining Tatum, Ms. Jamison served as Chief Financial Officer of Chart House Enterprises (food retailer) and held various financial positions at Allied Domecq Retailing USA, Kraft General Foods and Arthur Anderson LLP. Ms. Jamison is also currently a director of Tractor Supply Company (farm and ranch retailer), where she serves as chairman, a director of Darden, Inc. (food retailer), where she serves as chair of the audit committee and a member of the compensation committee, a director of Office Depot (office supply retailer) where she is a member of the audit committee, compensation committee and corporate governance and nominating committee and a director of B&G Foods, Inc. (food manufacturer and distributor) until May 2015, where she is the chair of the audit committee. Ms. Jamison has extensive experience in financial and accounting matters, including public company reporting, as well as strategy and capitalization expertise, having served as a chief financial officer and on the boards of many public and private companies. Ms. Jamison's qualification as an "audit committee financial expert," as defined by applicable SEC rules, her key management, leadership, financial and strategic planning, corporate governance and public company executive experience all make her well-suited to join our Board.

**Philip E. Mallott** is the Chairman of the Board of Big Lots, Inc. Mr. Mallott is the former Vice President and Chief Financial Officer of Intimate Brands, Inc. (intimate apparel and beauty product retailer). Mr. Mallott is also currently a director of GNC Holdings, Inc. (health and wellness specialty retailer), where he is the chair of the audit committee and a member of the compensation committee. Mr. Mallott previously served as a director of Tween Brands, Inc. (clothing retailer). Mr. Mallott's qualification as an "audit committee financial expert," as defined by applicable SEC Rules, his experience as a certified public accountant, his service on the boards of other public companies and charitable organizations, and his experience in leadership roles with other retailers make him a valuable member of the Board.

**Nancy A. Reardon** is the former Senior Vice President and Chief Human Resources and Communications Officer of Campbell Soup Company (food manufacturer). Prior to that, Ms. Reardon served as Executive Vice President of Human Resources for Comcast Cable Communications, Inc. (telecommunications provider). Prior to that, Ms. Reardon served as Partner and Executive Vice President, Human Resources and Corporate Affairs for Borden Capital Management Partners where she developed financial and merger and acquisition skills through her involvement in multiple transactions for a portfolio of operating companies. Ms. Reardon previously served as a director of Warnaco Group, Inc. (apparel retailer) where she served as a member of the audit committee and the compensation committee. Ms. Reardon's extensive experience in senior management roles, her experience on the boards of other private and charitable organizations, her experience leading human resources departments, in communications and public affairs and her leadership skills make her a strong choice to serve on the Board.

**Wendy L. Schoppert** is the former Executive Vice President and Chief Financial Officer of Select Comfort Corporation (bedding retailer and manufacturer), where she previously served as Chief Information Officer, interim Chief Marketing Officer and Senior Vice President of International and New Channel Development. Prior to joining Select Comfort, Ms. Schoppert led US Bank's Private Asset Management team and served as Head of Product, Marketing & Corporate Development for the bank's asset management division. Ms. Schoppert began her career in the airline industry, serving in various financial, strategic and general management leadership positions at American Airlines, Northwest Airlines and America West Airlines. Ms. Schoppert is currently a director of Gaiam, Inc. (provider of fitness products and media), where she serves as chair of the audit committee and a member of the

compensation committee. The Board believes that Ms. Schoppert's qualification as an "audit committee financial expert," as defined by applicable SEC Rules, her vast experience in brand development and management, and her significant financial leadership and expertise with respect to the oversight of financial reporting and disclosure for public companies, make her well suited to serve on the Board.

**Russell E. Solt** is the former Director of Investor Relations of West Marine, Inc. (boating supplies and accessories specialty retailer) where he also previously served as the Executive Vice President and Chief Financial Officer. Additionally, Mr. Solt previously served as the Chief Financial Officer of Venture Stores, Inc. (discount retailer) and Williams-Sonoma, Inc. (home furnishing and cookware specialty retailer). Mr. Solt's experience as a certified public accountant and as the Chief Financial Officer of other publicly-traded retailers, his background in investor relations and his qualification as an "audit committee financial expert," as defined by applicable SEC Rules, makes him well-suited to continue serving on the Board.

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH NOMINEE LISTED ABOVE.**

## GOVERNANCE

### **Board Leadership and Independent Chairman of the Board**

The Board is currently comprised of Mr. Berger, Mr. Campisi, Mr. Chambers, Peter J. Hayes, Brenda J. Lauderback, Mr. Mallott, Mr. Solt, James R. Tener and Dennis B. Tishkoff. Other than Mr. Campisi, our CEO and President, each of the other director nominees are or, if elected, would be independent (as defined by the applicable NYSE rules), non-employee directors ("non-employee directors"). Mr. Mallott, an independent director, serves as Chairman of the Board ("Chairman"). The Board believes it should have the flexibility to establish a leadership structure that works best for us at a particular time, and it reviews that structure from time to time, including in the context of a change in leadership. The Chairman plans the agendas for meetings of the Board, chairs the Board meetings, and is responsible for briefing our CEO, as needed, concerning executive sessions of the independent members of the Board. The Chairman also determines when additional meetings of the Board are needed. Additionally, the Chairman communicates informally with other directors between meetings of the Board, to foster free and open dialogue among directors.

### **Board Meetings in Fiscal 2014**

The Board held six meetings during fiscal 2014. During fiscal 2014, each director attended at least 75% of the aggregate of the total number of meetings of the Board and the committees on which he or she served (in each case, held during the periods that he or she served). It is our policy that each director nominee standing for election be present at the annual meeting of shareholders. Each director nominee who is currently a director attended the 2014 annual meeting of shareholders.

### **Role of the Board's Committees**

The Board has standing Audit, Compensation and Nominating / Corporate Governance Committees. Each committee reports its activities to the Board.

#### ***Audit Committee***

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibility with respect to:

- (1) the integrity of the financial reports and other financial information provided by us to our shareholders and others;
- (2) our compliance with legal and regulatory requirements;
- (3) the engagement of our independent registered public accounting firm and the evaluation of the firm's qualifications, independence and performance;
- (4) the performance of our system of internal controls;

- (5) our audit, accounting and financial reporting processes generally; and
- (6) the evaluation of enterprise risk issues.

All members of the Audit Committee are independent as required by the Audit Committee's charter and by the applicable NYSE and SEC rules. The Board has determined that each member of the Audit Committee is "financially literate," as required by NYSE rules, and each of Messrs. Mallott, Hayes and Solt is an "audit committee financial expert," as defined by applicable SEC rules.

The functions of the Audit Committee are further described in its charter, which is available in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption. The Audit Committee met nine times during fiscal 2014.

### ***Compensation Committee***

The Compensation Committee discharges the responsibilities of the Board relating to the administration of our compensation programs, including the compensation program for our management leadership team ("Leadership Team"). Our Leadership Team is comprised of the current executives named in the Summary Compensation Table ("named executive officers") and other executives holding the office of executive vice president or senior vice president.

The responsibilities of the Compensation Committee include:

- (1) establishing our general compensation philosophy;
- (2) overseeing the development of our compensation programs;
- (3) approving goals and objectives for the incentive compensation awarded to the Leadership Team;
- (4) reviewing and recommending to the Board the other compensation for our CEO and the Leadership Team;
- (5) administering our compensation programs; and
- (6) reporting on the entirety of the executive compensation program to the Board.

All members of the Compensation Committee are independent as required by the Committee's charter and NYSE rules.

The functions of the Compensation Committee are further described in its charter, which is available in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption. The Compensation Committee met five times during fiscal 2014.

### ***Nominating / Corporate Governance Committee***

The responsibilities of the Nominating / Corporate Governance Committee include:

- (1) recommending individuals to the Board for nomination as members of the Board and its committees;
- (2) taking a leadership role in shaping our corporate governance policies and practices, including recommending to the Board changes to our Corporate Governance Guidelines and monitoring compliance with such guidelines;
- (3) monitoring issues associated with CEO succession and management development; and
- (4) reviewing the compensation of the members of the Board and recommending any changes to such compensation to the Board for its approval.

All members of the Nominating / Corporate Governance Committee are independent as required by the Committee's charter and NYSE rules.

The functions of the Nominating / Corporate Governance Committee are further described in its charter, which is available in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption. The Nominating / Corporate Governance Committee met seven times during fiscal 2014.

## **Selection of Nominees by the Board**

The Nominating / Corporate Governance Committee has oversight over a broad range of issues relating to the composition and operation of the Board. The Nominating / Corporate Governance Committee is responsible for recommending to the Board the appropriate skills and qualifications required of Board members, based on our needs from time to time. The Nominating / Corporate Governance Committee also evaluates prospective director nominees against the standards and qualifications set forth in the Corporate Governance Guidelines. Although the Nominating / Corporate Governance Committee has not approved any specific minimum qualifications that must be met by a nominee for director recommended by the Committee and has not adopted a formal policy with regard to the consideration of diversity in identifying director nominees, the Committee considers factors such as the prospective nominee's relevant experience, character, intelligence, independence, commitment, judgment, prominence, age, and compatibility with our CEO and other members of the Board. The Nominating / Corporate Governance Committee also considers other relevant factors that it deems appropriate, including the current composition of the Board and the alignment of the Board members skills and experiences with our strategic plan, diversity, the balance of management and independent directors, and the need for committee expertise. Before commencing a search for a new director nominee, the Nominating / Corporate Governance Committee confers with the Board regarding the factors it intends to consider in its search.

In identifying potential candidates for Board membership, the Nominating / Corporate Governance Committee considers recommendations from the Board, shareholders and management. A shareholder who wishes to recommend a prospective director nominee to the Board must send written notice to: Chair of the Nominating / Corporate Governance Committee, Big Lots, Inc., 300 Phillipi Road, Columbus, Ohio 43228. The written notice must include the prospective nominee's name, age, business address, principal occupation, ownership of our common shares, information that would be required under the rules of the SEC in a proxy statement soliciting proxies for the election of such prospective nominee as a director, and any other information that is deemed relevant by the recommending shareholder. Shareholder recommendations that comply with these procedures and that meet the factors outlined above will receive the same consideration that the recommendations of the Board and management receive.

Pursuant to its written charter, the Nominating / Corporate Governance Committee has the authority to retain consultants and search firms to assist in the process of identifying and evaluating director candidates and to approve the fees and other retention terms for any such consultant or search firm. Spencer Stuart was retained in connection with the selection of the director nominees proposed for election at the Annual Meeting.

## **Majority Vote Policy and Standard**

Our Amended Articles of Incorporation impose a majority vote standard in uncontested elections of directors and our Corporate Governance Guidelines contain a majority vote policy applicable to uncontested elections of directors. Article Eighth of our Amended Articles of Incorporation provides that if a quorum is present at the Annual Meeting, a director nominee in an uncontested election shall be elected to the Board if the number of votes cast for such nominee's election exceeds the number of votes cast against and/or withheld from such nominee's election. The majority vote policy contained in our Corporate Governance Guidelines requires any nominee for director who does not receive more votes cast for such nominee's election than votes cast against and/or withheld as to his or her election to deliver his or her resignation from the Board to the Nominating / Corporate Governance Committee. Broker non-votes have no effect in determining whether the required affirmative majority vote has been obtained. Withheld votes have the same effect as a vote against a director nominee. Upon its receipt of such resignation, the Nominating / Corporate Governance Committee will promptly consider the resignation and recommend to the Board whether to accept the resignation or to take other action. The Board will act on the recommendation of the Nominating / Corporate Governance Committee no later than 100 days following the certification of the shareholder vote. The Nominating / Corporate Governance Committee, in making its recommendation, and the Board, in making its decision, will evaluate such resignation in light of the best interests of Big Lots and our shareholders and may consider any factors and other information they deem relevant. We will promptly publicly disclose the Board's decision in a periodic or current report to the SEC.

## **Determination of Director Independence**

The Board affirmatively determined that, with the exception of Mr. Campisi, all of the directors nominated for election at the Annual Meeting are independent of Big Lots, its subsidiaries and its management under the standards set forth in the NYSE rules, and no director nominee has a material relationship with Big Lots, its subsidiaries or its management aside from his or her service as a director. Mr. Campisi is not an independent director due to his employment by Big Lots.

In determining that each of the director nominees other than Mr. Campisi is independent, the Board considered charitable contributions to not-for-profit organizations of which these director nominees or their immediate family members are executive officers or directors and determined that each of the transactions and relationships it considered was immaterial and did not impair the independence of any of the directors.

## **Related Person Transactions**

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics for Financial Professionals, and human resources policies prohibit, without the consent of the Board or the Nominating / Corporate Governance Committee, directors, officers and employees from engaging in transactions that conflict with our interests or that otherwise usurp corporate opportunities.

Pursuant to our written related person transaction policy, the Nominating / Corporate Governance Committee evaluates “related person transactions.” Consistent with SEC rules, we consider a related person transaction to be any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships):

- (1) involving more than \$120,000 in which we and any of our directors, nominees for director, executive officers, holders of more than five percent of our common shares, or their respective immediate family members were or are to be a participant; and
- (2) in which such related person had, has or will have a direct or indirect material interest.

Under our policy, our directors, executive officers and other members of management are responsible for bringing all transactions, whether proposed or existing, of which they have knowledge and which they believe may constitute related person transactions to the attention of our General Counsel. If our General Counsel determines that the transaction constitutes a related person transaction, our General Counsel will notify the chair of the Nominating / Corporate Governance Committee. Thereafter, the Nominating / Corporate Governance Committee will review the related person transaction, considering all factors and information it deems relevant, and either approve or disapprove the transaction in light of what the Committee believes to be the best interests of Big Lots and our shareholders. If advance approval is not practicable or if a related person transaction that has not been approved is discovered, the Nominating / Corporate Governance Committee will promptly consider whether to ratify the related person transaction. Where advance approval is not practicable or we discover a related person transaction that has not been approved and the Committee disapproves the transaction, the Committee will, taking into account all of the factors and information it deems relevant (including the rights available to us or other parties under the transaction), determine whether we should amend, rescind or terminate the transaction in light of what it believes to be the best interests of our shareholders and company.

Examples of factors and information that the Nominating / Corporate Governance Committee may consider in its evaluation of a related person transaction include:

- (1) the reasons for entering into the transaction;
- (2) the terms of the transaction;
- (3) the benefits of the transaction to us;
- (4) the comparability of the transaction to similar transactions with unrelated third parties;
- (5) the materiality of the transaction to each party;
- (6) the nature of the related person’s interest in the transaction;
- (7) the potential impact of the transaction on the status of an independent director; and
- (8) the alternatives to the transaction.

Additionally, on an annual basis, each director, nominee for director and executive officer must complete a questionnaire that requires written disclosure of any related person transaction. The responses to these questionnaires are reviewed by the Nominating / Corporate Governance Committee and our General Counsel to identify any potential conflicts of interest or potential related person transactions.

We have not engaged in any related person transactions since the beginning of fiscal 2014.

### **Board's Role in Risk Oversight**

The Board and its committees play an important role in overseeing the identification, assessment and mitigation of risks that are material to us. In fulfilling this responsibility, the Board and its committees regularly consult with management to evaluate and, when appropriate, modify our risk management strategies. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed about such risks through committee reports.

The Audit Committee assists the Board in fulfilling its oversight responsibility relating to the performance of our system of internal controls, legal and regulatory compliance, our audit, accounting and financial reporting processes, and the evaluation of enterprise risk issues, particularly those risk issues not overseen by other committees. The Compensation Committee is responsible for overseeing the management of risks relating to our compensation programs. The Nominating / Corporate Governance Committee manages risks associated with corporate governance, related person transactions, succession planning, and business conduct and ethics. The Public Policy and Environmental Affairs Committee, a management committee that reports to the Nominating / Corporate Governance Committee, oversees management of risks associated with public policy, environmental affairs and social matters that may affect our operations, performance or public image.

### **Corporate Governance Guidelines**

Our Corporate Governance Guidelines, which comply with NYSE rules, can be found in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption.

### **Code of Business Conduct and Ethics & Code of Ethics for Financial Professionals**

We have a Code of Business Conduct and Ethics, which applies to all of our directors, officers and employees. We also have a Code of Ethics for Financial Professionals which applies to our principal executive officer, principal financial officer, principal accounting officer, controller and other persons performing similar functions. Both the Code of Business Conduct and Ethics and the Code of Ethics for Financial Professionals are available in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption. We intend to post amendments to or waivers from any applicable provision (related to elements listed under Item 406(b) of Regulation S-K) of the Code of Business Conduct and Ethics and the Code of Ethics for Financial Professionals (in each case, to the extent applicable to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions), if any, in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption.

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

During fiscal 2014, Messrs. Berger, Hayes, Solt, Tener and Tishkoff served on our Compensation Committee. No member of our Compensation Committee serves, or has served at any time, as one of our officers or employees or has, or during fiscal 2014 had, a material interest in any related person transaction, as defined in Item 404 of Regulation S-K. None of our executive officers serve or, during fiscal 2014, served as a member of the board of directors or compensation committee of any other company that has or had an executive officer serving as a member of the Board or our Compensation Committee.

## **Communications with the Board**

Shareholders and other parties interested in communicating directly with the Board, with specified individual directors or with the non-employee directors as a group, may do so by choosing one of the following options:

*Call:* (866) 834-7325  
*Write:* Big Lots Board of Directors, 300 Phillipi Road, Columbus, Ohio 43228-5311  
*E-mail:* <http://biglots.safe2say.info>

Under a process approved by the Nominating / Corporate Governance Committee for handling correspondence received by us and addressed to non-employee directors, our General Counsel reviews all such correspondence and forwards to the Board or appropriate members of the Board a summary and/or copies of any such correspondence that deals with the functions of the Board, members or committees thereof or otherwise requires their attention. Directors may at any time review a log of all correspondence received by us and directed to members of the Board and may request copies of any such correspondence. Concerns relating to our accounting, internal accounting controls or auditing matters will be referred to the Audit Committee. Concerns relating to the Board or members of senior management will be referred to the Nominating / Corporate Governance Committee. Parties submitting communications to the Board may choose to do so anonymously or confidentially.

## **DIRECTOR COMPENSATION**

Under the Big Lots, Inc. Non-Employee Director Compensation Package established by the Board, each non-employee director is compensated for Board and committee participation in the form of retainers and fees and a restricted stock award.

### **Retainers and Fees**

We pay our non-employee directors retainers and fees on a quarterly basis. Until May 29, 2014, the retainers and fees we paid to non-employee directors for consisted of: (1) an annual retainer of \$70,000 for each non-employee director other than the nonexecutive chair; (2) an annual retainer of \$160,000 for the nonexecutive chair; (3) an annual retainer of \$30,000 for the Audit Committee chair; (4) an annual retainer of \$20,000 for the chairs of the Compensation Committee and the Nominating / Corporate Governance Committee; (5) an annual retainer of \$15,000 for each Audit Committee member; (6) an annual retainer of \$10,000 for each Compensation Committee member and each Nominating / Corporate Governance Committee member; (7) donations by us in an aggregate annual amount up to \$15,000 to charitable organizations nominated by the non-employee director; (8) matching charitable donations by us in an aggregate annual amount up to \$15,000 to charitable organizations to which the non-employee director makes contributions; and (9) the payment of \$750 for each telephonic Board or committee meeting attended by the non-employee director in a fiscal quarter after the first telephonic meeting held by the Board or committee during such quarter. Effective May 29, 2014, the annual retainer for each non-employee director other than the nonexecutive chair increased to \$80,000 and effective August 28, 2014, the annual retainer for the nonexecutive chair increased to \$170,000.

During fiscal 2014, Messrs. Berger, Chambers, Hayes, Mallott, Solt, Tener, Tishkoff, and Ms. Lauderback qualified as non-employee directors and, as a result, received compensation for their Board service. Due to our employment of Mr. Campisi as CEO in fiscal 2014, he did not qualify as a non-employee director and he did not receive compensation for his service as a director. The compensation received by Mr. Campisi as an employee is shown in the Summary Compensation Table included in this Proxy Statement.

### **Restricted Stock**

In fiscal 2014, the non-employee directors also received a restricted stock award having a grant date fair value equal to approximately \$110,000 (2,550 common shares). The fiscal 2014 restricted stock awards were made in June 2014 under the Big Lots 2012 Long-Term Incentive Plan ("2012 LTIP"). The restricted stock awarded to the non-employee directors in fiscal 2014 will vest on the earlier of (1) the trading day immediately preceding the Annual Meeting or (2) the non-employee director's death or disability (as that term is defined in the 2012 LTIP). However, the restricted stock will not vest if the non-employee director ceases to serve on the Board before either vesting event occurs.



## Director Compensation Table for Fiscal 2014

The following table summarizes the compensation earned by each non-employee director for his or her Board service in fiscal 2014.

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Stock Awards \$(1)(2) (c)	Option Awards \$(3) (d)	Non-Equity Incentive Plan Compensation (\$) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) (f)	All Other Compensation \$(4) (g)	Total (\$) (h)
Mr. Berger	105,000	109,982	—	—	—	28,800	243,782
Mr. Chambers	100,750	109,982	—	—	—	25,000	235,732
Mr. Hayes	100,750	109,982	—	—	—	2,380	213,112
Ms. Lauderback	100,750	109,982	—	—	—	24,500	235,232
Mr. Mallott	195,750	109,982	—	—	—	33,300	339,032
Mr. Solt	110,750	109,982	—	—	—	19,560	240,292
Mr. Tener	95,000	109,982	—	—	—	45,000	249,982
Mr. Tishkoff	95,000	109,982	—	—	—	20,000	224,982

- (1) Amounts in this column reflect the aggregate grant date fair value of the restricted stock awards granted to the non-employee directors in fiscal 2014 as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“ASC 718”), excluding the effect of any estimated forfeitures. The full grant date fair value of the fiscal 2014 restricted stock award granted to each non-employee director, as computed in accordance with ASC 718, was based on individual awards of 2,550 common shares at a per common share value of \$43.13 on the grant date (i.e., \$109,982 per non-employee director). In accordance with ASC 718 and the 2012 LTIP, the per common share grant date value is the average of the opening price and the closing price of our common shares on the NYSE on the grant date.
- (2) As of January 31, 2015, each individual included in the table held 2,550 shares of restricted stock.
- (3) Prior to fiscal 2008, the non-employee directors received an annual stock option award under the Big Lots, Inc. Amended and Restated Director Stock Option Plan (“Director Stock Option Plan”). The Director Stock Option Plan was terminated on May 30, 2008 and no stock option awards were granted to any non-employee director in fiscal 2014. As of January 31, 2015, only Mr. Mallott (20,000 common shares) held stock options to purchase our common shares.
- (4) Amounts in this column reflect both matching contributions and payments made by us during fiscal 2014 to charitable organizations nominated by the specified directors pursuant to the Big Lots, Inc. Non-Employee Director Compensation Package during the year in which they were elected to serve on the Board.

## STOCK OWNERSHIP

### Ownership of Our Common Shares by Certain Beneficial Owners and Management

The following table sets forth certain information with regard to the beneficial ownership of our common shares by each holder of more than five percent of our common shares, each director, each of the current and former executive officers named in the Summary Compensation Table, and all executive officers and directors as a group. The assessment of holders of more than five percent of our common shares is based on a review of and reliance upon their respective filings with the SEC. Except as otherwise indicated, all information is as of March 13, 2015.

Name of Beneficial Owner or Identity of Group	Amount and Nature of Beneficial Ownership (1)	Percent of Outstanding Common Shares
Lisa M. Bachmann	280,229	*
Jeffrey P. Berger	21,312	*
David J. Campisi	159,911	*
James R. Chambers	8,120	*
Richard J. Chene	24,718	*
Peter J. Hayes	5,784	*
Timothy A. Johnson	171,436	*
Brenda J. Lauderback	5,822	*
Philip E. Mallott	43,212	*
Michael A. Schlonsky	91,201	*
Russell E. Solt	10,887	*
James R. Tener	24,312	*
Dennis B. Tishkoff	13,587	*
The Vanguard Group, Inc. (2)	4,116,095	7.7%
FMR, LLC (3)	3,640,190	6.8%
Sasco Capital, Inc. (4)	3,560,041	6.7%
BlackRock, Inc. (5)	3,242,462	6.1%
LSV Asset Management (6)	2,932,904	5.5%
All directors and executive officers as a group (14 persons)	881,507	1.6%

\* Represents less than 1.0% of the outstanding common shares.

- (1) Each person named in the table has sole voting power and sole dispositive power with respect to all common shares shown as beneficially owned by such person, except as otherwise stated in the footnotes to this table. The amounts set forth in the table include common shares that may be acquired within 60 days of March 13, 2015 under stock options exercisable within that period. The number of common shares that may be acquired within 60 days of March 13, 2015 under stock options exercisable within that period are as follows: Ms. Bachmann: 176,563; Mr. Berger: 0; Mr. Campisi: 28,875; Mr. Chambers: 0; Mr. Chene: 5,000; Mr. Hayes: 0; Mr. Johnson: 83,625; Ms. Lauderback: 0; Mr. Mallott: 20,000; Mr. Schlonsky: 53,750; Mr. Solt: 0; Mr. Tener: 0; Mr. Tishkoff: 0; and all directors and executive officers as a group: 372,813.
- (2) In its Schedule 13G/A filed on February 11, 2015, The Vanguard Group, Inc., 100 Vanguard Blvd., Malvern, PA 19355, stated that it beneficially owned the number of common shares reported in the table as of December 31, 2014, had sole voting power over 36,530 of the shares, had sole dispositive power over 4,084,465 of the shares, had shared dispositive power over 31,630 of the shares, and had no shared voting power over any of the shares. In its Schedule 13G/A, this reporting person indicated that its wholly-owned subsidiaries, Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd., were the beneficial owners of 31,630 and 4,900 common shares, respectively.
- (3) In its Schedule 13G/A filed on February 13, 2015, FMR, LLC, 245 Summer Street, Boston, MA 02210, stated that it beneficially owned the number of common shares reported in the table as of December 31, 2014, had sole voting power over 13,892 of the shares, had sole dispositive power over 3,640,190 of the shares, had no shared voting power or shared dispositive power over any of the shares.

- (4) In its Schedule 13G/A filed on February 11, 2015, Sasco Capital, Inc., 10 Sasco Hill Road, Fairfield, CT 06824, stated that it beneficially owned the number of common shares reported in the table as of December 31, 2014, had sole voting power over 1,521,632 of the shares, had sole dispositive power over 3,560,041 shares, and had no shared voting power or shared dispositive power over any of the shares.
- (5) In its Schedule 13G/A filed on January 30, 2015, BlackRock, Inc., 55 East 52<sup>nd</sup> Street, New York, NY 10022, stated that it beneficially owned the number of common shares reported in the table as of December 31, 2014, had sole voting power over 3,060,309 of the shares and sole dispositive power over all the shares, and had no shared voting power or shared dispositive power over any of the shares.
- (6) In its Schedule 13G filed on February 12, 2015, LSV Asset Management, 155 North Wacker Drive, Suite 4600, Chicago, IL 60606, stated that it beneficially owned the number of common shares reported in the table as of December 31, 2014, had sole voting power over 1,630,319 of the shares and sole dispositive power over 2,932,904 shares, and had no shared voting power or shared dispositive power over any of the shares.

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

Section 16(a) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), requires our directors and executive officers, and persons who beneficially own more than 10% of our outstanding common shares, to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of our common shares. Executive officers, directors and greater than 10% shareholders are required by the SEC rules to furnish us with copies of all Section 16(a) reports they file. Based upon a review of filings with the SEC and written representations that no other reports were required, we believe that all of our directors and executive officers and greater than 10% shareholders complied during fiscal 2014 with the reporting requirements of Section 16(a) of the Exchange Act, except Mr. Hayes, a non-employee director, who inadvertently failed to disclose the sale of 411 of our common shares on March 21, 2014. This transaction was reported on a Form 4 dated March 28, 2014.

## **EXECUTIVE COMPENSATION**

### **Compensation Committee Report**

The Compensation Committee reviewed and discussed the following Compensation Discussion and Analysis (“CD&A”) with management and, based on such review and discussion, the Compensation Committee recommended to the Board that the CD&A be included in this Proxy Statement and our Annual Report on Form 10-K for fiscal 2014 (“Form 10-K”).

Members of the Compensation Committee

Russell E. Solt, Chair  
Jeffrey P. Berger  
Peter J. Hayes  
James R. Tener  
Dennis B. Tishkoff

### **Compensation Discussion and Analysis**

This CD&A describes our executive compensation program for fiscal 2014 and certain elements of our executive compensation program for fiscal 2015 and explains how the Board and the Compensation Committee of the Board (which we refer to as the “Committee” in this CD&A) made its compensation decisions for our named executive officers, who, for fiscal 2014, were:

- Mr. Campisi, our CEO and President;
- Mr. Johnson, our Executive Vice President, Chief Financial Officer;
- Ms. Bachmann, our Executive Vice President, Chief Operating Officer;
- Mr. Chene, our Executive Vice President, Chief Merchandising Officer; and
- Mr. Schlonsky, our Senior Vice President, Human Resources and Corporate Secretary.

## *Executive Summary*

### *Objectives of Executive Compensation Program*

Through a balanced mix of salary, annual cash incentive awards and equity awards, the Committee and the Board seek to promote three primary objectives: (1) align the interests of executives and shareholders through performance-linked compensation; (2) motivate executives to contribute to our success and reward them for their performance; and (3) attract and retain talented executives by paying compensation that is competitive with the compensation paid by the companies in our comparator groups.

### *Company Performance for Fiscal 2014*

In fiscal 2014, we focused on improving our financial and operating performance. We delivered solid and improved operating and financial results in fiscal 2014, including:

- positive comparable store sales in all four fiscal quarters and a 1.8% increase in comparable store sales for fiscal 2014;
- an increase of \$52 million in net sales, an increase of 1%;
- \$2.46 in diluted earnings per share from continuing U.S. operations, compared to \$2.44 diluted earnings per share in fiscal 2013;
- an increase of 30 basis points in gross margin rate;
- return on invested capital (*i.e.*, net operating profit after-tax divided by invested capital) (“ROIC”) of 14.9%;
- total shareholder return of 73%; and
- \$250 million returned to shareholders through share repurchases and approximately \$28 million returned to shareholders through dividends.

In fiscal 2014, our operating profit declined on a relative basis from fiscal 2013 (from \$230.1 million to \$224.5 million) but exceeded the amount projected by the Board in our fiscal 2014 corporate operating plan. We anticipated a decline in our operating profit as a result of the implementation of our strategic plan, which is designed to create long-term value for our shareholders.

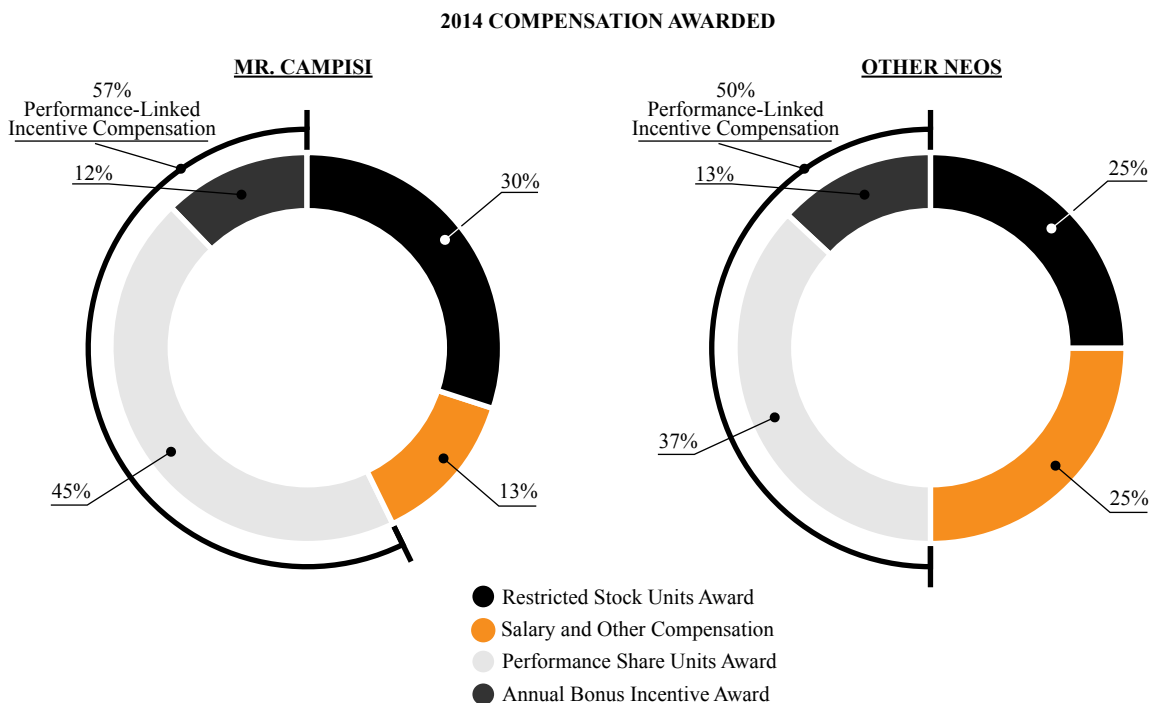
### *Named Executive Officer Compensation for Fiscal 2014*

The principal elements of our executive compensation program remained the same in fiscal 2014: salary; annual cash incentive awards; and equity awards. However, given the commitment of the Committee and other outside directors to a pay-for-performance philosophy and our focus on improving our financial and operating performance in fiscal 2014, the Committee and other outside directors structured a significant portion of the compensation awarded to our named executive officers for fiscal 2014 as “at risk” or “variable” and dependent on our performance and/or the value of our common shares. The Committee believes this emphasis on at-risk and variable compensation advances the objectives of our executive compensation program. Specifically, the at-risk or variable compensation awarded to our named executive officers in fiscal 2014 included:

- *Annual Cash Incentive Awards.* Each named executive officer was eligible to receive a cash performance bonus based solely on our operating profit. The Committee and other outside directors selected operating profit as the sole financial measure because they believe it focuses our named executive officers on increasing our revenues and controlling our costs. The fiscal 2014 annual incentive awards were structured so that the target bonus would be earned only if we achieved the operating profit for fiscal 2014 projected in our annual corporate operating plan. Based on our \$222,278,299 operating profit in fiscal 2014, as adjusted and described below in the “Elements of our Executive Compensation for Fiscal 2014 – Annual Incentive Award for Fiscal 2014” section of the CD&A, our named executive officers earned an annual incentive award for fiscal 2014 equal to 110% of their respective target bonus.

- Performance Share Unit Awards.* For the first time, all of our named executive officers received a significant portion (60%) of their equity awards in the form of performance share unit awards (“PSUs”). The PSUs awarded to our named executive officers in fiscal 2014 will vest, if at all, after the completion of a three-year performance period based: (1) 50% on our average EPS performance, excluding extraordinary items, for each of the three years during the performance period; (2) 50% on our average ROIC performance, excluding extraordinary items, for each of the three years during the performance period; and (3) on the named executive officer’s continued employment through the end of the performance period (except in the case of death, disability or retirement). The Committee and other outside directors selected EPS and ROIC as the financial measures applicable to the PSUs to incentivize our named executive officers to achieve long-term financial results that we believe will create shareholder value. Based on EPS of \$2.44 and ROIC of 14.9%, we achieved 99% of the targeted goal for EPS and 104% of the targeted goal for ROIC for the first year of the 2014 PSU three-year performance measurement period. This performance would equate to a 105% vesting factor, based on performance in the first year of the three-year performance period.
- Time-Vested Restricted Stock Unit Awards.* The remaining portion (40%) of our name executive officers’ equity awards took the form of time-vested restricted stock unit awards (“RSUs”). RSUs are primarily intended to align the interests of our named executive officers and our shareholders and help retain and motivate our named executive officers. The RSUs will vest ratably over three years from the grant date of the award if the participant remains employed by us through each annual vesting date (except in the case of death, disability, retirement, involuntary termination or constructive termination).

The following graphs show the percentage of Mr. Campisi’s and our other named executive officers’ total target compensation for fiscal 2014 that was at-risk or variable.



## *Executive Compensation Policies and Practices*

Our executive compensation policies and practices support good governance and mitigate excessive risk taking and include the following:

<b>Policies and Practices</b>	<b>Big Lots Policies and Practices</b>
<b>Pay for Performance</b>	In accordance with the Company's pay for performance philosophy, performance-linked compensation comprised 48% to 57% of the compensation awarded to our named executive officers in fiscal 2014.
<b>Stock Ownership Requirements</b>	All of our outside directors and Leadership Team members are subject to stock ownership requirements.
<b>Clawback Policy</b>	Our employment agreements with Mr. Campisi and Ms. Bachmann provide that any compensation paid to the executive pursuant to any agreement or arrangement between the executive and us will be subject to deduction and clawback to the extent required by any applicable law or stock exchange listing requirement or any policy adopted by us with respect to any such law or listing requirement.
<b>Anti-Hedging and Pledging Policy</b>	We do not allow our directors or Leadership Team members to enter into any hedging, pledging or monetization transactions relating to our common shares.
<b>Independent Compensation Consultant</b>	The Committee's independent compensation consultant, Exequity LLP ("Exequity"), is engaged directly by the Committee and performs services solely for the Committee.
<b>Independent Board Chairman</b>	We have separated our CEO and Chairman of the Board positions.
<b>No Dividends on Unearned Performance Awards</b>	We do not pay dividends on unearned performance awards.
<b>No Excise Tax Gross-ups for Change-in-Control Payments</b>	We have eliminated any reimbursement for any "golden parachute" excise tax imposed under Section 4999 of the IRC in our employment agreements.

## *2014 Annual Meeting Results and Shareholder Engagement*

At our 2014 annual meeting of shareholders, we held an advisory vote of our shareholders regarding the fiscal 2013 compensation of our named executive officers as disclosed in our 2014 Proxy Statement (the "2014 say-on-pay vote"). Approximately 91% of votes cast voted in favor of our 2014 say-on-pay vote. The 2014 say-on-pay vote and discussions with shareholders before our 2014 annual meeting of shareholders suggested to us that the Company's redesigned executive compensation program was generally supported by our shareholders and effectively responded to the concerns expressed by our shareholders over the previous two years. Since our 2014 annual meeting of shareholders, the Committee has considered the results of the 2014 say-on-pay vote in its evaluation of our executive compensation program. Based on the strong support our shareholders expressed at our 2014 annual meeting of shareholders, the Committee did not make any changes to our executive compensation program as a result of the 2014 say-on-pay vote.

## ***Overview of our Executive Compensation Program***

### *Philosophy and Objectives of our Executive Compensation Program*

Our executive compensation program is designed to:

- *Align the interests of executives and shareholders through performance-linked compensation.*

We pay annual incentive awards only if we meet or exceed corporate performance goals. For fiscal 2014, we also awarded RSUs and PSUs. The PSUs vest only if we meet performance targets over a three-year performance period. For fiscal 2014, the targets the Committee established for the PSUs are based on EPS and ROIC, each of which account for 50% of the performance component of the PSUs.

- *Motivate executives to contribute to our success and reward them for their performance.*

We use the bonus and equity elements of our executive compensation program to motivate our executives to improve our business, promote sustainable profitability and create shareholder value. These compensation elements incentivize our executives to meet or exceed the applicable corporate financial goals.

- *Attract and retain talented executives by paying compensation that is competitive with the compensation paid by the companies in our comparator groups.*

We believe most executives who consider joining our company expect to receive amounts and elements of compensation comparable to those offered by most companies in our comparator groups and/or their current employer. We believe the amounts and elements of compensation that we offer make us competitive within our comparator groups, and that offering competitive packages has enabled us in recent years to attract and retain talented executives.

#### *Executive Performance and Compensation Evaluation Process*

The Committee leads the process for establishing our annual executive compensation program, but seeks the approval of its compensation decisions from our other outside directors. The Committee believes that having all outside directors approve executive compensation is consistent with best practices in corporate governance. Additionally, as discussed in more detail below in the “Role of Management” and “Independent Compensation Consultant” sections of this CD&A, the Committee consults with management and may engage independent compensation consultants to take advantage of their expertise.

Because of his direct knowledge of the performance and contributions of the other members of our Leadership Team, our CEO provides the Board and Committee with (1) quarterly performance updates regarding each member of our Leadership Team beginning at our second quarter Board meeting and (2) an annual performance evaluation and compensation recommendation for each such Leadership Team member in the first quarter of each fiscal year. The Committee also regularly conducts executive sessions to evaluate our CEO’s performance. All of our outside directors participate in the most comprehensive evaluation of our CEO’s performance which takes place at our first quarter Board meeting. See the “Performance Evaluation” section of this CD&A for a discussion of the factors considered by our CEO, the Committee and the other outside directors when evaluating performance.

At its March 2014 meeting, the Committee:

- reviewed and discussed the continued appropriateness of our executive compensation program, including its underlying philosophy, objectives and policies;
- reviewed and discussed Mr. Campisi’s performance, contributions and value to our business;
- reviewed and discussed Mr. Campisi’s performance evaluations and compensation recommendations for the other Leadership Team members;
- reviewed and discussed comparative compensation survey data;
- reviewed and analyzed tally sheets which included the total compensation awarded to each Leadership Team member during the immediately preceding two fiscal years;
- analyzed the potential payments to each Leadership Team member upon termination of employment and change in control events;
- considered internal pay equity by comparing the compensation of our CEO to the other members of our Leadership Team;
- prepared its fiscal 2014 compensation recommendations for each member of our Leadership Team;
- determined that a bonus was not payable under the 2006 Bonus Plan as a result of corporate performance in fiscal 2013; and
- determined, for the named executive officers, that the second triggers for their fiscal 2011, fiscal 2012, and fiscal 2013 time-vested restricted stock awards were not achieved and that the first trigger for their fiscal 2013 time-vested restricted stock award was achieved as a result of corporate performance in fiscal 2013.

The Committee then shared its compensation recommendations, including the underlying data and analysis, with the other outside directors for their consideration and approval. The Committee's recommendations were consistent with Mr. Campisi's recommendations. At the March 2014 Board meeting, the outside directors discussed with the Committee the form, amount of, and rationale for the recommended compensation and, consistent with the Committee's recommendations, finalized the compensation awards for the Leadership Team members.

#### *Performance Evaluation*

Our CEO, the Committee and our outside directors generally consider the following objective and subjective factors when evaluating the performance of the members of our Leadership Team, although the factors considered may vary for each executive:

- long-term strategic goals;
- short-term business goals;
- profit and revenue goals;
- expense goals;
- operating margin improvement;
- same store sales growth versus the industry;
- earnings-per-share growth;
- continued optimization of organizational effectiveness and productivity;
- leadership and the development of talent; and
- fostering teamwork and other corporate values.

Our CEO, the Committee and the other outside directors do not assign any of these performance factors a specific weight when they evaluate corporate performance or individual performance. Our CEO, the Committee and our other outside directors also consider the performance of our competitors, specific business challenges and general economic and market conditions in their performance evaluations. See the "Comparative Compensation Data" section of this CD&A for more information regarding the impact that the competitive market has on our executive compensation program.

Although the Committee and the other outside directors consider our CEO's recommendations, the Committee and the other outside directors may elect to not follow, and are not bound by, our CEO's recommendations on executive compensation. Our CEO, the Committee and the outside directors may consider different factors and may value the same factors differently.

The following items of corporate and individual performance were most significant in determining the base salary and equity awards provided to our named executive officers for fiscal 2014.

- Mr. Campisi:
  - (1) Implemented and executed a multi-year strategic planning process designed to better meet the expectations of our customers, improve the corporate culture for our employees and create value for our shareholders;
  - (2) Recruited and effectively integrated a significant portion of our Leadership Team;
  - (3) Improved our merchandising mix and introduced disciplined approaches for our product sourcing and purchasing decisions; and
  - (4) Stabilized the Company by more clearly defining our business focus, including closing our wholesale and Canadian operations.



- Mr. Johnson:
  - (1) Promoted to Executive Vice President and also assumed additional responsibility associated with our real estate and asset protection departments;
  - (2) Development and implementation of our annual corporate operating plan;
  - (3) Executive leadership support for effective cash deployment and investor relations; and
  - (4) Management’s interface with the Audit Committee.
- Ms. Bachmann:
  - (1) Successful implementation of enhancements and upgrades to information technology infrastructure;
  - (2) Implementation of our warehouse management system in our distribution centers; and
  - (3) Development and implementation of a strategic plan for enhancing our customers shopping experience in our stores.
- Mr. Chene:
  - (1) As Mr. Chene joined the company at the end of fiscal 2013, the Committee did not adjust his salary in fiscal 2014 and his equity award was consistent with individuals with similar roles within our peer group.
- Mr. Schlonsky:
  - (1) Effective management of compensation and employee healthcare coverage costs;
  - (2) Management’s interface with the Compensation Committee; and
  - (3) Recruited and hired a significant portion of our Leadership Team.

*Role of Management*

Our CEO plays a significant role in determining the compensation of the other members of our Leadership Team. Additionally, our CEO and the Committee consult with management from our human resources, finance and legal departments regarding the design and administration of our compensation programs, plans and awards for executives and directors. These members of management provide the Committee and CEO with advice regarding the competitiveness of existing and proposed compensation programs and the impact of accounting rules, laws and regulations on existing and proposed compensation programs. Management from our human resources, finance and legal departments also assist the Committee in the administration of our employee benefit and compensation plans in accordance with the Committee’s charter and our compensation plans.

Our CEO and some members of management attend meetings of the Committee, and the CEO participates in the Committee’s discussions regarding the compensation of the other Leadership Team members. These individuals do not participate in executive sessions of the Committee or when executive compensation determinations are made by the Committee and the other outside directors.

*Independent Compensation Consultant*

The Committee has the authority under its charter to retain independent compensation consultants as it deems necessary. In establishing executive compensation for fiscal 2014, the Committee’s independent compensation consultant Exequity provided the Committee with compensation and financial information from the public filings of the members of our retailer comparator group (as defined below in the “–Comparative Compensation Data” section of this CD&A). The Committee also reviewed non-customized compensation surveys provided by several independent compensation consultants at the request of our human resources department.

### *Comparative Compensation Data*

The Committee reviews data regarding the compensation of executives at other companies in its annual review of the compensation of the members of our Leadership Team. For fiscal 2014, the Committee reviewed compensation data for a group of retailers similar to us with whom we believe we compete for talent (the “retailer comparator group”). The factors the Committee considered in selecting companies for the retailer comparator group included revenue (generally one-half to two times our revenue), gross profit margin (cost of goods sold divided by revenues; generally within ten percentage points of our gross profit margin), geographic location (preference for companies in the Columbus, Ohio area with whom we compete for talent), inventory turns (cost of goods sold divided by average inventory turns; within approximately 50 points of our score), gross margin return on investment (gross margin dollars divided by average inventory with no set range, but used as an additional reference point), market capitalization, net income, earnings per share, price-to-earnings ratio and shareholder return. The companies included in the retailer comparator group for fiscal 2014 were:

Abercrombie & Fitch	Dollar Tree	L Brands
Ascena Retail Group	DSW	RadioShack
Bed Bath & Beyond	Family Dollar	Ross Stores
Dick’s Sporting Goods	Foot Locker	Tractor Supply
Dollar General	Kohl’s	Williams – Sonoma

The Committee also reviewed aggregated executive compensation data regarding broader groups of companies included in compensation surveys provided by Mercer, TowersWatson and Hay. These broader comparator groups consisted of the Standard & Poor’s Retail Stores Index companies and other companies, including non-retailers, with whom we believe we compete for talent and whose revenues or operations are similar to ours. We believed it was prudent to consult both sets of information because the compensation surveys for the broader groups include compensation information on more executives and provide a more extensive basis on which to compare the compensation of the Leadership Team members, particularly those Leadership Team members whose responsibilities, experience and other factors are not directly comparable to the executives included in the publicly-available reports of the retailer comparator group. The comparator groups may vary from year to year based on the Committee’s assessment of which companies compete with us for talent and are similar to us in terms of operations or revenues and whether compensation information for the companies remains publicly available.

The Committee and our human resources department reviewed each Leadership Team member’s responsibilities and compared, where possible, the total direct compensation levels for our Leadership Team members to the total direct compensation of similarly situated executives within the comparator groups. For purposes of this evaluation, no specific weight was given to one comparator group over the other and total direct compensation was comprised of salary, annual incentive award at target and equity awards.

While we evaluate total direct compensation awarded to Leadership Team members against the total direct compensation paid by the comparator groups, this evaluation merely provides a point of reference and market check and is not a determinative factor for setting our executives’ compensation. As discussed in this CD&A, compensation is subjectively determined based on numerous factors. We do not benchmark or target our compensation at any particular level in relation to the compensation of the comparator groups. We believe that our use of compensation data enables us to retain the flexibility necessary to make adjustments for performance and experience, attract, retain and motivate top talent, and reward executives who we believe excel or take on greater responsibility than executives at comparator companies.

### ***Elements of our Executive Compensation for Fiscal 2014***

The primary compensation elements we provide to our named executive officers are salary, bonus opportunities under the 2006 Bonus Plan and equity awards under the 2012 LTIP. In addition, our named executive officers are entitled to certain limited personal benefits and perquisites. We believe each of these individual elements and the total mix of elements are necessary to provide a competitive executive compensation program and advance our compensation philosophy and objectives.

### *Salary for Fiscal 2014*

The Committee annually reviews and establishes the salary for each named executive officer. Salary serves as a short-term retention tool. A minimum salary for Mr. Campisi and Ms. Bachmann is set forth in his or her respective employment agreement, as described below in the “Elements of our Executive Compensation for Fiscal 2014– Employment Agreements” section of this CD&A. Salary adjustments are based on a thorough and robust review of each named executive officer’s performance, but specific salary increases are not formally tied to any specific accomplishment.

In reviewing the salaries of our named executive officers, the Committee considered, among other matters, each executive’s past performance, experience, scope of responsibilities, base salary in comparison to our other employees and anticipated future contributions. For fiscal 2014, the Committee approved the following salaries for the named executive officers, which became effective March 30, 2014:

<b>Name</b>	<b>Fiscal 2014 Salary (\$)</b>
Mr. Campisi	\$950,000
Mr. Johnson	\$510,000
Ms. Bachmann	\$650,000
Mr. Chene	\$500,000
Mr. Schlonsky	\$410,000

### *Annual Incentive Award for Fiscal 2014*

Each named executive officer has the opportunity to earn an annual incentive award under the 2006 Bonus Plan. We design our annual incentive awards to retain, motivate and reward executives on a year-to-year basis. Annual incentive award payouts correspond to a percentage of each named executive officer’s salary (“payout percentage”) and are based on whether we achieve certain corporate performance goals under one or more financial measures established by the Committee when achievement of the goal is substantially uncertain. The corporate performance goals and financial measures are set annually at the discretion of the Committee and the other outside directors in connection with the Board’s approval of our annual corporate operating plan, subject to the terms of the 2006 Bonus Plan and, in the case of Mr. Campisi and Ms. Bachmann, their respective employment agreements.

The lowest level at which we will pay an annual incentive award under the 2006 Bonus Plan is referred to as the “threshold.” The level at which we generally plan our performance and the associated payout under the 2006 Bonus Plan is referred to as the “target.” The maximum level at which we will pay an annual incentive award under the 2006 Bonus Plan is referred to as the “maximum.” If our performance in a fiscal year exceeds the minimum corporate performance goal that earns a threshold bonus, there is a corresponding increase in the amount of the annual incentive award (up to the maximum bonus level). Conversely, if we do not meet the minimum corporate performance goal, executives do not receive an annual incentive award. We believe that our annual incentive awards support our pay-for-performance philosophy and directly link the interests of our named executive officers with those of our shareholders. See the “Bonus and Equity Plans” discussion following the Summary Compensation Table for more information regarding our annual incentive awards.

During their annual review of executive compensation in March 2014, the Committee and other outside directors approved the financial measure, corporate performance goals and payout percentages for the fiscal 2014 annual incentive awards.

The Committee and the other outside directors selected operating profit as the financial measure for the fiscal 2014 annual incentive awards because they believe it is a strong indicator of our operating results and financial condition. The Committee and other outside directors selected the corporate performance goals based on the annual corporate operating plan established by the Board. The corporate performance goals were set at an acceptable minimum (for the threshold annual incentive award), at (for the target annual incentive award), and above (for the maximum annual incentive award) the projected operating profit in our annual corporate operating plan. The Committee and other outside directors believed the selected goals provided challenging but reasonable levels of performance that were appropriate in light of our projected corporate operating plan for fiscal 2014, and

our objective to promote sustained profitability while providing goals that motivate our executives. Because the Committee and the other outside directors consider the specific circumstances that we expect to face in the coming fiscal year (e.g., year-over-year comparable performance, general economic factors and performance of the retail sector), the relationship between each of the corporate performance goals and between the corporate performance goals and our annual corporate operating plan may vary significantly from year to year.

The payout percentages for our named executive officers for fiscal 2014 were established at the discretion of the Committee and other outside directors, subject, in the case of Mr. Campisi and Ms. Bachmann, to the minimum payout percentages established in their respective employment agreements. Except for Mr. Campisi and Mr. Johnson, the Committee and the other outside directors elected to maintain the annual incentive award payout percentages for our named executive officers for fiscal 2014 at the same levels as in fiscal 2013. The decision was primarily driven by the belief that those annual incentive award payout percentages were appropriate for fiscal 2014 to accomplish our executive compensation objectives. The decision to increase the bonus payout percentages for Mr. Campisi and Mr. Johnson was primarily driven by a review of comparative compensation data and the size, scope and importance of Mr. Campisi's and Mr. Johnson's respective areas of responsibility.

To calculate the amount of the annual incentive awards earned under the 2006 Bonus Plan, if any, we first calculate the applicable financial measure for purposes of our financial statements. We then adjust the measure to eliminate the effect of those events, transactions or accrual items described in the 2006 Bonus Plan. The Committee approves such adjustments at the same time it establishes the corporate performance goals and annual incentive award payout percentages applicable to the award. These adjustments may increase or decrease the corporate performance amount achieved. Additionally, the Committee may exercise negative discretion to cancel or decrease the annual incentive awards earned (but not increase an annual incentive award for a covered employee, as that term is used in Section 162(m) of the IRC). Accordingly, the corporate performance amount may differ from the financial measure amount reported in our financial statements.

The Committee exercised negative discretion to reduce the corporate performance amount achieved for fiscal 2014 to exclude certain accrual items that would have otherwise increased such amount. The Committee decided to exclude these accrual items principally because they were anticipated as part of the annual corporate operating plan upon which the financial measure and corporate performance goals were established for fiscal 2014, and not because of any corporate or individual performance factors.

The following table sets forth the payout percentage for each performance level, the corporate performance amount required to achieve the corresponding performance level, and the corporate performance amount and payout percentage achieved for fiscal 2014 (including the adjustments described in the preceding paragraph):

Annual Incentive Award Level and 2014 Results	Payout Percentage (% of salary)					Corporate Performance Amount (\$)
	Mr. Campisi	Mr. Johnson	Ms. Bachmann	Mr. Chene	Mr. Schlonsky	
No Bonus	0	0	0	0	0	0-\$206,394,999
Threshold	55	30	30	30	25	\$206,395,000
Target	110	60	60	60	50	\$220,705,000
Maximum	220	120	120	120	100	\$236,416,000
2014 Results	\$1,149,690	\$336,651	\$429,065	\$330,050	\$225,541	\$222,278,299

Our operating profit for fiscal 2014 exceeded the expectations of the Board, the Committee and management and earned a bonus between the target and maximum performance levels. The primary aim in setting the goals was to reward 2006 Bonus Plan participants while encouraging strong corporate earnings growth. As a consequence of the fiscal 2014 bonus payments, total cash compensation paid to the named executive officers for fiscal 2014 was generally at or above the median for our peer group. We believe higher than market average total cash compensation is appropriate in light of our fiscal 2014 performance and advances our objectives to motivate our executives and reward strong performance.

### *Equity for Fiscal 2014*

All equity awards granted to our named executive officers since May 23, 2012 have been issued under the 2012 LTIP. For fiscal 2014, we awarded PSUs and time-vested RSUs to our named executive officers. The Committee believes that granting a competitive amount of equity to our named executive officers aligns their interests with the interests of our shareholders and helps retain and motivate them. The Committee uses its discretion and market data to determine grant equity award sizes and does not utilize a particular formula to determine the size of the equity awards it grants. The Committee undertook the following process to determine the size of the equity awards granted to our named executive officers for fiscal 2014:

- The Committee reviewed an estimate prepared by management of the number of common shares to be subject to equity awards granted during fiscal 2014 to all recipients other than Mr. Campisi. This estimate was based on historical grant information, anticipated future events, and Mr. Campisi's evaluation of the other Leadership Team members' individual performance and his recommendations for the size of their equity awards.
- In executive session, the Committee evaluated and approved Mr. Campisi's recommendations for equity awards for the other Leadership Team members and determined the equity award for our CEO. In each case, the Committee made these determinations based on historical grant information and the Committee's subjective views of comparative compensation data, retention factors, corporate performance (particularly operating profit, income from continuing operations, selling and administrative expenses and EPS against planned and prior performance), individual performance, the executive's level of responsibility, the potential impact that the executive could have on our operations and financial condition and the market price of our common shares. See the "Performance Evaluation" section of this CD&A for a discussion regarding how our CEO and the Committee evaluate performance.

The Committee believes that this process makes our equity compensation awards consistent with corporate and individual performance and our policy that incentive compensation should increase as a percentage of total compensation as the executive's level of responsibility and potential impact on our operations and financial condition increases. Corporate and individual performance were the most significant factors in determining the size of the equity awards made to our named executive officers in fiscal 2014.

Vested PSUs and RSUs will be settled in our common shares. Any PSUs or RSUs that do not vest will be forfeited. The PSUs and RSUs do not have voting rights. PSUs and RSUs include a dividend-equivalent right, which represents the right to receive the equivalent of any cash dividends payable with respect to our common shares underlying the awards. Any cash dividends will accrue without interest and will vest and be paid only at the time the corresponding PSUs or RSUs vest. Any accrued cash dividends relating to PSUs or RSUs that do not vest will be forfeited.

The PSUs awarded to our named executive officers in fiscal 2014 covered a target number of PSUs. The PSUs will vest, if at all, after the completion of a three-year performance period based: (1) 50% on our average EPS performance, excluding extraordinary items, for each of the three years during the performance period; (2) 50% on our average ROIC performance (net operating profit after-tax divided by invested capital for the fiscal year), excluding extraordinary items, for each of the three years during the performance period; and (3) on the named executive officer's continued employment through the end of the performance period (except in the case of death, disability or retirement).

The actual number of PSUs that will vest will increase to 150% of the target number if we achieve the maximum performance levels for both of the EPS and ROIC performance goals, and decrease to zero if we fail to meet the minimum performance levels for both of the performance goals. If we achieve the minimum performance levels for both of the EPS and ROIC performance goals, 50% of the target number of PSUs will vest. The percentage of the target number of PSUs that will vest for performance between the minimum and maximum performance levels will increase proportionately from 50% to 150% based on our actual performance as described in the following chart:

<b>Performance Level</b>	<b>3-Year Average Performance Attainment</b>	<b>Vesting Factor</b>
Threshold	80%	50%
Target	100%	100%
Maximum	120%	150%

The Committee establishes the minimum, target and maximum performance levels applicable to the EPS and ROIC performance goals. For the first year of the fiscal 2014 PSU awards, the Committee established the minimum, target and maximum EPS performance levels at \$1.96, \$2.45 and \$2.94, respectively, and the minimum, target and maximum ROIC performance levels at 11.44%, 14.30% and 17.16%, respectively, as such measures will appear in our Form 10-K for fiscal 2014.

The time-vested RSUs awarded to our named executive officers in fiscal 2014 covered a fixed number of RSUs. The time-vested RSUs will vest, if at all, ratably over three years from the grant date of the award if the participant remains employed by us through each annual vesting date (except in the case of death, disability, retirement, involuntary termination or constructive termination). These RSUs are also subject to an operating profit performance component that requires us to earn at least one dollar in operating profit for the fiscal year in which the grant date occurs or in either of the two fiscal years immediately thereafter. The performance component is designed to preserve the deductibility of the RSU awards under Section 162(m) of the IRC, as such measure will appear in our Current Report on Form 8-K reflecting the attainment of the performance measure. As a result of our performance in fiscal 2014, the performance measure for the fiscal 2014 RSU awards was met. Accordingly, the first third of the fiscal 2014 time-vested RSU award vested on the second trading day after we filed with the SEC our Current Report on Form 8-K reflecting the attainment of the performance measure.

#### *Personal Benefits and Perquisites*

We provide our named executive officers with certain benefits that are available to nearly all salaried employees, including paid group term life insurance equal to one and a half times base salary, matching contributions to our Savings Plan, and medical and dental insurance. We generally provide the following limited personal benefits and perquisites to employees at or above the vice president level: (1) coverage under the Big Lots Executive Benefit Plan (“Executive Benefit Plan”); (2) enhanced long-term disability insurance coverage; and (3) use of an automobile or payment of an automobile allowance. We believe these personal benefits and perquisites, although immaterial to us in amount, are an important element of total compensation because of the value our executives place on these benefits.

Our Executive Benefit Plan reimburses executives for health-related costs incurred but not covered under our Big Lots Associate Benefit Plan, up to an annual maximum reimbursement of \$40,000 per family. Amounts received by named executive officers under the Executive Benefit Plan are treated as taxable income, and we reimburse each executive the approximate amount of his or her income tax liability relating to the benefits received under the Executive Benefit Plan.

We offer short-term disability coverage to all full-time employees and long-term disability coverage to all salaried employees. The benefits provided under the long-term disability plan are greater for our named executive officers than for employees below the vice president level. Under the long-term disability coverage, a named executive officer may receive 67% of his or her monthly salary, up to \$25,000 per month, until the executive is no longer disabled or turns 65, whichever occurs earlier. We pay the premiums for this long-term disability coverage and also reimburse our named executive officers for any income taxes resulting from our payment of such premiums.

In fiscal 2014, the Committee authorized Mr. Campisi to use the corporate aircraft for up to \$80,000 (as such amount is calculated as described in the notes accompanying the “Summary Compensation Table for 2014” section of this CD&A) of non-business flights, including any deadhead flights associated with his non-business use of corporate aircraft. We reported imputed income for income tax purposes for the value of his non-business use of corporate aircraft based on the Standard Industry Fare Level in accordance with the IRC. We did not reimburse or otherwise “gross-up” Mr. Campisi for any income tax obligation attributed to his non-business use of corporate aircraft.

Big Lots sold its remaining corporate aircraft in the first quarter of 2015 in connection with an organizational expense reduction initiative. At this time, the Company intends to use leased aircraft when it requires the services of private aircraft.

### *Employment Agreements*

We have entered into an employment agreement with each of Mr. Campisi and Ms. Bachmann. We negotiated the terms of each employment agreement with the executive. In those negotiations, we considered many factors, including:

- our need for the services of the executive;
- the executive's level of responsibility and the potential impact that the executive could have on our operations and financial condition;
- the skills and past (if applicable) and anticipated future performance of the executive;
- the compensation paid to similarly-situated executives at comparator group companies;
- the relationship between the compensation offered to the executive and paid to the other Leadership Team members;
- our perception of the relative bargaining power of the Company and the executive; and
- to the extent applicable, the elements and amounts of compensation offered or paid to the executive by another employer.

On March 17, 2015, we entered into an Executive Employment Agreement (the "New Employment Agreement") with Mr. Campisi, which amends, restates and replaces the Employment Agreement we entered into with Mr. Campisi on May 3, 2013 (the "Original Agreement"). Unless terminated earlier in accordance with its terms, the New Employment Agreement will remain effective until May 3, 2020 and will automatically renew for successive one-year renewal terms on each May 4 thereafter.

The Board determined that it was appropriate and in the best interests of the Company and our shareholders to enter into the New Employment Agreement based on the promising results we have achieved in connection with the implementation and execution of the strategic plan developed by Mr. Campisi and his management team. It's the Board's belief that Mr. Campisi's leadership has been transformational across our business and our strategic plan has allowed us to refocus on our core customer, Jennifer, and her expectations when shopping in our stores. Mr. Campisi has also continued to focus on the future of our business through our omni-channel initiative and the development of a succession plan. During Mr. Campisi's first 22 months, he recruited and effectively integrated a significant portion of our Leadership Team by hiring experienced merchandising and marketing leaders, who have helped rebuild our corporate culture centered around our associates and cross-functional teamwork. In addition, Mr. Campisi championed our commitment to philanthropy in the communities we serve by establishing the Big Lots Foundation. Mr. Campisi's Original Agreement would have expired on May 3, 2015 and the Board believes the New Employment Agreement will continue to enhance the stability of our Leadership Team and reasonably incentivize Mr. Campisi to achieve the goals of our strategic plan and work effectively with the Board on CEO succession, both of which are designed to create long-term value for our shareholders.

The New Employment Agreement modifies the payments and benefits to which Mr. Campisi is entitled as follows:

- increases his minimum annual base salary from \$900,000 under the Original Agreement to \$1,050,000 (and from his base salary of \$950,000 in fiscal 2014);
- increases the minimum payout percentages (expressed as a percentage of his annual base salary) that may be established for his target and maximum annual incentive award levels from 100% and 200%, respectively, under the Original Agreement to 120% and 240% (and from the 110% and 220% provided in fiscal 2014);
- authorizes Mr. Campisi to use aircraft for personal travel in an amount up to \$100,000 per calendar year (calculated based on the aggregate incremental cost to the Company in accordance with SEC rules and regulations), an increase of \$20,000 from the amount approved by the Board for fiscal 2014;
- requires that we maintain and pay all premiums on a life insurance policy on Mr. Campisi in a face amount equal to two times his current base salary (an increase from our current company policy of one and a half times base salary, up to a \$1,000,000 total benefit);

- provides Mr. Campisi with certain payments and benefits in the event that he retires after May 3, 2020 and complies with all restrictive covenants in the New Employment Agreement; and
- conforms the severance payments and benefits provided to Mr. Campisi if we terminate him without cause or he terminates his employment for good reason to the severance payments and benefits provided to our Chief Executive Officer upon such termination events under the Big Lots Executive Severance Plan adopted on August 28, 2014 (the “Severance Plan”).

The New Employment Agreement also specifically addresses the vesting of outstanding grants and awards under the Company’s equity incentive plans (including the 2012 LTIP) upon certain termination events. The Original Agreement deferred to the vesting provisions set forth in the equity incentive plans and related award agreements and the Severance Plan.

On April 29, 2013, we entered into a Second Amended and Restated Employment Agreement with Ms. Bachmann. The term of Ms. Bachmann’s employment agreement will remain effective as long as we employ her unless we and the executive mutually agree to amend or terminate her employment agreement.

Under the terms of her employment agreement, Ms. Bachmann is entitled to receive at least \$625,000 in annual base salary. Ms. Bachmann’s employment agreement also establishes that the minimum payout percentages (as a percentage of base salary) that may be set for her target and maximum annual incentive award levels are 60% and 120%.

The employment agreements with Mr. Campisi and Ms. Bachmann impose several restrictive covenants on the executive that survive the termination of his or her employment in exchange for minimum salary levels and target and maximum bonus payout percentages, potential severance and change in control payments and other benefits. These restrictive covenants include confidentiality (infinite), non-solicitation (two years, but reduced to six months for Mr. Campisi following a change in control), non-disparagement (infinite), non-competition (two years for Mr. Campisi and one year for Ms. Bachmann, but reduced to six months for each executive following a change in control), and continuing cooperation (infinite).

The employment agreements do not require us to reimburse the executives for the amount of any golden parachute excise tax imposed under Section 4999 of the IRC. Each employment agreement provides that if the payments to be received by the executive in connection with a change in control constitute “excess parachute payments,” the executive’s payments and benefits will be reduced to the extent necessary to become one dollar less than the amount that would generate an excise tax liability unless the executive would be in a better net after-tax position without any such reduction, in which case payments and benefits will not be reduced.

### ***Termination of Employment***

The consequences of termination of employment under the employment agreements depend on the circumstances of the termination and are described below in the “Potential Payments Upon Termination or Change in Control” section of this Proxy Statement.

### ***Senior Executive Severance Agreements***

We are a party to a senior executive severance agreement (all entered enter prior to fiscal 2014) with each of Messrs. Johnson, Chene and Schlonsky, and several other key officers who are not parties to an employment agreement. The senior executive severance agreements expire on the anniversary of the date of execution and automatically renew for an additional year unless we provide the executive at least 30 days’ notice of non-renewal. The senior executive severance agreements provide for the following severance benefits if, within 24 months after a change in control, the executive is terminated by us (other than for cause) or as a result of a constructive termination: (i) a lump-sum payment equal to 200% of the executive’s then current annual salary and maximum annual incentive award; and (ii) for a period of one year, the executive is entitled to participate in any group life, hospitalization or disability insurance plan, health program or other executive benefit plan generally available to similarly titled executive officers. The executive is also entitled to reimbursement of legal fees and expenses incurred by the executive in seeking to enforce their rights under the agreement. Additionally, to the extent that payments to the executive pursuant to the senior executive severance agreement (together with any other amounts received by the executive in connection with a change in control) would trigger the provisions of Sections 280G and 4999 of the IRC, payments under the agreement will be increased to the extent necessary to place the executive



in the same after-tax position as the executive would have been if no excise tax or assessment had been imposed on any such payment to the executive under the agreement or any other payment that the executive may receive as a result of such change in control. The compensation payable on account of a change in control may be subject to the deductibility limitations of Sections 162(m) and/or 280G of the IRC.

#### *Severance Plan*

The Board adopted the Severance Plan, which covers each of our named executive officers and several of our other key executives, to provide a more uniform approach to severance for our executives, avoid using individual severance agreements and ensure that our executives are covered by restrictive covenants. The payments and benefits to which our named executive officers would be entitled to under the Severance Plan (collectively, the “Severance Benefits”) if they are terminated without Cause (as defined in the Severance Plan) or on account of a Constructive Termination (as defined in the Severance Plan) are described below in the “Potential Payments Upon Termination or Change in Control – Involuntary Termination Without Cause” section of this Proxy Statement.

The Severance Plan imposes confidentiality, non-competition, non-solicitation, non-disparagement and post-termination cooperation obligations on participants. The non-competition and non-solicitation obligations apply during the period of employment and continue until the end of the restriction period set forth in the Severance Plan.

The Severance Plan does not provide for a gross-up payment to any participants to offset any excise taxes that may be imposed on excess parachute payments under Section 4999 (the “Excise Tax”) of the IRC. Instead, the Severance Plan provides that in the event that the Severance Benefits would, if provided, be subject to the Excise Tax, then the Severance Benefits will be reduced to the extent necessary so that no portion of the Severance Benefits is subject to the Excise Tax, provided that the net amount of the reduced Severance Benefits, after giving effect to tax consequences, is greater than or equal to the net amount of the Severance Benefits without such reduction, after giving effect to the Excise Tax and tax consequences.

Any executive who is a party to an employment agreement with the Company or any of its subsidiaries or affiliates (except for Mr. Campisi and Ms. Bachmann) will not be eligible to participate in the Severance Plan. If either of Mr. Campisi or Ms. Bachmann is entitled to benefits under the Severance Plan and to severance benefits under their respective employment agreement, they will be eligible to receive the greater of the aggregate benefits payable under the Severance Plan or the aggregate severance benefits payable under their respective employment agreement, but not both.

#### *Post-Termination and Change in Control Arrangements*

The employment agreements and Severance Plan described above provide for potential severance and change in control payments and other consideration. Our equity compensation plans and related award agreements also provide for the accelerated vesting of outstanding stock options, time-vested restricted stock, PSUs and RSUs in connection with certain termination events.

The severance provisions of the employment agreements and the senior executive severance agreements are intended to address competitive concerns by providing the executives with compensation to alleviate the uncertainty associated with foregoing other opportunities and, if applicable, leaving for another employer. The change in control provisions of the employment agreements and severance agreements provide that the executive will receive certain cash payments and other benefits upon a change in control only if the executive is terminated in connection with the change in control (including a constructive termination and, in the case of Mr. Campisi under the New Employment Agreement, termination for good reason). This “double trigger” structure is intended to enable us to rely upon each named executive officer’s continued employment and objective advice without concern that the named executive officer might be distracted by the personal uncertainties and risks created by an actual or proposed change in control. These potential payments and benefits provide our named executive officers with important protections that we believe are necessary to attract and retain executive talent.

While the Committee considers the potential payments upon termination or change in control annually when it establishes compensation for the applicable year, this information is not a primary consideration in setting salary, bonus payout percentages or equity compensation amounts.

See the “Potential Payments Upon Termination or Change in Control” narrative disclosure and tables following this CD&A for a discussion of compensation that may be paid to our named executive officers in connection with a change in control or the termination of their employment with us.

#### *Retirement Plans*

We maintain four retirement plans: (1) a tax-qualified defined contribution plan (“Savings Plan”); (2) a non-qualified supplemental defined contribution plan (“Supplemental Savings Plan”); (3) a tax-qualified, funded noncontributory defined benefit pension plan (“Pension Plan”); and (4) a non-qualified, unfunded supplemental defined benefit pension plan (“Supplemental Pension Plan”). We believe that the Savings Plan and Supplemental Savings Plan are generally commensurate with the retirement plans provided by companies in our comparator groups and that providing these plans allows us to better attract and retain qualified executives. Participation in the Pension Plan and Supplemental Pension Plan, which we do not believe are material elements of our executive compensation program, is limited to certain employees whose hire date precedes April 1, 1994. Mr. Schlonsky is the only named executive officer eligible to participate in the Pension Plan or Supplemental Pension Plan. See the “Pension Benefits – Pension Plan and Supplemental Pension Plan” section of this Proxy Statement for a discussion of our retirement plans.

#### ***Our Executive Compensation Program for Fiscal 2015***

In establishing the executive compensation program for fiscal 2015, the Committee engaged Exequity to:

- provide comparative compensation data;
- review and recommend changes to our executive compensation program;
- review the appropriateness of our retailer-only comparator group; and
- compare the amount and form of executive compensation paid to our executives against the compensation paid to similarly-situated executives at companies within the retailer-only comparator group.

The Committee did not make any material changes to the design of our fiscal 2014 executive compensation program when establishing our fiscal 2015 compensation program. For fiscal 2015, we awarded time-vested RSUs and PSUs. The time-vested RSUs are designed to vest ratably over three years from the grant date of the award and also contain a performance component intended to preserve deductibility under Section 162(m) of the IRC. The PSUs vest only if we meet performance targets over a three-year performance period. For fiscal 2015, the PSU performance targets are based on EPS and ROIC, each of which account for 50% of the performance component of the PSUs. In connection with its review of compensation for fiscal 2015, the Committee, with the assistance of Exequity, reviewed our retailer comparator group based upon the factors discussed in the Overview of our Executive Compensation Program - Comparative Compensation Data section of this CD&A. The companies included in the retailer comparator group for fiscal 2015 are:

Abercrombie & Fitch	Dick’s Sporting Goods	Genesco
Advance Auto Parts	Dollar General	Guess
American Eagle Outfitters	Dollar Tree	Ross Stores
Ascena Retail Group	DSW	Tractor Supply
Bed Bath & Beyond	Family Dollar	Williams – Sonoma
Burlington Stores	Foot Locker	

For fiscal 2015, the Committee recommended, and the outside directors approved, the following salaries, payout percentages for the target annual incentive award level (with threshold being one-half of the target payout percentage and maximum being double the target payout percentage) and equity awards for our named executive officers:

Name	Fiscal 2015 Salary (\$)	Fiscal 2015 Target Annual Incentive Award Payout Percentage (%)	Common Shares Underlying RSU Award (#)	Common Shares Underlying Target PSU Award (#)
Mr. Campisi	1,050,000	120	42,937	64,406
Mr. Johnson	535,500	60	9,854	14,782
Ms. Bachmann	685,000	60	12,559	18,839
Mr. Chene	525,000	60	9,660	14,492
Mr. Schlonsky	435,000	50	6,161	9,243

### ***Compensation Policies and Practices***

#### *Minimum Share Ownership Requirements and Hedging and Pledging Prohibition*

The Board has adopted minimum share ownership requirements for all outside directors and Leadership Team members. These requirements are designed to align the long-term interests of our outside directors and executives with those of our shareholders. Under the requirements, the outside directors and Leadership Team members must own common shares having an aggregate value equal to at least the following multiple of his or her Board retainer or salary (as is in effect at the time compliance with the requirements is evaluated), as applicable:

Title	Multiple of Retainer or Salary
Director	4x
Chief Executive Officer	4x
Executive Vice President	2x
Senior Vice President	1x

Shares counted toward these requirements include common shares held directly or through a broker, common shares held under the Savings Plan or Supplemental Savings Plan, unvested restricted stock, unvested RSUs, unvested PSUs (at the target amount), and vested but unexercised in-the-money stock options. Each outside director that served on the Board when these requirements were adopted in March 2008 is required to meet the requirements on the final day or common shares trade in July of 2015 and at each subsequent annual adjustment date. Each Leadership Team member that was a Leadership Team member when these requirements were adopted is required to meet the requirements on the final day our common shares trade in July of 2015 and on each subsequent annual adjustment date. Directors elected and executives hired or promoted after the adoption of the requirements must meet the requirements on the first testing date for directors or executives following the fifth anniversary of their election, hire or promotion, as applicable. As of March 13, 2015, each outside director and executive who has been on the Board or a Leadership Team member for at least five years satisfied our minimum share ownership requirements. In addition to the minimum share ownership requirements, we do not allow our directors or Leadership Team members to enter into any hedging, pledging or monetization transactions involving our common shares.

#### *Equity Grant Timing*

Pursuant to the terms of the Big Lots 2005 Long-Term Incentive Plan (“2005 LTIP”) and 2012 LTIP, the grant date of equity awards must be the later of the date the terms of the award are established by corporate action or the date specified in the award agreement. Consistent with prior years, in fiscal 2014, the outside directors, after consultation with the Committee, specified that the grant date of the equity awards was the second trading day following our release of fiscal 2014 results on Form 8-K. This future date was established to allow the market to absorb and react to our release of material non-public information, and to avoid any suggestion that the Board, the

Committee or any employee manipulated the terms of the equity awards. For equity awards made throughout the fiscal year, which generally are made as a result of a hiring or promotion, the grant date is the 15<sup>th</sup> day of the month following the month of the hire or promotion date. We have no policy of timing the grant date of equity awards with the release of material non-public information, and we have not timed the release of material non-public information for the purpose of affecting the value of any equity awards.

#### *Tax and Accounting Considerations*

The Committee reviews and considers the impact that tax laws and accounting regulations may have on the executive compensation awards, including the deductibility of executive compensation under Section 162(m) of the IRC. In doing so, the Committee relies on guidance from members of our finance and legal departments, as well as outside accountants and attorneys.

Section 162(m) of the IRC generally limits the tax deductions for compensation expense in excess of \$1 million paid to our CEO and our three other highest compensated executives (excluding the principal financial officer). Compensation in excess of \$1 million may be deducted if it is “qualified performance-based compensation” within the meaning of Section 162(m). Except as discussed below, we believe that compensation paid under our equity and bonus compensation plans is fully deductible for federal income tax purposes. However, in certain situations, the Committee may approve compensation that will not meet these requirements in order to ensure competitive levels of total compensation for our executives or to otherwise further our executive compensation philosophy and objectives. When considering whether to award compensation that will not be deductible, the Committee compares the cost of the lost deduction against the competitive market for executive talent and our need to attract, retain and motivate the executive, as applicable.

For fiscal 2014, the Committee believes it has taken the necessary actions to preserve the deductibility of all payments made under our executive compensation program. If the IRC or the related regulations change, the Committee intends to take reasonable steps to ensure the continued availability of deductions for payments under our executive compensation program, while at the same time considering our executive compensation philosophy and objectives and the competitive market for executive talent.

#### **Summary Compensation Table for 2014**

Name and Principal Position (1)	Year	Salary (\$)(2)	Bonus (\$)(3)	Stock Awards (\$)(4)	Option Awards (\$)(5)	Non-Equity Incentive Plan Compensation (\$)(6)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)(7)	Total (\$)(8)
							(\$)(9)		
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
David J. Campisi, Chief Executive Officer and President (8)	2014	942,308	—	6,458,624	—	1,149,690	—	155,778	8,706,400
	2013	678,461	—	2,714,418	1,407,945	—	—	562,405	5,363,229
Timothy A. Johnson, Executive Vice President, Chief Financial Officer	2014	503,846	—	1,422,946	—	336,651	—	48,043	2,311,486
	2013	452,885	—	1,401,725	485,600	—	—	54,229	2,394,439
	2012	359,827	—	1,120,050	558,150	—	—	33,627	2,071,654
Lisa M. Bachmann, Executive Vice President, Chief Operating Officer	2014	646,154	—	1,892,202	—	429,065	—	58,125	3,025,546
	2013	620,385	—	1,818,725	485,600	—	—	39,354	2,964,064
	2012	593,942	—	1,315,500	571,200	—	—	38,361	2,519,003
Richard J. Chene, Executive Vice President, Chief Merchandising Officer (8)	2014	500,000	—	1,345,571	—	330,050	—	32,744	2,208,365
Michael A. Schlonsky, Senior Vice President, Human Resources and Corporate Secretary (8)	2014	404,615	—	883,032	—	225,541	87,072	44,517	1,644,777

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- (1) We are a party to an employment agreement with Mr. Campisi and Ms. Bachman, the material terms of which are described in the “Elements of our Executive Compensation for Fiscal 2014 - Employment Agreements” section of the CD&A. We are a party to a senior executive severance agreement with Mr. Johnson, Mr. Chene, and Mr. Schlonsky, the material terms of which are described in the “Elements of our Executive Compensation for Fiscal 2014 – Senior Executive Severance Agreements” section of the CD&A. We are a party to an executive severance plan with each of our named executive officers, the material terms of which are described in the “Elements of our Executive Compensation for Fiscal 2014 – Severance Plan” section of the CD&A.
- (2) The amounts in this column reflect the salary earned by each named executive officer during fiscal 2014.
- (3) The amounts in this column reflect the aggregate grant date fair value of the restricted stock unit awards, an estimated grant date fair value of the performance share unit awards (at the target amount) and restricted stock awards granted under the 2012 LTIP to the executives in the fiscal years reported as computed in accordance with ASC 718, excluding the effect of any estimated forfeitures, based on the probable outcome of the applicable performance conditions. The aggregate grant date fair value reflected in this column is based on the number of restricted stock units, the estimated grant date fair value of the target number of performance share units granted, and restricted stock awards (i.e., for restricted stock units granted on March 11, 2014, \$37.11 per common share – the average of the opening price and the closing price of our common shares on the NYSE on the grant date, as determined in accordance with ASC 718 and the terms of the 2012 LTIP).
- (4) The amounts in this column reflect the aggregate grant date fair value of the stock option awards granted under the 2012 LTIP to the executives in the fiscal years reported as computed in accordance with ASC 718, excluding the effect of any estimated forfeitures. See Note 7 (Share-Based Plans) to the consolidated financial statements and the Critical Accounting Policies and Estimates – Share-Based Compensation section of Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) in our Form 10-K regarding the assumptions underlying the valuation of stock option awards.
- (5) The amounts in this column reflect annual incentive awards earned under the 2006 Bonus Plan for performance during each of the last three fiscal years.
- (6) For fiscal 2014, the amounts in this column include the following compensation for the executives, as more fully described in the table included with this footnote:
- i. The reimbursement of taxes related to our payment of healthcare costs, including costs covered by the Executive Benefit Plan, long-term disability insurance premiums, and relocation expenses;
  - ii. Matching contributions made by Big Lots pursuant to the Savings Plan and the Supplemental Savings Plan, both of which are described in the narrative disclosure accompanying the Nonqualified Deferred Compensation table below;
  - iii. Healthcare costs paid by Big Lots pursuant to the Executive Benefit Plan, which is described in the “Elements of our Executive Compensation for Fiscal 2014 – Personal Benefits and Perquisites” section of the CD&A;
  - iv. Premiums paid by Big Lots for life insurance, which is generally available to all full-time employees;
  - v. Premiums paid by Big Lots for long-term disability insurance, which is described in the “Elements of our Executive Compensation for Fiscal 2014 – Personal Benefits and Perquisites” section of the CD&A;
  - vi. The cost to Big Lots associated with the executive’s use of an automobile or receipt of a cash allowance in lieu of an automobile;
  - vii. The aggregate incremental cost to Big Lots associated with non-business use of corporate aircraft by Mr. Campisi; and
  - viii. Matching charitable contributions made by Big Lots.

The aggregate incremental cost of non-business use of corporate aircraft is calculated based on the direct costs we incur in connection with operating a flight, including expenses for fuel, oil, landing, ground services, on-board catering, crew hotel and meals, empty return (deadhead) flights and other miscellaneous

variable costs. The aggregate incremental cost also includes per flight hour maintenance costs calculated based upon the total maintenance costs incurred by us during the prior two years and dividing those costs by the number of hours flown during that same period. Due to the fact that the corporate aircraft are used primarily for business travel, fixed costs which do not change based on usage, such as pilot salaries, hangar fees, management fees, purchase costs, depreciation and capitalized improvements to the aircraft, are excluded. We did not reimburse or otherwise “gross-up” Mr. Campisi for any income tax obligation attributed to his non-business use of corporate aircraft. The benefit of non-business use of corporate aircraft, which was approved by the Compensation Committee for fiscal 2014 as part of Mr. Campisi’s overall compensation package, is described in the “Elements of our Executive Compensation for Fiscal 2014 – Personal Benefits and Perquisites” section of the CD&A.

<b>Name</b>	<b>Mr. Campisi</b>	<b>Mr. Johnson</b>	<b>Ms. Bachmann</b>	<b>Mr. Chene</b>	<b>Mr. Schlonsky</b>
Reimbursement of Taxes (\$)	13,610	2,281	8,835	2,765	2,910
Big Lots Contributions to Defined Contribution Plans (\$)	10,400	10,400	10,400	10,400	10,400
Big Lots Paid Health Care under Executive Benefits Plans (\$)	13,833	3,619	8,649	4,585	4,973
Big Lots Paid Life Insurance Premiums (\$)	1,135	859	1,100	853	691
Big Lots Paid Long-Term Disability Insurance Premiums (\$)	941	941	941	941	843
Use of Automobile or Automobile Allowance (\$)	25,400	14,943	13,200	13,200	13,200
Non-Business Aircraft Usage (\$)	75,459	—	—	—	—
Matching Charitable Contributions (\$)	15,000	15,000	15,000	—	11,500

- (7) We purchase tickets to entertainment and sporting venues for the primary purpose of allowing employees to use such tickets in furtherance of our business. Because we incur no incremental cost if a named executive officer uses such tickets for purposes other than our business, such tickets are not included in the amounts in this column.
- (8) Mr. Campisi was not a named executive officer in fiscal 2012. Mr. Chene and Mr. Schlonsky were not named executive officers in fiscal 2013 or 2012.

### ***Bonus and Equity Plans***

The amounts reported in the Summary Compensation Table above include amounts earned under the 2006 Bonus Plan and the 2012 LTIP. Below is a description of the material terms of each plan and the awards made under those plans to our named executive officers, as reflected in the following Grants of Plan-Based Awards in Fiscal 2014 table.

#### ***Big Lots 2006 Bonus Plan***

The 2006 Bonus Plan provides for cash compensation, which is intended to qualify as “qualified performance-based compensation” under Section 162(m) of the IRC, to be paid annually when we meet or exceed pre-established minimum corporate performance amounts under one or more financial measures approved by the Compensation Committee and other non-employee directors at the start of the fiscal year. Whether we will achieve the minimum corporate performance amounts is substantially uncertain at the time the corporate performance amounts and financial measures are established. No right to a minimum annual incentive award exists, and the Compensation Committee has the discretion to cancel or decrease an annual incentive award (but may not increase an annual incentive award for a covered employee (as that term is used within Section 162(m) of the IRC)) calculated under the 2006 Bonus Plan. Any payments made with respect to a fiscal year are made in the first quarter of the following fiscal year. The annual incentive awards that may be earned under the 2006 Bonus Plan range from the floor to the maximum annual incentive award payout percentages, and include all amounts in between. The smallest target and maximum annual incentive award payout percentages that may be set annually for our named executive officers who are a party to an employment agreement with us are set forth in their respective employment agreements. The threshold annual incentive award payout percentage is pre-established annually by the Compensation Committee and the other non-employee directors and has historically been one-half of the target

annual incentive award payout percentage. Subject to the terms of the employment agreements, the Compensation Committee and the other non-employee directors retain the right to adjust the payout percentages and, in the past, have generally done so as deemed necessary to realign an executive's annual incentive award opportunity with our compensation philosophy. Pursuant to the terms of the 2006 Bonus Plan, the maximum annual incentive award payable under the plan to a participant in a single fiscal year is \$4,000,000. See the "Elements of our Executive Compensation for Fiscal 2014 – Annual Incentive Award for Fiscal 2014" and "Elements of our Executive Compensation for Fiscal 2014 – Employment Agreements" sections of the CD&A for more information regarding the 2006 Bonus Plan and the awards made under that plan for fiscal 2014.

#### *Big Lots 2012 Long-Term Incentive Plan*

Since May 23, 2012, all employee equity awards, including those made to our named executive officers, have been granted under the 2012 LTIP. The 2012 LTIP authorizes the grants of (1) non-qualified stock options ("NQSOs"), (2) incentive stock options ("ISOs") as defined in Section 422 of the IRC, (3) stock appreciation rights ("SARs"), (4) restricted stock, (5) restricted stock units, (6) deferred stock units, (7) performance shares, (8) performance share units, (9) performance units, (10) cash-based awards, and (11) other stock-based awards (NQSOs, ISOs, SARs, restricted stock, restricted stock units, deferred stock units, performance shares, performance share units, performance units, cash-based awards and other stock-based awards are referred to collectively as "Awards"). All of our and our affiliates' employees, non-employee directors and consultants are eligible to receive Awards under the 2012 LTIP.

The total number of common shares available for Awards under the 2012 LTIP is equal to the sum of (1) 7,750,000 newly issued common shares plus (2) any common shares subject to the 4,702,362 outstanding awards as of March 15, 2012 under the 2005 LTIP that on or after March 15, 2012 cease for any reason to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested and nonforfeitable common shares).

Of the total number of common shares available for grant under the 2012 LTIP, no more than 7,750,000 common shares may be issued pursuant to grants of ISOs during the term of the 2012 LTIP. A participant may receive multiple Awards under the 2012 LTIP.

Each stock option granted under the 2012 LTIP allows the recipient to acquire our common shares, subject to the completion of a vesting period and continued employment with us through the applicable vesting date. Once vested, these common shares may be acquired at a fixed exercise price per share and they remain exercisable for the term set forth in the award agreement. Stock option awards made under the 2012 LTIP vest on the anniversary of the grant date at a rate of 25% per year over the first four years of the seven year option term. Pursuant to the terms of the 2012 LTIP, the exercise price of a stock option may not be less than the average trading price of our common shares on the grant date or, if the grant date occurs on a day other than a trading day, on the next trading day.

Under the restricted stock awards granted pursuant to the 2012 LTIP (other than those made to the non-employee directors, which are discussed in the "Director Compensation" section of this Proxy Statement), if we meet the first trigger and the recipient remains employed by us, the restricted stock will vest at the opening of our first trading window after the fifth anniversary of the grant date. If we meet the second trigger for any fiscal year ending prior to the fifth anniversary of the grant date and the recipient remains employed by us, the restricted stock will vest on the first trading day after we file with the SEC our Annual Report on Form 10-K for the year in which the second trigger is met. The restricted stock will also vest on a prorated basis in the event that the recipient dies or becomes disabled, or if the recipient is terminated without cause, after we meet the first trigger but before the lapse of five years. The restricted stock will be forfeited, in whole or in part, as applicable, if the recipient voluntarily terminates employment with us terminates prior to vesting.

The time-vested RSUs awarded to our named executive officers in fiscal 2014 pursuant to the 2012 LTIP covered a fixed number of RSUs. The time-vested RSUs will vest, if at all, ratably over three years from the grant date of the award if the participant remains employed by us through each annual vesting date (except in the case of death, disability, retirement, involuntary termination or constructive termination). These RSUs are also subject to an operating profit performance component that requires us to earn at least one dollar in operating profit for the fiscal year in which the grant date occurs or in either of the two fiscal years immediately thereafter. The performance component is designed to preserve the deductibility of the RSU awards under Section 162(m) of the IRC.

The PSUs awarded to our named executive officers in fiscal 2014 covered a target number of PSUs. The PSUs will vest, if at all, after the completion of a three-year performance period, based: (1) 50% on our average EPS performance, excluding extraordinary items, for each of the three years during the performance period; (2) 50% on our average ROIC performance (net operating profit after-tax divided by invested capital for the fiscal year), excluding extraordinary items, for each of the three years during the performance period; and (3) on the named executive officer's continued employment through the end of the performance period (except in the case of death, disability or retirement).

The actual number of PSUs that will vest will increase to 150% of the target number if we achieve the maximum performance levels for both of the EPS and ROIC performance goals, and decrease to zero if we fail to meet the minimum performance levels for both of the performance goals. If we achieve the minimum performance levels for both of the EPS and ROIC performance goals, 50% of the target number of PSUs will vest. The percentage of the target number of PSUs that will vest for performance between the minimum and maximum performance levels will increase proportionately from 50% to 150% based on our actual performance. For the first year of the fiscal 2014 PSU awards, the Committee established the minimum, target and maximum EPS performance levels at \$1.96, \$2.45 and \$2.94, respectively, and the minimum, target and maximum ROIC performance levels at 11.44%, 14.30% and 17.16%, respectively.

The performance share units awarded to Mr. Campisi in fiscal 2013 vest in one-third increments if the market price of our common shares appreciates, for a period of 20 consecutive trading days, to prices that are 110%, 120% and 130% of the grant date market value of \$37.13 (i.e., appreciate to \$40.84, \$44.56 and \$48.27) before the earlier to occur of the termination of his employment or the seventh anniversary of the grant date. In fiscal 2014, two-thirds of Mr. Campisi's fiscal 2013 performance share units award vested.

Upon a change in control (as defined in the 2012 LTIP), all awards outstanding under the 2012 LTIP automatically become fully vested. For a discussion of the change in control provisions in our named executive officers' employment agreements and senior executive severance agreements and the 2012 LTIP, see "Potential Payments Upon Termination or Change in Control – Rights Under Post-Termination and Change in Control Arrangements" section below.

See the "Elements of our Executive Compensation for Fiscal 2014 – Equity for Fiscal 2014" section of the CD&A and the "Potential Payments Upon Termination or Change in Control – Rights Under Post-Termination and Change in Control Arrangements" section below for more information regarding the equity awards made under the 2012 LTIP in fiscal 2014.



## Grants of Plan-Based Awards in Fiscal 2014

The following table sets forth each award made to our named executive officers in fiscal 2014 under the 2006 Bonus Plan and the 2012 LTIP.

Name (a)	Grant Date (1) (b)	Award Date (2) (c)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (3)			Estimated Future Payouts Under Equity Incentive Plan Awards (4)			All Other Stock Awards: Number of Shares of Stock or Units (#)(5) (i)	All Other Option Awards: Number of Securities Underlying Options (#) (j)	Exercise or Base Price of Option Awards (\$/Sh.) (k)	Grant Date Fair Value of Stock and Option Awards (\$/Shr.)(6) (l)
			Threshold (\$) (c)	Target (\$) (d)	Maximum (\$) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)				
Mr. Campisi	—	—	522,500	1,045,000	2,090,000	—	—	—	—	—	—	
	3/11/14	3/7/14	—	—	—	52,212	104,424	156,636	—	—	3,875,175	
	3/11/14	3/7/14	—	—	—	—	—	—	69,616	—	2,583,450	
Mr. Johnson	—	—	153,000	306,000	612,000	—	—	—	—	—	—	
	3/11/14	3/7/14	—	—	—	11,503	23,006	34,509	—	—	853,753	
	3/11/14	3/7/14	—	—	—	—	—	—	15,338	—	569,193	
Ms. Bachmann	—	—	195,000	390,000	780,000	—	—	—	—	—	—	
	3/11/14	3/7/14	—	—	—	15,297	30,593	45,890	—	—	1,135,306	
	3/11/14	3/7/14	—	—	—	—	—	—	20,396	—	756,896	
Mr. Chene	—	—	150,000	300,000	600,000	—	—	—	—	—	—	
	3/11/14	3/7/14	—	—	—	10,878	21,755	32,633	—	—	807,328	
	3/11/14	3/7/14	—	—	—	—	—	—	14,504	—	538,243	
Mr. Schlonsky	—	—	102,500	205,000	410,000	—	—	—	—	—	—	
	3/11/14	3/7/14	—	—	—	7,139	14,277	21,416	—	—	529,819	
	3/11/14	3/7/14	—	—	—	—	—	—	9,518	—	353,213	

- (1) As discussed in the “Compensation Policies & Practices – Equity Grant Timing” section of the CD&A, in fiscal 2014, the Board set the grant date/issuance date of these equity awards as the second trading day following our release of results from our last completed fiscal year. This future date was established to allow the market to absorb and react to our release of material non-public information, and to avoid any suggestion that the Board, the Compensation Committee or any employee manipulated the terms or timing of the equity awards.
- (2) The Award Date represents the date on which the Board authorized the equity-based award and set the grant date.
- (3) The amounts in columns (c), (d) and (e) represent our named executive officers’ threshold, target and maximum annual incentive award levels, respectively, for fiscal 2014 pursuant to the 2006 Bonus Plan, which annual incentive award levels are further described in the “Elements of our Executive Compensation for Fiscal 2014 – Annual Incentive Award for Fiscal 2014” section of the CD&A. For fiscal 2014, our named executive officers earned an annual incentive award under the 2006 Bonus Plan, as reflected in column (g) of the Summary Compensation Table.
- (4) The amounts in columns (f), (g) and (h) represent the threshold, target and maximum number of PSUs awarded pursuant to the 2012 LTIP that each named executive officer is eligible to earn depending on the level of achievement of the applicable performance metrics over the three-year performance period. For more information on PSUs, see the narrative preceding this table and the “Elements of our Executive Compensation for Fiscal 2014 – Equity for Fiscal 2014” section of the CD&A.
- (5) The amounts in column (i) represent RSUs awarded pursuant to the 2012 LTIP, which awards are described in the narrative preceding this table and the “Elements of our Executive Compensation for Fiscal 2014 – Equity for Fiscal 2014” section of the CD&A.
- (6) This column represents the full grant date fair value of the RSUs and the fair value on issuance date of the PSUs (at target) granted to each of our named executive officers, as calculated in accordance with ASC 718.

## Outstanding Equity Awards at 2014 Fiscal Year-End

The following table sets forth, as of the end of fiscal 2014, all equity awards outstanding under our equity compensation plans for each named executive officer.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price (\$)(1) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#)(2) (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(4) (h)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#)(3) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(4) (j)
Mr. Campisi	28,875	86,625	—	37.13	5/6/2020	—	—	—	—
	—	—	—	—	—	69,616	3,196,071	154,824	7,107,970
Mr. Johnson	1,875	—	—	17.47	3/6/2016	—	—	—	—
	15,000	—	—	35.92	3/5/2017	—	—	—	—
	9,000	3,000	—	41.12	3/7/2018	—	—	—	—
	6,000	2,000	—	33.67	7/18/2018	—	—	—	—
	17,500	17,500	—	43.85	3/6/2019	—	—	—	—
	2,500	2,500	—	30.82	8/28/2019	—	—	—	—
	10,000	30,000	—	35.72	3/8/2020	—	—	—	—
	—	—	—	—	—	15,338	704,168	93,006	4,269,905
Ms. Bachmann	36,563	—	—	17.47	3/6/2016	—	—	—	—
	50,000	—	—	35.92	3/5/2017	—	—	—	—
	30,000	10,000	—	41.12	3/7/2018	—	—	—	—
	20,000	20,000	—	43.85	3/6/2019	—	—	—	—
	10,000	30,000	—	35.72	3/8/2020	—	—	—	—
	—	—	—	—	—	20,396	936,380	120,593	5,536,425
Mr. Chene	5,000	15,000	—	38.14	11/25/2020	—	—	—	—
	—	—	—	—	—	14,504	665,879	31,755	1,457,872
Mr. Schlonsky	15,000	—	—	35.92	3/5/2017	—	—	—	—
	11,250	3,750	—	41.12	3/7/2018	—	—	—	—
	7,500	7,500	—	43.85	3/6/2019	—	—	—	—
	2,500	2,500	—	30.82	8/28/2019	—	—	—	—
	5,000	15,000	—	35.72	3/8/2020	—	—	—	—
	—	—	—	—	—	9,518	436,971	36,277	1,665,477

- (1) All stock option awards reflected in this table were made pursuant to the 2005 LTIP or 2012 LTIP. Stock option awards made under the 2005 LTIP or 2012 LTIP vest on the anniversary of the grant date at a rate of 25% per year over the first four years of the seven year option term.
- (2) The awards reported in column (g) reflect the RSUs awarded to the named executive officers in 2014 under the 2012 LTIP. These RSUs will vest at a rate of one third per year over the first three anniversaries of the grant date. For additional information regarding the fiscal 2014 RSU awards, including the vesting terms, see the narrative discussion preceding the Grants of Plan-Based Awards in Fiscal 2014 table and the “Our Executive Compensation Program for Fiscal 2014 – Equity for Fiscal 2014” section of the CD&A.
- (3) The awards reported in column (i) reflect the following: (1) for Mr. Campisi, a PSU award in fiscal 2014 (at the target amount) and a restricted stock award and PSU award in fiscal 2013; (2) for Mr. Chene, a PSU award in fiscal 2014 (at the target amount) and a restricted stock award in fiscal 2013; and (3) for Mr. Johnson, Mr. Bachmann and Mr. Schlonsky, a PSU award in fiscal 2014 (at the target amount) and restricted stock

awards in fiscal 2013, fiscal 2012, and fiscal 2011. All awards were made pursuant to the 2005 LTIP or 2012 LTIP. The first trigger for the fiscal 2013, fiscal 2012 and fiscal 2011 restricted stock awards is \$1.50 and the second trigger for the fiscal 2013 award is \$3.98, the second trigger for the fiscal 2012 restricted stock awards is \$3.95 and the second trigger for the fiscal 2011 restricted stock awards is \$3.52. The PSU award to Mr. Campisi in fiscal 2013 vests in one-third increments if the market price of our common shares appreciates, for a period of 20 consecutive trading days, to prices that are 110%, 120% and 130% of the grant date market value of \$37.13. The actual number of PSUs awarded to each named executive officer in fiscal 2014 that will vest and be earned (if any) by each named executive officer is determined after the three-year performance period based: (1) 50% on our average EPS performance, excluding extraordinary items, for each of the three years during the performance period; (2) 50% on our average ROIC performance (net operating profit after-tax divided by invested capital for the fiscal year), excluding extraordinary items, for each of the three years during the performance period; and (3) on the named executive officer's continued employment through the end of the performance period (except in the case of death, disability or retirement). For additional information regarding the fiscal 2014 PSU awards, including the vesting terms, see the narrative discussion preceding the Grants of Plan-Based Awards in Fiscal 2014 table and the "Our Executive Compensation Program for Fiscal 2014 – Equity for Fiscal 2014" section of the CD&A.

- (4) The market value was computed by multiplying the number of units or shares by \$45.91, the closing price of our common shares on January 31, 2015.

#### Option Exercises and Stock Vested in Fiscal 2014

The following table reflects all stock option exercises and the vesting of restricted stock held by each of our named executive officers during fiscal 2014.

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise (\$) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting (\$) (e)
Mr. Campisi	—	—	25,200	1,143,324
Mr. Johnson	15,000	196,275	9,500	406,125
Ms. Bachmann	48,750	942,520	21,500	919,125
Mr. Chene	—	—	—	—
Mr. Schlonsky	3,750	110,348	—	—

#### Pension Benefits

##### *Pension Plan and Supplemental Pension Plan*

The Pension Plan is maintained only for certain employees hired before April 1, 1994. Effective January 1, 1996, the benefits accrued under the Pension Plan for certain highly compensated individuals were frozen at the then current levels. The Supplemental Pension Plan is maintained only for those executives whose benefits were frozen under the Pension Plan on or after January 1, 1996. Based on their respective dates of hire, Mr. Schlonsky is the only named executive officer eligible to participate in these plans.

The Pension Plan is intended to qualify under the IRC and comply with the Employee Retirement Income Security Act of 1974, as amended. The amount of the Big Lots' annual contribution to the Pension Plan is actuarially determined to accumulate sufficient funds to maintain projected benefits. The Supplemental Pension Plan constitutes a contract to pay benefits upon retirement. The Supplemental Pension Plan is designed to pay the same benefits in the same amount as if the participants continued to accrue benefits under the Pension Plan. We have no obligation to fund the Supplemental Pension Plan, and all assets and amounts payable under the Supplemental Pension Plan are subject to the claims of our general creditors.

Effective January 1, 1993, the annual retirement benefit payable upon retirement under the Pension Plan and the Supplemental Pension Plan for those working until age 65 was, and continues to be, equal to 1% of the average annual compensation during the participant's highest compensated five consecutive year period of employment with Big Lots multiplied by the years of service up to a maximum of 25 ("Normal Retirement Pension"), with participation and benefits being limited in and for any single year to one plan (not both plans) based on the participant's status as a highly compensated employee, as defined in the IRC. This benefit is payable when a participant reaches the normal retirement age of 65; however, the Pension Plan and Supplemental Pension Plan provide the option to retire early (generally at age 55) or to continue employment beyond the normal retirement age.

Under the Pension Plan and the Supplemental Pension Plan, a participant who has reached the age of 55 and has at least five years of service with us can elect to retire early and receive a reduced monthly pension commencing on the date of the participant's early termination (if age plus service equals 65 or more). Alternatively, a participant who has reached the age of 65 can elect to continue employment with us and continue participation in either the Pension Plan or Supplemental Pension Plan until the participant retires, at which time the participant will receive his Normal Retirement Pension. Participants who terminate employment due to a disability are entitled to a pension amount under the Pension Plan equal to the actuarially-determined present value of the Normal Retirement Pension. The spouse of a participant who dies before retirement is entitled to receive an amount equal to the actuarially-determined present value of the Normal Retirement Pension reduced for the period of time that the participant's death or 25<sup>th</sup> anniversary of employment, if later, precedes the normal retirement age. A participant who terminates employment for any reason other than death or retirement may receive a reduced pension amount determined based on the number of years the participant was employed by us.

A participant may elect to receive a monthly annuity payment from the Pension Plan upon separation. Alternatively, a participant may elect to receive a lump sum payment of the entire actuarial equivalent of the participant's accrued retirement pension or a reduced monthly annuity payable over a fixed number of months. Under the Supplemental Pension Plan, a lump sum payment of the entire actuarial equivalent of the participant's retirement pension will be made within 90 days of the Entitlement Date.

For purposes of calculating benefits under the Pension Plan, compensation is defined to include the monthly equivalent of the total cash remuneration paid for services rendered during a plan year prior to salary reductions pursuant to Sections 401(k) or 125 of the IRC, including bonuses. The table below illustrates the amount of annual benefits payable at age 65 to a person with the specified five year average compensation and years of service under the Pension Plan combined with the Supplemental Pension Plan; assuming working to age 65.

Final Average Compensation	Years of Service			
	10	15	20	25
\$100,000	\$10,000	\$15,000	\$20,000	\$25,000
\$125,000	\$12,500	\$18,750	\$25,000	\$31,250
\$150,000	\$15,000	\$22,500	\$30,000	\$37,500
\$175,000	\$17,500	\$26,250	\$35,000	\$43,750
\$200,000	\$20,000	\$30,000	\$40,000	\$50,000
\$225,000	\$22,500	\$33,750	\$45,000	\$56,250
\$250,000	\$25,000	\$37,500	\$50,000	\$62,500

The maximum annual benefit payable under the Pension Plan is restricted by the IRC (\$210,000 for calendar year 2014). At January 31, 2015, the maximum five year average compensation taken into account for benefit calculation purposes was \$251,000. The compensation taken into account for benefit calculation purposes is limited by law (\$260,000 for calendar year 2014), and is subject to statutory increases and cost-of-living adjustments in future years. Income recognized as a result of the exercise of stock options and the vesting of restricted stock is disregarded in computing benefits under the Pension Plan.

### ***Pension Benefits Table for Fiscal 2014***

The following table reflects the number of years of credited service and the present value of accumulated benefits payable to Mr. Schlonsky under the Pension Plan and the Supplemental Pension Plan. See Note 8 (Employee Benefit Plans) to the consolidated financial statements and the “Critical Accounting Policies and Estimates – Pension” section of the MD&A in our Form 10-K regarding the interest rate, mortality rate and other assumptions underlying the calculations in this table.

<b>Name (a)</b>	<b>Plan Name (b)</b>	<b>Number of Years Credited Service (#) (c)</b>	<b>Present Value of Accumulated Benefit (\$) (d)</b>	<b>Payments During Last Fiscal Year (\$) (e)</b>
Mr. Campisi	N/A	—	—	—
Mr. Johnson	N/A	—	—	—
Ms. Bachmann	N/A	—	—	—
Mr. Chene	N/A	—	—	—
Mr. Schlonsky	Pension Plan	5	14,621	—
	Supplemental Pension Plan	16	223,276	—

### **Nonqualified Deferred Compensation**

#### ***Supplemental Savings Plan***

All of our named executive officers, as well as substantially all other full-time employees, are eligible to participate in the Savings Plan, our “401(k) plan.” The Supplemental Savings Plan is maintained for those executives participating in the Savings Plan who desire to contribute more than the amount allowable under the Savings Plan. The Supplemental Savings Plan constitutes a contract to pay deferred compensation and limits deferrals in accordance with prevailing tax law. The Supplemental Savings Plan is designed to pay the deferred compensation in the same amount as if contributions had been made to the Savings Plan. We have no obligation to fund the Supplemental Savings Plan, and all assets and amounts payable under the Supplemental Savings Plan are subject to the claims of our general creditors.

In order to participate in the Savings and Supplemental Savings Plans, an eligible employee must satisfy applicable age and service requirements and must make contributions to such plans (“Participant Contributions”). Participant Contributions are made through authorized payroll deductions to one or more of the several investment funds available under the Savings and Supplemental Savings Plans and selected at the discretion of the participant. All Participant Contributions are matched by us (“Registrant Contributions”) at a rate of 100% for the first 2% of salary contributed and 50% for the next 4% of salary contributed. Additionally, the amount of the Registrant Contribution is subject to the maximum annual compensation that may be taken into account for benefit calculation purposes under the IRC (\$260,000 for calendar year 2014). Accordingly, the maximum aggregate Registrant Contribution that could be made to a named executive officer participating in the Savings and Supplemental Savings Plans was \$10,400 for fiscal 2014.

Under the Savings Plan and the Supplemental Savings Plan, 25% of the Registrant Contributions vests annually beginning on the second anniversary of the employee’s hiring. Under the Savings Plan, a participant who has terminated employment with us is entitled to all funds in his or her account, except that if termination is for a reason other than retirement, disability or death, then the participant is entitled to receive only the Participant Contributions and the vested portion of the Registrant Contributions. Under the Supplemental Savings Plan, a participant who has terminated employment with us for any reason is entitled to receive the Participant Contributions and only the vested portion of the Registrant Contributions. Under both plans, all other unvested accrued benefits pertaining to Registrant Contributions will be forfeited. Upon a change in control of Big Lots, the participant will receive a lump sum payment of all amounts (vested and unvested) under the Supplemental Savings Plan.

### ***Nonqualified Deferred Compensation Table for Fiscal 2014***

The following table reflects the contributions to, earnings in and balance of each named executive officer's account held under the Supplemental Savings Plan.

<b>Name</b>	<b>Executive Contributions in Last FY</b>	<b>Registrant Contributions in Last FY</b>	<b>Aggregate Earnings in Last FY</b>	<b>Aggregate Withdrawals/ Distributions</b>	<b>Aggregate Balance at Last FYE</b>
<b>(a)</b>	<b>\$(1) (b)</b>	<b>\$(2) (c)</b>	<b>\$(3) (d)</b>	<b>\$( (e)</b>	<b>\$(4) (f)</b>
Mr. Campisi	47,019	—	1,133	—	51,585
Mr. Johnson	85,392	5,865	48,328	—	670,029
Ms. Bachmann	19,356	5,865	26,552	—	357,946
Mr. Chene	—	—	—	—	—
Mr. Schlonsky	28,229	5,865	37,754	—	493,603

- (1) The amounts in this column are included in the "Salary" column of the Summary Compensation Table for fiscal 2014.
- (2) The amounts in this column are included in the "All Other Compensation" column of the Summary Compensation Table for fiscal 2014.
- (3) The amounts in this column are not included in the Summary Compensation Table as these amounts reflect only the earnings on the investments designated by the named executive officer in his or her Supplemental Savings Plan account in fiscal 2014 (i.e., appreciation or decline in account value). The amounts in this column do not include any above-market or preferential earnings, as defined by Item 402(c)(2)(viii) of Regulation S-K and the instructions thereto.
- (4) \$3,462, \$108,914 and \$47,502 of the amounts in this column were previously reported as compensation to Mr. Campisi, Mr. Johnson and Ms. Bachmann, respectively, in the Summary Compensation Table for the prior years reported.

### **Potential Payments Upon Termination or Change in Control**

The "Rights Under Post-Termination and Change in Control Arrangements" section below addresses the rights of our named executive officers under their employment agreements and other compensation arrangements upon a change in control or in the event their employment with us is terminated. The "Estimated Payments if Triggering Event Occurred at 2014 Fiscal Year End" section below reflects the payments that may be received by each executive (or his or her beneficiaries, as applicable) upon a change in control or in the event the executive's employment with us is terminated: (1) involuntarily without cause (including a constructive termination (as defined in the Severance Plan)); (2) in connection with the executive's disability; (3) upon the executive's death; (4) upon the executive's retirement (none of our named executive officers were retirement eligible at the end of fiscal 2014); or (5) in connection with a change in control.

### ***Rights Under Post-Termination and Change in Control Arrangements***

#### *Termination for Cause*

If a named executive officer who is a party to an employment agreement with us (Mr. Campisi and Ms. Bachmann) is terminated for cause or due to his or her voluntary resignation, we have no obligation under the employment agreement to pay any unearned compensation or to provide any future benefits to the executive; provided, however that if Mr. Campisi terminates his employment for "good reason" (as defined in the New Employment Agreement), he will be entitled to the payments and benefits described below in "Termination Without Cause."

### *Involuntary Termination Without Cause*

If a named executive officer is involuntarily terminated without cause (including a constructive termination), the Severance Plan would entitle the named executive officer to:

- a cash payment equal to the product of (1) the named executive officer's annualized base salary in effect on the date of termination and (2) a multiple thereof;
- a cash payment equal to a prorated portion of the bonus that the named executive officer would have earned for the fiscal year in which the termination occurred had such termination not occurred;
- a cash payment for outplacement assistance;
- continued coverage for the named executive officer under our health plans until the last day of the calendar month in which the post-termination restriction period applicable to the named executive officer elapses, plus the amount necessary to reimburse the named executive officer for the taxes he or she would be liable for as a result of such continued coverage; and
- prorated vesting of all unvested, outstanding restricted stock awards granted to the named executive officer on or before February 1, 2014 and, upon achievement of the applicable performance trigger, prorated vesting of all unvested, outstanding RSU awards granted to the named executive officer.

The New Employment Agreement would also entitle Mr. Campisi to these payments and benefits in the event he terminates his employment with us for "good reason."

### *Termination due to Disability or Death*

If a named executive officer is terminated as a result of his or her disability or death:

- the Severance Plan would entitle the named executive officer to a cash payment equal to a prorated portion of the bonus that the named executive officer would have earned for the fiscal year in which the termination occurred had such termination not occurred;
- unvested restricted stock awards granted under the 2005 LTIP and 2012 LTIP would vest in increments of 20% for each consecutive year of employment completed since the grant date if the first trigger is met while employed;
- unvested stock options granted under the 2005 LTIP and 2012 LTIP in fiscal 2009 and after would vest on the date of termination, provided that such date occurs at least six months following the grant date;
- a prorated portion of the unvested PSUs granted under the 2012 LTIP that the named executive officer would have earned had the named executive officer remained employed for the entire performance period would vest upon the certification of the applicable performance condition; and
- a prorated portion of the unvested RSUs granted under the 2012 LTIP would vest on the termination date.

In addition, under the New Employment Agreement, if Mr. Campisi's employment is terminated as a result of his disability or death:

- all of Mr. Campisi's unvested, outstanding service-based equity grants and awards and RSUs granted after February 1, 2014 would become fully vested upon termination; and
- a prorated portion of Mr. Campisi's unvested, outstanding performance-based equity grants and awards would vest upon the certification of the applicable performance condition and would be paid, if at all, after the end of the applicable performance period.

### *Termination Upon Retirement*

If a named executive officer is terminated as a result of his or her retirement (as defined in the applicable award agreement):

- a prorated portion of the unvested PSUs granted under the 2012 LTIP that the named executive officer would have earned had the named executive officer remained employed for the entire performance period would vest upon the certification of the applicable performance condition; and
- if the performance condition is satisfied before the third anniversary of the grant date, a prorated portion of the unvested RSUs granted under the 2012 LTIP would vest on the termination date.

In addition, under the New Employment Agreement, if Mr. Campisi's employment is terminated as a result of his retirement after May 3, 2020:

- Mr. Campisi would be eligible (based on our achievement of at least the threshold performance goal) to receive a prorated bonus for the fiscal year in which his termination is effective;
- all of Mr. Campisi's unvested, outstanding service-based equity grants and awards and RSUs granted after February 1, 2014 for which the performance condition has been satisfied would continue to vest for 24 months after the date of termination and any such awards and units that vest more than 24 months after the date of termination will be forfeited; and
- a pro rata portion of Mr. Campisi's unvested, outstanding performance-based equity grants and awards, to be determined by (1) multiplying the amount of such award or grant that would have been earned had Mr. Campisi remained employed through the last vesting date under such award or grant by (2) a fraction, the denominator of which is the total number of days between the grant date of the award and the last vesting date under such award and the numerator of which is the number of days between the grant date of the award and Mr. Campisi's termination date plus 730, provided such fraction shall never exceed 1.00. 730 is added to the numerator, as it is the equivalent number of days to the 24 months of continued vesting used for Mr. Campisi's service-based equity grants and RSUs and is also equivalent to the time Mr. Campisi will be subject to the restrictive covenants included in the New Employment Agreement. The performance-based equity grants and awards will only vest upon the certification of the applicable performance criteria and will be paid at the end of the applicable performance period.

### *Termination in connection with Change in Control*

If terminated without cause (including a constructive termination) within 24 months after a change in control, the senior executive severance agreements would entitle Mr. Johnson, Mr. Chene and Mr. Schlonsky to (1) a lump-sum payment equal to 200% of the executive's then current annual base salary and maximum annual incentive award and (2) continued coverage under our health plans for up to one year after the date of termination.

If terminated without cause (including a constructive termination and, in the case of Mr. Campisi under the New Employment Agreement, termination for good reason), the employment agreements would entitle Mr. Campisi and Ms. Bachmann to (1) a lump-sum payment equal to 200% of the highest annual base salary and maximum annual incentive award in effect during the three months before and the 24 months after the change in control and (2) continued coverage under our health plans for up to two years after the date of termination, plus the amount necessary to reimburse him or her for the taxes he or she would be liable for as a result of such continued healthcare coverage.

In addition, upon a change in control:

- all unvested restricted stock awards granted under the 2005 LTIP and 2012 LTIP would vest;
- all unvested stock options granted under the 2005 LTIP and 2012 LTIP would vest;
- if the change in control occurs before the third anniversary of the grant date, all unvested RSUs granted under the 2012 LTIP would vest; and
- if the change of control occurs before the end of the applicable performance period, the greater of (1) the target number of PSUs, and (2) a number of PSUs calculated based on the satisfaction of the applicable performance conditions before the change in control, would vest.



Upon a change in control, each participating named executive officer would also receive a lump sum payment of all vested and unvested amounts under the Supplemental Savings Plan. (See the “Nonqualified Deferred Compensation” section above for more information regarding the Supplemental Savings Plan and our named executive officers’ aggregate balances under such plans at the end of fiscal 2014.)

#### *Change in Control Described*

Generally, pursuant to the 2005 LTIP, the 2012 LTIP, the Supplemental Savings Plan (as to amounts earned and vested before January 1, 2005, including earnings attributable to such amounts) and the Severance Plan, a change in control is deemed to occur if:

- any person or group (as defined in Section 13(d) under the Exchange Act) becomes the beneficial owner, or has the right to acquire, 20% or more of our outstanding voting securities;
- a majority of the Board is replaced within any two-year period by directors not nominated and approved by a majority of the directors in office at the beginning of such period (or their successors so nominated and approved), or a majority of the Board at any date consists of persons not so nominated and approved; or
- our shareholders approve an agreement to merge or consolidate with an unrelated company or an agreement to sell or otherwise dispose of all or substantially all of our assets to an unrelated company, except pursuant to the terms of the 2012 LTIP and the Severance Plan, which requires the consummation of a merger or consolidation with another entity or the sale or other disposition of all or substantially all of our assets (including, without limitation, a plan of liquidation), which has been approved by our shareholders.

Consistent with the provisions of Section 409A (“Section 409A”) of the IRC and the Treasury Regulations promulgated thereunder, pursuant to our named executive officers’ employment agreements, the senior executive severance agreements, the 2006 Bonus Plan and the Supplemental Savings Plan (as to all amounts earned and vested on or after January 1, 2005), a change in control is deemed to occur upon:

- the acquisition by any person or group (as defined under Section 409A) of our common shares that, together with any of our common shares then held by such person or group, constitutes more than 50% of the total fair market value or voting power in our outstanding voting securities;
- the acquisition by any person or group, within any one year period, of 30% or more of our outstanding voting securities;
- a majority of the Board is replaced during any one year period by directors whose appointment or election is not endorsed by a majority of the directors in office prior to the date of such appointment or election; or
- the acquisition by any person or group, within any one year period, of 40% or more of the total gross fair market value of all of our assets, as measured immediately prior to such acquisition(s).

Notwithstanding the foregoing definitions, pursuant to our named executive officers’ employment agreements, senior executive severance agreements, the 1996 LTIP, the 2005 LTIP, the 2012 LTIP, the 2006 Bonus Plan and the Severance Plan, a change in control does not include any transaction, merger, consolidation or reorganization in which we exchange, or offer to exchange, newly issued or treasury shares in an amount less than 50% of our then-outstanding voting securities for 51% or more of the outstanding voting securities of an unrelated company or for all or substantially all of the assets of such unrelated company.

### ***Estimated Payments if Triggering Event Occurred at 2014 Fiscal Year-End***

The amounts in the following tables are approximations based on various assumptions and estimates. The actual amounts to be paid can only be determined at the time of the change in control or termination of employment, as applicable. In the tables that follow, we have made the following material assumptions, estimates and characterizations:

- Except as otherwise provided in the tables below, the amounts are calculated based on compensation levels and benefits effective at January 31, 2015, the last day of fiscal 2014.
- We have not taken into account the possibility that a named executive officer may be eligible to receive healthcare benefits from another source following his or her termination. Therefore, the amounts shown in the “Healthcare Coverage” row in the tables below reflect, consistent with the assumptions that would be used to estimate the cost of these benefits for financial reporting purposes under generally accepted accounting principles, the current monthly cost to provide continued healthcare coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) applied to each month these benefits would be provided to the named executive officer. Included in the amounts shown in the “Healthcare Coverage” row in the tables below are the related tax gross-up amounts. The amounts shown in the “Long-Term Disability Benefit” row in the tables below represent 67% of the named executive officer’s monthly salary, up to a maximum of \$25,000 per month in accordance with the long-term disability insurance we maintain for our named executive officers. This benefit is payable until the named executive officer is no longer disabled or age 65, whichever occurs earlier. Due to the speculative nature of estimating the period of time during which a named executive officer may be disabled, we have presented only one month of disability benefits in the tables below.
- The amounts in the “Accelerated Equity Awards” row under the “Termination upon Disability” and “Termination upon Death” columns in the tables below represent the value (as of the final trading day on the NYSE during fiscal 2014) of (1) 60% of the unvested restricted stock awarded to each named executive officer in March of 2011, (2) 40% of the unvested restricted stock awarded to each named executive officer in March of 2012, (3) 20% of the unvested restricted stock awarded to each named executive officer in March of 2013, (4) all of the unvested stock options awarded to our named executive officers in fiscal 2009 and after, and (5) a prorated portion of the unvested RSUs granted under the 2012 LTIP. As discussed in the prior section, if termination of employment resulted from death or disability, then unvested restricted stock awards made under the 2005 LTIP and 2012 LTIP will vest in increments of 20% for each consecutive year of employment completed since the grant date if the first trigger is met while employed. The first trigger for the restricted stock awarded to the named executive officers in March 2011, March 2012 and March 2013 was met as a result of our performance in fiscal 2011, fiscal 2012 and fiscal 2013, respectively. Accordingly, 60% of the March 2011 restricted stock award, 40% of the March 2012 restricted stock award and 20% of the March 2013 restricted stock award awarded to each those named executive officers would have vested at the end of fiscal 2014 had the executive’s employment terminated on such date as a result of his death or disability. As discussed in the prior section, if a named executive officer dies or becomes disabled before the last scheduled vesting date of a stock option awarded in fiscal 2009 or after, the then-remaining unvested portion of that stock option award will vest on the day such event occurred, provided such event occurred at least six months following the grant date.
- The amounts in the “Accelerated Equity Awards” row under the “Termination in Connection with a Change in Control” and “Change in Control (without termination)” columns in the tables below include the value of all unvested stock options that were in-the-money at the end of fiscal 2014 (i.e., the closing market price of our common shares on the final trading day of fiscal 2014 less the applicable exercise price) and all unvested restricted stock, RSUs and PSUs that would have vested on an accelerated basis had a change in control occurred as of the end of fiscal 2014. These amounts do not reflect any equity awards that vested in fiscal 2014.
- The closing market price of our common shares on the final trading day on the NYSE during fiscal 2014 was \$45.91 per share.

*David J. Campisi*

The following table reflects the payments that would have been due to Mr. Campisi in the event of a change in control and/or the termination of his employment on January 31, 2015.

	Event Occurring at January 31, 2015						
	Involuntary Termination with Cause	Involuntary Termination without Cause	Voluntary Termination	Termination upon Disability	Termination upon Death	Termination in Connection with a Change in Control	Change in Control (without termination)
Salary/Salary Continuation (\$)	—	1,900,000	—	—	—	1,900,000	—
Non-Equity Incentive Plan Compensation (\$)	—	1,149,690	—	1,149,690	1,149,690	4,180,000	—
Healthcare Coverage (\$)	—	72,240	—	—	—	72,240	—
Long-Term Disability Benefit (\$)	—	—	—	25,000	—	—	—
Outplacement Benefits (\$)	—	40,000	—	—	—	—	—
Accelerated Equity Awards (\$)	—	1,571,413	—	3,355,652	3,355,652	11,172,646	11,172,646
Excise Tax Benefit (\$)	—	—	—	—	—	—	—
Total (\$)	—	4,733,343	—	4,530,342	4,505,342	17,324,886	11,172,646

*Timothy J. Johnson*

The following table reflects the payments that would have been due to Mr. Johnson in the event of a change in control and/or the termination of his employment with us on January 31, 2015.

	Event Occurring at January 31, 2015						
	Involuntary Termination with Cause	Involuntary Termination without Cause	Voluntary Termination	Termination upon Disability	Termination upon Death	Termination in Connection with a Change in Control	Change in Control (without termination)
Salary/Salary Continuation (\$)	—	1,020,000	—	—	—	1,020,000	—
Non-Equity Incentive Plan Compensation (\$)	—	336,651	—	336,651	336,651	1,224,000	—
Healthcare Coverage (\$)	—	72,240	—	—	—	36,120	—
Long-Term Disability Benefit (\$)	—	—	—	25,000	—	—	—
Outplacement Benefits (\$)	—	25,000	—	—	—	—	—
Accelerated Equity Awards (\$)	—	1,828,917	—	2,026,830	2,026,830	5,447,653	5,447,653
Excise Tax Benefit (\$)	—	—	—	—	—	2,061,192	—
Total (\$)	—	3,282,808	—	2,388,481	2,363,481	9,788,965	5,447,653

*Lisa M. Bachmann*

The following table reflects the payments that would have been due to Ms. Bachmann in the event of a change in control and/or the termination of her employment with us on January 31, 2015.

	Event Occurring at January 31, 2015						
	Involuntary Termination with Cause	Involuntary Termination without Cause	Voluntary Termination	Termination upon Disability	Termination upon Death	Termination in Connection with a Change in Control	Change in Control (without termination)
Salary/Salary Continuation (\$)	—	1,300,000	—	—	—	1,300,000	—
Non-Equity Incentive Plan Compensation (\$)	—	429,065	—	429,065	429,065	1,560,000	—
Healthcare Coverage (\$)	—	72,240	—	—	—	72,240	—
Long-Term Disability Benefit (\$)	—	—	—	25,000	—	—	—
Outplacement Benefits (\$)	—	25,000	—	—	—	—	—
Accelerated Equity Awards (\$)	—	2,707,012	—	2,723,395	2,723,395	6,939,509	6,939,509
Excise Tax Benefit (\$)	—	—	—	—	—	—	—
Total (\$)	—	4,533,317	—	3,177,460	3,152,460	9,871,749	6,939,509

*Richard Chene*

The following table reflects the payments that would have been due to Mr. Chene in the event of a change in control and/or the termination of his employment with us on January 31, 2015.

	Event Occurring at January 31, 2015						
	Involuntary Termination with Cause	Involuntary Termination without Cause	Voluntary Termination	Termination upon Disability	Termination upon Death	Termination in Connection with a Change in Control	Change in Control (without termination)
Salary/Salary Continuation (\$)	—	1,000,000	—	—	—	1,000,000	—
Non-Equity Incentive Plan							
Compensation (\$)	—	330,050	—	330,050	330,050	1,200,000	—
Healthcare Coverage (\$)	—	72,240	—	—	—	36,120	—
Long-Term Disability Benefit (\$)	—	—	—	25,000	—	—	—
Outplacement Benefits (\$)	—	25,000	—	—	—	—	—
Accelerated Equity Awards (\$)	—	310,084	—	676,930	676,930	2,263,893	2,263,893
Excise Tax Benefit (\$)	—	—	—	—	—	1,283,631	—
Total (\$)	—	1,737,374	—	1,031,980	1,006,980	5,783,644	2,263,893

*Michael A. Schlonsky*

The following table reflects the payments that would have been due to Mr. Schlonsky in the event of a change in control and/or the termination of his employment with us on January 31, 2015.

	Event Occurring at January 31, 2015						
	Involuntary Termination with Cause	Involuntary Termination without Cause	Voluntary Termination	Termination upon Disability	Termination upon Death	Termination in Connection with a Change in Control	Change in Control (without termination)
Salary/Salary Continuation (\$)	—	820,000	—	—	—	820,000	—
Non-Equity Incentive Plan							
Compensation (\$)	—	225,541	—	225,541	225,541	820,000	—
Healthcare Coverage (\$)	—	72,240	—	—	—	36,120	—
Long-Term Disability Benefit (\$)	—	—	—	22,892	—	—	—
Outplacement Benefits (\$)	—	25,000	—	—	—	—	—
Accelerated Equity Awards (\$)	—	627,789	—	865,035	865,035	2,349,791	2,349,791
Excise Tax Benefit (\$)	—	—	—	—	—	1,051,457	—
Total (\$)	—	1,770,570	—	1,113,468	1,090,576	5,077,368	2,349,791

**PROPOSAL TWO: APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO ITEM 402 OF REGULATION S-K, INCLUDING THE CD&A, COMPENSATION TABLES AND THE NARRATIVE DISCUSSION ACCOMPANYING THE TABLES**

Section 14A of the Exchange Act requires that we provide our shareholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement in accordance with the compensation disclosure rules of the SEC. The following summary of our executive compensation program describes our compensation philosophy and the key objectives identified by our Compensation Committee to implement our compensation philosophy.

Our executive compensation program seeks to promote three primary objectives: (1) aligning the interests of executives and shareholders through performance-linked compensation; (2) motivating executives to contribute to our success and reward them for their performance; and (3) attracting and retaining talented executives by paying compensation that is competitive with the compensation paid by the companies in our comparator groups. We use a balanced mix of salary, annual cash incentive awards and equity awards to promote these objectives. For a more detailed discussion of how our executive compensation program reflects these objectives and our executive compensation philosophy, including information about the fiscal 2014 compensation of our named executive officers, we encourage you to read the CD&A as well as the Summary Compensation Table and other related compensation tables in this Proxy Statement.

In fiscal 2014, we focused on improving our financial and operating performance. Given the commitment of the Compensation Committee and other outside directors to a pay-for-performance philosophy and our focus on improving our financial and operating performance in fiscal 2014, the Compensation Committee and other outside directors structured a significant portion of the compensation awarded to our named executive officers for fiscal 2014 as “at risk” or “variable” and dependent on our performance and/or the value of our common shares, including:

- *Annual Cash Incentive Awards.* Each named executive officer was eligible to receive a cash performance bonus based solely on our operating profit. The Compensation Committee and other outside directors selected operating profit as the sole financial measure because they believe it focuses our named executive officers on increasing our revenues and controlling our costs. The fiscal 2014 annual incentive awards were structured so that the target bonus would be earned only if we achieved the operating profit for fiscal 2014 projected in our annual corporate operating plan. Based on our \$222,278,299 operating profit in fiscal 2014, our named executive officers earned an annual incentive award for fiscal 2014 equal to 110% of their respective target bonus.
- *Performance Share Unit Awards.* For the first time, all of our named executive officers received a significant portion (60%) of their equity awards in the form of PSUs. The PSUs awarded to our named executive officers in fiscal 2014 will vest, if at all, after the completion of a three-year performance period based: (1) 50% on our average EPS performance, excluding extraordinary items, for each of the three years during the performance period; (2) 50% on our average ROIC performance, excluding extraordinary items, for each of the three years during the performance period; and (3) on the named executive officer’s continued employment through the end of the performance period. The Compensation Committee and other outside directors selected EPS and ROIC as the financial measures applicable to the PSUs to incentivize our named executive officers to achieve long-term financial results that we believe will create shareholder value.
- *Time-Vested Restricted Stock Unit Awards.* Time-vested RSUs are primarily intended to align the interests of our named executive officers and our shareholders and help retain and motivate our named executive officers. The RSUs will vest ratably over three years from the grant date of the award if the participant remains employed by us through each annual vesting date.

Although our operating profit declined in 2014 on a relative basis from fiscal 2013 (from \$230.1 million to \$224.5 million), our operating profit exceeded the amount projected by the Board in our fiscal 2014 corporate operating plan and we improved our operational and financial performance in 2014 in several other important respects. For example, in fiscal 2014, our comparable store sales increased 1.8%, our net sales increased by \$52 million, our gross margin rate increased by 30 basis points and our total shareholder return was 73%.

We request that our shareholders indicate their support for the compensation of our named executive officers as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K by approving the following resolution:

“RESOLVED, that the shareholders of Big Lots approve, on an advisory basis, the compensation of the named executive officers of Big Lots, as disclosed in Big Lots’ Proxy Statement for the 2015 Annual Meeting of Shareholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and the narrative discussion accompanying the tables.”

The vote on the approval of the compensation of our named executive officers is advisory, which means that the vote is not binding on the Board, the Compensation Committee or us. If a majority of the votes are cast against the approval of the compensation of our named executive officers, the Board and the Compensation Committee will evaluate whether to take any actions to address the concerns of the shareholders with respect to our executive compensation program.

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO ITEM 402 OF REGULATION S-K, INCLUDING THE CD&A, COMPENSATION TABLES AND THE NARRATIVE DISCUSSION ACCOMPANYING THE TABLES.**

## **AUDIT COMMITTEE DISCLOSURE**

### **General Information**

The Audit Committee consists of five non-employee directors of the Board. The members of the Audit Committee have been reviewed by the Board and determined to be independent within the meaning of all applicable SEC regulations and NYSE listing standards.

The charter of the Audit Committee states that the purpose of the Audit Committee is to assist the Board in its oversight of:

- the integrity of our financial statements and financial reporting process, and our systems of internal accounting and financial controls;
- our compliance with legal and regulatory requirements, including our disclosure controls and procedures;
- the annual independent audit of our financial statements, the engagement of our independent registered public accounting firm, and the evaluation of the firm’s qualifications, independence and performance;
- the performance of our internal audit function;
- the evaluation of enterprise risk issues; and
- the fulfillment of other responsibilities set forth in its charter.

The full text of the Audit Committee’s charter is available in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) under the “Corporate Governance” caption. The Audit Committee regularly reviews its responsibilities as outlined in its charter, prepares an annual agenda to include all of its responsibilities and conducts a self-assessment and review of the charter annually. The Audit Committee believes it fulfilled its responsibilities under the charter in fiscal 2014.

The Audit Committee schedules its meetings with a view towards ensuring that it devotes appropriate attention to all of its responsibilities. The Audit Committee’s meetings include, whenever appropriate, executive sessions with the independent registered public accounting firm, the Company’s Director, Internal Audit and our Chief Financial Officer, in each case without the presence of management. The Audit Committee also meets in executive session without the presence of anyone else, whenever appropriate.

During fiscal 2014, management completed the documentation, testing and evaluation of our system of internal control over financial reporting in accordance with the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was apprised of the progress of the evaluation and provided oversight and advice to management during the process. In connection with its oversight, the Audit

Committee received periodic updates provided by management and the independent registered public accounting firm at each regularly scheduled Audit Committee meeting. The Audit Committee also reviewed the report of management contained in our Form 10-K, as well as the independent registered public accounting firm's Report of Independent Registered Public Accounting Firm included in our Form 10-K related to its audit of (1) our financial statements and (2) the effectiveness of our internal control over financial reporting. The Audit Committee continues to oversee efforts related to our system of internal control over financial reporting and management's preparations for the evaluation thereof in fiscal 2015. The Audit Committee has also reviewed key initiatives and programs aimed at strengthening the effectiveness of our internal and disclosure control structure.

### **Independent Registered Public Accounting Firm**

The Audit Committee engaged Deloitte & Touche LLP as our independent registered public accounting firm to audit our financial statements for fiscal 2014. Deloitte & Touche LLP has served as our independent registered public accounting firm since October 1989. The Audit Committee annually selects our independent registered public accounting firm.

### **Audit and Non-Audit Services Pre-Approval Policy**

Pursuant to the Audit Committee's Audit and Non-Audit Services Pre-Approval Policy, all audit and non-audit services rendered by Deloitte & Touche LLP in fiscal 2014, including the related fees, were pre-approved by the Audit Committee. Under the policy, the Audit Committee is required to pre-approve all audit and permissible non-audit services performed by the independent registered public accounting firm to assure that the provision of those services does not impair the firm's independence. Pre-approval is detailed as to the particular service or category of service and is subject to a specific engagement authorization. The Audit Committee requires the independent registered public accounting firm and management to report on the actual fees incurred for each category of service at Audit Committee meetings throughout the year.

During the year, it may become necessary to engage the independent registered public accounting firm for additional services that have not been pre-approved. In those instances, the Audit Committee requires specific pre-approval before engaging the independent registered public accounting firm. The Audit Committee may delegate pre-approval authority to one or more of its members for those instances when pre-approval is needed prior to a scheduled Audit Committee meeting. The member or members to whom pre-approval authority is delegated must report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

### **Fees Paid to Independent Registered Public Accounting Firm**

The fees billed to us for the professional services rendered by Deloitte & Touche LLP during the two most recently completed fiscal years were as follows:

<i>(\$ in thousands)</i>	<b>Fiscal 2013</b>	<b>Fiscal 2014</b>
	<b>(\$)</b>	<b>(\$)</b>
Audit Fees	1,320	1,355
Audit-Related Fees (1)	10	7
Tax Fees (2)	175	346
All Other Fees (3)	2	1,007
<b>Total Fees</b>	<b>1,507</b>	<b>2,715</b>

(1) For fiscal 2013 and fiscal 2014, the audit-related fees principally related to accounting consultation.

(2) For fiscal 2013 and fiscal 2014, \$150 and \$323 of the tax fees, respectively, related to tax compliance services for our Canadian operations.

(3) For fiscal 2013, the other fees principally related to online subscription fees for technical accounting support. For fiscal 2014, the other fees include fees related to online subscription fees for technical support and \$1,005 paid to Deloitte Consulting in connection with Deloitte's advisory services related to the development and expected launch of our Ecommerce operations, the first phase of our multi-year Omnichannel strategic initiative. The Deloitte Consulting advisory services were utilized for approximately three months of 2014. We intend to utilize Deloitte Consulting's services until we launch our Ecommerce

operation, which is expected to occur in 2016. Deloitte Consulting is not acting in any Company Management capacity. A monthly review of the advisory services activities is occurring with the Deloitte & Touche LLP audit engagement partner, the Deloitte Consulting Team and the Audit Committee chair to ensure that independence is maintained.

### **Audit Committee Report**

The Audit Committee has reviewed and discussed the audited financial statements for fiscal 2014 with management and the independent registered public accounting firm. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 16, as adopted by the Public Company Accounting Oversight Board. The Audit Committee has received the written communications from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm its independence. Based on these reviews and discussions, the undersigned members of the Audit Committee recommended to the Board that the audited consolidated financial statements for fiscal 2014 be included in our Form 10-K for filing with the SEC.

Members of the Audit Committee

Philip E. Mallott, Chair

James R. Chambers

Peter J. Hayes

Brenda J. Lauderback

Russell E. Solt

### **PROPOSAL THREE: RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2015**

At its March 3, 2015 meeting, the Audit Committee appointed Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2015, subject to our entry into a mutually agreed upon services contract with Deloitte & Touche LLP. The submission of this matter for approval by shareholders is not legally required; however, we believe that such submission is consistent with best practices in corporate governance and is another opportunity for shareholders to provide direct feedback on an important issue of our corporate governance. If the shareholders do not ratify the appointment of Deloitte & Touche LLP, the selection of such firm as our independent registered public accounting firm will be reconsidered by the Audit Committee.

A representative of Deloitte & Touche LLP will be present at the Annual Meeting to respond to appropriate questions and to make a statement if so desired.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2015.**

### **PROPOSAL FOUR: ADOPTION OF AN AMENDMENT TO OUR CODE OF REGULATIONS TO IMPLEMENT PROXY ACCESS**

Under this Proposal 4, the Board is recommending that our shareholders adopt an amendment to our Regulations to implement proxy access. The proposed amendment is contained in a new Section 2.13 to our Regulations, a copy of which is attached to this Proxy Statement as Appendix A (the "Amendment"). Proxy access allows eligible shareholders to include their own nominees for director in the Company's proxy materials along with the candidates nominated by the Board. At the Company's 2014 Annual Meeting of Shareholders, our shareholders approved a nonbinding shareholder proposal requesting that the Company implement proxy access. After considering the views expressed by our shareholders, the Board approved the Amendment. Pursuant to the Ohio General Corporation Law and the Company's organizational documents, the Amendment will not become effective unless it is adopted by the affirmative vote of holders of our common shares entitling them to exercise not less than a majority of the voting power of the Company on the Proposal. The Amendment would become effective



upon its adoption by our shareholders. The Board's decision to approve and seek shareholder adoption of proxy access amendments reflects its continuing commitment to respond to the views of the Company's shareholders and provide them with a voice in corporate governance matters.

### **Description of Amendment**

The following description of the Amendment is qualified in its entirety by reference to the complete text of the Amendment which is attached hereto in Appendix A. You are urged to read the Amendment in its entirety.

#### *Eligibility of Shareholders to Nominate Directors*

Any shareholder or group of shareholders who have maintained continuous qualifying ownership of at least 3% of the Company's outstanding common shares for at least the previous three years would be permitted to include a specified number of director nominees in the Company's proxy materials for its annual meeting of shareholders.

#### *Calculation of Qualifying Ownership*

To ensure that the interests of shareholders seeking to include director nominees in the Company's proxy materials are aligned with those of other shareholders, a nominating shareholder would be deemed to own only those outstanding common shares of the Company as to which the shareholder possesses both (1) the full voting and investment rights pertaining to the shares and (2) the full economic interest in (including the opportunity for profit from and risk of loss on) such shares. The following shares would not count as "owned" shares for purposes of the amendment:

- shares sold by the shareholder or any of its affiliates in any transaction that has not been settled or closed;
- shares borrowed by the shareholder or any of its affiliates for any purposes or purchased by the shareholder or any of its affiliates pursuant to an agreement to resell;
- shares subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by the shareholder or any of its affiliates which has, or is intended to have, the purpose or effect of (1) reducing in any manner, to any extent or at any time in the future, the shareholder's or its affiliates' full right to vote or direct the voting of any such shares, and/or (2) hedging, offsetting or altering to any degree any gain or loss realized or realizable from maintaining the full economic ownership of such shares by the shareholder or affiliate.

#### *Number of Shareholder-Nominated Candidates*

The maximum number of shareholder-nominated candidates that the Company would be required to include in its proxy materials would equal 25% of the directors in office at the time of nomination. If the 25% calculation does not result in a whole number, the maximum number of shareholder-nominated candidates would be the closest whole number below 25%. If one or more vacancies occur on the Board, or the Board decides to reduce the size of the Board in connection therewith, after the nomination deadline, the nominee limit would be calculated based on the reduced number of directors. Any shareholder-nominated candidate who is either subsequently withdrawn or included by the Board in the proxy materials as a Board-nominated candidate would be counted against the nominee limit.

#### *Procedure for Selecting Candidates if Nominee Limit Exceeded*

Any nominating shareholder that submits more than one nominee would be required to provide a ranking of its proposed nominees. If the number of shareholder-nominated candidates exceeds the nominee limit, the highest ranking qualified individual from the list proposed by each nominating shareholder, beginning with the nominating shareholder with the largest qualifying ownership and proceeding through the list of nominating shareholders in descending order of qualifying ownership, would be selected for inclusion in the proxy materials until the nominee limit is reached.

### *Nominating Procedure*

In order to provide adequate time to assess shareholder-nominated candidates, requests to include shareholder-nominated candidates in the Company's proxy materials must be received no earlier than 150 days and no later than 120 days before the anniversary of the date that the Company issued its proxy statement for the previous year's annual meeting of shareholders.

### *Information Required of All Nominating Shareholders*

Each shareholder seeking to include a director nominee in the Company's proxy materials would be required to provide certain information to the Company, including:

- verification of, and information regarding, the stock ownership of the shareholder as of the date of the submission and the record date for the annual meeting;
- the Schedule 14N filed by the shareholder with the SEC;
- information regarding each director nominee, including biographical and stock ownership information;
- the written consent of each director nominee to (1) be named in the proxy statement, (2) serve as a director if elected and (3) the public disclosure of the information provided by the shareholder regarding the director nominee;
- a description of any arrangement with respect to the nomination between the shareholder and any other person;
- any other information relating to the shareholder that is required to be disclosed pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and
- the written consent of the shareholder to the public disclosure of the information provided to the Company.

Nominating shareholders would also be required to make certain written representations to and agreements with the Company, including:

- lack of intent to change or influence control of the Company;
- intent to maintain qualifying ownership through the annual meeting date;
- refraining from nominating any person for election to the Board other than its director nominees submitted through the proxy access process;
- intent to be present in person or by proxy to present its nomination at the meeting;
- engaging and/or participating only in the solicitation of their nominees or Board nominees;
- not distributing any form of proxy for the annual meeting other than the form distributed by the Company;
- complying with solicitation rules and assuming liabilities related to and indemnifying the Company against losses arising out of the nomination; and
- the accuracy and completeness of all information provided to the Company.

### *Information Required of All Shareholder Nominees*

Each shareholder nominee would be required to make certain written representations to and agreements with the Company, including:

- acting in accordance with his or her duties as a director under the Ohio General Corporation Law;
- refraining from voting agreements or commitments as a director;
- no compensatory arrangements with a person or entity other than the Company in connection with such shareholder nominee's candidacy for director or service or action as a director;

- complying with applicable laws and stock exchange requirements and the Company's policies and guidelines applicable to directors; and
- the accuracy and completeness of all information provided to the Company.

Each shareholder nominee would also be required to submit an irrevocable resignation to the Company in connection with his or her nomination, which would become effective upon the Board determining that certain information provided by the shareholder nominee in connection with the nomination is untrue or misleading or that the nominee or the shareholder that nominated the nominee breached any obligations to the Company under the Regulations. Shareholder nominees would also be required to submit completed and signed questionnaires required of Company directors and officers and provide any additional information necessary for the Board's independence evaluation and determination.

#### *Exclusion of Shareholder Nominees*

The Company would not be required to include a shareholder nominee in the Company's proxy materials if:

- the nominating shareholder participates in the solicitation of any nominee other than its nominees or Board nominees;
- the nominee becomes a party to a compensatory arrangement with a person or entity other than the Company in connection with such nominee's candidacy for director or service or action as a director;
- the nominee is not independent under any applicable independence standards;
- the election of the nominee would cause the Company to violate its Regulations or Amended Articles of Incorporation, any stock exchange requirements or any laws, rules or regulations;
- the nominee has been an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, within the past three years;
- the nominee is the subject of a pending criminal proceeding or has been convicted in a criminal proceeding within the past 10 years; or
- the nominee or the nominating shareholder has provided false or misleading information to the Company or breached any of their respective obligations under the Amendment.

The Board or the chairman of the annual meeting would declare a director nomination by a shareholder to be invalid, and such nomination would be disregarded, if (1) the director nominee or the shareholder breaches any of their respective obligations under the Amendment or (2) the shareholder does not appear at the annual meeting in person or by proxy to present the nomination.

#### *Future Disqualification of Shareholder Nominees*

Any shareholder nominee who is included in the Company's proxy materials but subsequently withdraws from or becomes ineligible for election at the meeting or does not receive at least 25% of the vote cast in favor of his or her election would be ineligible for nomination for the following two annual meetings.

#### *Supporting Statement*

Nominating shareholders would be permitted to include in the proxy statement a 500-word statement in support of their nominee(s). The Company may omit any information or statement that it, in good faith, believes would violate any applicable law or regulation.

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO ADOPT THE AMENDMENT TO OUR REGULATIONS TO IMPLEMENT PROXY ACCESS.**

## **SHAREHOLDER PROPOSALS**

Any proposals of shareholders which are intended to be presented at our 2016 annual meeting of shareholders must be received by our Corporate Secretary at our corporate offices on or before December 16, 2015 to be eligible for inclusion in our 2016 proxy statement and form of proxy. Such proposals must be submitted in accordance with Rule 14a-8 of the Exchange Act. If a shareholder intends to present a proposal at our 2016 annual meeting of shareholders without inclusion of that proposal in our 2016 proxy materials and written notice of the proposal is not received by our Corporate Secretary at our corporate offices on or before February 29, 2016 or if we meet other requirements of the SEC rules, proxies solicited by the Board for our 2016 annual meeting of shareholders will confer discretionary authority on the proxy holders named therein to vote on the proposal at the meeting.

## **PROXY SOLICITATION COSTS**

This solicitation of proxies is made by and on behalf of the Board. In addition to mailing the Notice of Internet Availability (or, if applicable, paper copies of this Proxy Statement, the Notice of Annual Meeting of Shareholders and the proxy card) to shareholders of record on the record date, the brokers and banks holding our common shares for beneficial holders must, at our expense, provide our proxy materials to persons for whom they hold our common shares in order that such common shares may be voted. Solicitation may also be made by our officers and regular employees personally or by telephone, mail or electronic mail. Officers and employees who assist with solicitation will not receive any additional compensation. The cost of the solicitation will be borne by us. We have also retained Georgeson Inc. to aid in the solicitation of proxies for a fee estimated to be \$6,500, plus reasonable out-of-pocket expenses.

## **OTHER MATTERS**

As of the date of this Proxy Statement, we know of no business that will be presented for consideration at the Annual Meeting other than as referred to in Proposal One, Proposal Two, Proposal Three and Proposal Four above. If any other matter is properly brought before the Annual Meeting for action by shareholders, common shares represented by proxies returned to us and not revoked will be voted on such matter in accordance with the recommendations of the Board.

By order of the Board of Directors,

TIMOTHY A. JOHNSON  
*Executive Vice President, Chief Financial Officer*

April 14, 2015  
Columbus, Ohio

## APPENDIX A

### SECTION 2.13. PROXY ACCESS.

(A) *Information Included in Proxy Materials.* Subject to the provisions of this Section 2.13, whenever the board of directors solicits proxies with respect to the election of directors at an annual meeting of shareholders, the corporation shall include in its proxy statement for such meeting, in addition to any persons nominated for election by the board of directors or any committee thereof, the name of, together with the Required Information (as defined below) for, any person nominated for election (a “Shareholder Nominee”) to the board of directors by a shareholder or group of shareholders that (i) satisfies the requirements of this Section 2.13 (an “Eligible Shareholder”) and (ii) expressly requests in the notice required by this Section 2.13 (the “Notice of Proxy Access Nomination”) to have the Shareholder Nominee included in the corporation’s proxy materials pursuant to this Section 2.13. The corporation shall also include the name of any such Shareholder Nominee on the form of proxy for such annual meeting, subject to the provisions of this Section 2.13. For purposes of this Section 2.13, the “Required Information” that the corporation shall include in its proxy statement is the information provided by the Eligible Shareholder to the secretary of the corporation concerning the Shareholder Nominee and the Eligible Shareholder that is required to be disclosed in the corporation’s proxy statement by the regulations promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and if the Eligible Shareholder so elects, a written statement, not to exceed 500 words, in support of the Shareholder Nominee’s candidacy (the “Statement”). Notwithstanding anything to the contrary contained in this Section 2.13, the corporation may omit from its proxy materials any information or Statement (or portion thereof) that it, in good faith, believes would violate any applicable law or regulation. Notwithstanding anything to the contrary in this Section 2.13, the corporation shall not be required pursuant to this Section 2.13 to include any information regarding a Shareholder Nominee in its proxy materials for any meeting of shareholders for which any person is engaging in a solicitation within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at such meeting other than Shareholder Nominees or nominees of the board of directors.

(B) *Shareholder Nominee Notice Period.* The corporation shall only be required to include information regarding a Shareholder Nominee in its proxy materials with respect to an annual meeting of shareholders if the Notice of Proxy Access Nomination relating to the Shareholder Nominee is delivered to, or mailed to and received by, the secretary of the corporation no earlier than 150 days and no later than 120 days (the “Final Proxy Access Nomination Date”) before the anniversary of the date that the corporation issued its proxy statement for the previous year’s annual meeting of shareholders; provided, however, that if the corporation did not hold an annual meeting during the previous year, or if the date of the annual meeting has changed by more than 30 calendar days from the previous year, or if the registrant is holding a special meeting or conducting an election of directors by written consent in lieu of an annual meeting, then the Eligible Shareholder must deliver the Notice of Proxy Access Nomination to the corporation a reasonable time before the corporation issues its proxy materials, as specified by the corporation in a Current Report on Form 8-K filed pursuant to Item 5.08.

(C) *Maximum Number of Shareholder Nominees.* The maximum number of Shareholder Nominees nominated by all Eligible Shareholders that the corporation shall be required to include in its proxy materials with respect to an annual meeting of shareholders shall not exceed 25% of the total number of members of the corporation’s board of directors as of the Final Proxy Access Nomination Date, or if such amount is not a whole number, the closest whole number below 25% (the “Nominee Limit”); provided, however, that if one or more vacancies occur on the corporation’s board of directors after the Final Proxy Access Nomination Date but before the date of the annual meeting and the board of directors reduces the size of the board in connection therewith, the Nominee Limit shall be calculated based on the reduced number of directors. Any individual nominated by an Eligible Shareholder for inclusion in the corporation’s proxy materials pursuant to this Section 2.13 who is either subsequently withdrawn or nominated by the board of directors as a board of directors nominee for election as a director shall be counted as a Shareholder Nominee for purposes of calculating the Nominee Limit. Any Eligible Shareholder that submits more than one Shareholder Nominee for inclusion in the corporation’s proxy materials shall rank such Shareholder Nominees based on the order that the Eligible Shareholder desires such Shareholder Nominees to be selected for inclusion in the corporation’s proxy materials in the event that the total number of Shareholder Nominees submitted by Eligible Shareholders exceeds the Nominee Limit. If the number of Shareholder Nominees submitted by Eligible Shareholders exceeds the Nominee Limit, the highest ranked Shareholder Nominee who meets the requirements

of this Section 2.13 of each Eligible Shareholder will be included in the corporation's proxy materials proceeding in order of the amount (largest to smallest) of common shares of the corporation each Eligible Shareholder owns for purposes of this Section 2.13 until the Nominee Limit is reached. If the Nominee Limit is not reached after the highest ranking Shareholder Nominee who meets the requirements of this Section 2.13 from each Eligible Shareholder has been selected for inclusion in the corporation's proxy materials, this process shall be repeated until the Nominee Limit is reached.

(D) *Removal of Shareholder Nominees from Proxy Materials.* If a Shareholder Nominee dies, becomes disabled or is otherwise disqualified from being nominated for election or serving as a director prior to the annual meeting, the corporation may, to the extent feasible, remove the name of the Shareholder Nominee and the Statement from its proxy statement, remove the name of the Shareholder Nominee from its form of proxy and/or otherwise communicate to its shareholders that the Shareholder Nominee will not be eligible for nomination at the annual meeting.

(E) *Determination of Ownership of Common Shares.* For purposes of this Section 2.13, an Eligible Shareholder shall be deemed to "own" only those outstanding common shares of the corporation as to which the shareholder possesses both (i) the full voting and investment rights pertaining to the shares and (ii) the full economic interest in (including the opportunity for profit from and risk of loss on) such shares; provided that the number of shares calculated in accordance with clauses (i) and (ii) shall not include any shares (A) sold by such shareholder or any of its affiliates in any transaction that has not been settled or closed, (B) borrowed by such shareholder or any of its affiliates for any purposes or purchased by such shareholder or any of its affiliates pursuant to an agreement to resell or (C) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such shareholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of outstanding common shares of the corporation, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of (1) reducing in any manner, to any extent or at any time in the future, such shareholder's or its affiliates' full right to vote or direct the voting of any such shares, and/or (2) hedging, offsetting or altering to any degree any gain or loss realized or realizable from maintaining the full economic ownership of such shares by such shareholder or affiliate. A shareholder shall "own" shares held in the name of a nominee or other intermediary so long as the shareholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares; provided, however, that a shareholder shall not be deemed to relinquish voting rights pertaining to shares as to which such shareholder has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement which is revocable at any time by such shareholder. For purposes of this Section 2.13, the terms "owned," "owning" and other variations of the word "own" shall have correlative meanings. Whether outstanding common shares of the corporation are "owned" for these purposes shall be determined by the board of directors or any committee thereof. For purposes of this Section 2.13, the term "affiliate" or "affiliates" shall have the meaning ascribed thereto under the General Rules and Regulations under the Exchange Act.

(F) *Common Share Ownership Requirements.* To make a nomination pursuant to this Section 2.13, an Eligible Shareholder (i) must own (as defined in Section 2.13(E)) at least three percent (the "Required Ownership Percentage") of the outstanding common shares of the corporation (the "Required Shares"), continuously for at least three years (the "Minimum Holding Period") as of both the date the Notice of Proxy Access Nomination is delivered to, or mailed to and received by, the secretary of the corporation and the record date for determining the shareholders entitled to vote at the annual meeting and (ii) must continue to own the Required Shares through the date of the annual meeting.

(G) *Information Required in Notice of Proxy Access Nomination.* An Eligible Shareholder (including each member of any group of shareholders that together is an Eligible Shareholder hereunder) must provide the following information in writing to the secretary of the corporation within the time period specified in Section 2.13(B) for delivering the Notice of Proxy Access Nomination:

(i) one or more written statements from the record holder of the Required Shares (and from each intermediary through which the Required Shares are or have been held during the Minimum Holding Period) verifying that, as of a date within seven calendar days prior to the date the Notice of Proxy Access Nomination is delivered to, or mailed to and received by, the secretary of the corporation, the Eligible Shareholder owns, and has owned continuously for the Minimum Holding Period, the Required Shares;

(ii) the Eligible Shareholder's agreement to provide, within five business days after the record date for the annual meeting, written statements from such record holder and intermediaries verifying the Eligible Shareholder's continuous ownership of the Required Shares through the record date;

(iii) a copy of the Schedule 14N that has been filed with the SEC as required by Rule 14a-18 under the Exchange Act;

(iv) (a) the name, age, principal occupation or employment and business address and residence address of each Shareholder Nominee submitted by the Eligible Shareholder, (b) the class and number of shares of capital stock of the corporation owned by each such Shareholder Nominee, including shares beneficially owned and shares held of record, and (c) any other information relating to each such Shareholder Nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder;

(v) a written representation and agreement executed by each Shareholder Nominee submitted by the Eligible Shareholder acknowledging that the Shareholder Nominee (a) understands his or her duties as a director under the Ohio General Corporation Law and agrees to act in accordance with those duties while serving as a director, (b) is not and shall not become a party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such Shareholder Nominee, if elected as a director of the corporation, will act or vote as a director on any issue or question, (c) is not and shall not become a party to any agreement, arrangement or understanding with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with such Shareholder Nominee's candidacy for director of the corporation or service or action as a director of the corporation, (d) if elected as a director of the corporation, shall comply with all applicable laws and stock exchange listing standards and the corporation's policies and guidelines applicable to directors and (e) shall provide facts, statements and other information in all communications with the corporation and its shareholders that are or shall be true and correct in all material respects and do not and shall not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(vi) the written consent of each Shareholder Nominee to (a) be named in the proxy materials as a nominee, (b) serve as a director if elected and (c) the public disclosure of the information provided pursuant to Section 2.13(G)(iv);

(vii) with respect to the Eligible Shareholder (including each member of any group of shareholders that together is an Eligible Shareholder hereunder) providing the Notice of Proxy Access Nomination:

(a) the name and address of the Eligible Shareholder;

(b) the class and number of shares of capital stock of the corporation owned (as defined in Section 2.13(E)) by the Eligible Shareholder or its affiliates as of the date of the Notice of Proxy Access Nomination, and the Eligible Shareholder's agreement that it shall notify the corporation in writing within five business days after the record date for the annual meeting of the class and number of shares of capital stock of the corporation owned by the Eligible Shareholder as of the record date for the annual meeting;

(c) the name of each nominee holder of shares of capital stock of the corporation owned beneficially but not of record by the Eligible Shareholder or its affiliates and the number of such shares of capital stock of the corporation held by such nominee holder, and the Eligible Shareholder's agreement that it shall notify the corporation in writing within five business days after the record date for the annual meeting of the class and number of shares of capital stock of the corporation owned beneficially but not of record by the Eligible Shareholder and the number of such shares of capital stock of the corporation held by such nominee holder as of the record date for the annual meeting;

(d) a representation that the Eligible Shareholder intends to be present in person or by proxy at the annual meeting to present its nomination of the Shareholder Nominee;

(e) a description of any agreement, arrangement or understanding (whether or not in writing) with respect to the nomination between such Eligible Shareholder and any other person, including, without limitation, any agreements that would be required to be described or reported pursuant to Item 5 or Item 6 of Schedule 13D under the Exchange Act (regardless of whether the requirement to file a Schedule 13D is applicable to the Eligible Shareholder), and the Eligible Shareholder's agreement that it shall notify the corporation in writing within five business days after the record date for the annual meeting of any such agreement, arrangement or understanding in effect as of the record date for the annual meeting;

(f) a description of any derivative instrument, swap, option, warrant, short interest, hedge or profit interest that has been entered into by or on behalf of such Eligible Shareholder with respect to any shares of capital stock of the corporation (including the notional number of shares that are the subject thereof) and a description of any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of capital stock) that has been made by or on behalf of such Eligible Shareholder, the effect or intent of which is to mitigate loss to, or to manage the risk or benefit of stock price changes for, such Eligible Shareholder or to increase or decrease the voting power or pecuniary or economic interest of such Eligible Shareholder with respect to capital stock of the corporation (including the notional number of shares that are the subject of such transaction, agreement, arrangement or understanding), and the Eligible Shareholder's agreement that it shall notify the corporation in writing within five business days after the record date for the annual meeting of any such transaction, agreement, arrangement or understanding in effect as of the record date for the annual meeting;

(g) any other information relating to the Eligible Shareholder that is required to be disclosed in solicitations of proxies for elections of directors in an election contest, or is otherwise required, in each case pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and

(h) the written consent of such Eligible Shareholder to the public disclosure of the information provided pursuant to this Section 2.13(G)(vii).

(viii) a written representation that the Eligible Shareholder (including each member of any group of shareholders that together is an Eligible Shareholder hereunder) (a) acquired the Required Shares in the ordinary course of business and not with the intent to change or influence control at the corporation, and does not presently have such intent, (b) presently intends to maintain qualifying ownership of the Required Shares through the date of the annual meeting, (c) has not nominated and shall not nominate for election to the board of directors any person other than the Shareholder Nominee(s) being nominated by such Eligible Shareholder pursuant to this Section 2.13, (d) has not engaged and shall not engage in, and has not and shall not be a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the annual meeting other than its Shareholder Nominee(s) or a nominee of the board of directors, (e) shall not distribute to any shareholder any form of proxy for the annual meeting other than the form distributed by the corporation, (f) agrees to comply with all applicable laws and regulations applicable to any solicitation in connection with the annual meeting, and (g) shall provide facts, statements and other information in all communications with the corporation and its shareholders that are or shall be true and correct in all material respects and do not and shall not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;



(ix) an undertaking that the Eligible Shareholder (including each member of any group of shareholders that together is an Eligible Shareholder hereunder) agrees to (A) assume all liability stemming from any legal or regulatory violation arising out of the Eligible Shareholder's communications with the shareholders of the corporation or out of the information that the Eligible Shareholder provided to the corporation and (B) indemnify and hold harmless the corporation, and each of its directors, officers and employees individually, against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the corporation or any of its directors, officers or employees arising out of any nomination submitted by the Eligible Shareholder pursuant to this Section 2.13.

(H) *Additional Required Information.* At the request of the corporation, each Shareholder Nominee must submit to the secretary of the corporation all completed and signed questionnaires required of directors and officers of the corporation. The corporation may request such additional information as necessary to permit the board of directors to determine if each Shareholder Nominee is independent under the listing standards of each principal U.S. exchange upon which the common shares are listed, any applicable rules of the SEC and any publicly disclosed standards used by the board of directors in determining and disclosing the independence of the corporation's directors.

(I) *Irrevocable Resignation.* Each Shareholder Nominee must provide to the secretary of the corporation, within the time period specified in Section 2.13(B) for delivering the Notice of Proxy Access Nomination, an irrevocable resignation from the board of directors that shall become effective upon a determination by the board of directors or any committee thereof that (i) the information provided to the corporation by the Shareholder Nominee individual pursuant to Section 2.13(G)(v) was untrue in any material respect or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading or (ii) the Shareholder Nominee, or the Eligible Shareholder that nominated the Shareholder Nominee, breached any obligations owed to the corporation under these Regulations.

(J) *Notification and Correction of Defects in Information Provided.* In the event that any information or communications provided by the Eligible Shareholder or the Shareholder Nominee to the corporation or its shareholders ceases to be true and correct in all material respects or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, each Eligible Shareholder or Shareholder Nominee, as the case may be, shall promptly notify the secretary of the corporation of any defect in such previously provided information and of the information that is required to correct any such defect.

(K) *Exclusion of Shareholder Nominees.* The corporation shall not be required to include, pursuant to this Section 2.13, a Shareholder Nominee in its proxy materials for any meeting of shareholders:

(i) if the Eligible Shareholder (or any member of any group of shareholders that together is such Eligible Shareholder) who has nominated such Shareholder Nominee has engaged or is currently engaged in, or has been or is a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the annual meeting other than its Shareholder Nominee(s) or a nominee of the board of directors;

(ii) if the Shareholder Nominee is or becomes a party to any agreement, arrangement or understanding with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with such Shareholder Nominee's candidacy for director of the corporation or service or action as a director of the corporation;

(iii) who is not independent under the listing standards of the principal U.S. exchange upon which the common shares of the corporation are listed, any applicable rules of the SEC and any publicly disclosed standards used by the board of directors in determining and disclosing independence of the corporation's directors, in each case as determined by the board of directors;

(iv) whose election as a member of the board of directors would cause the corporation to be in violation of these Regulations, the corporation's articles of incorporation, as amended, the rules and listing standards of the principal U.S. exchange upon which the common shares of the corporation are listed, or any applicable state or federal law, rule or regulation;

(v) who is or has been, within the past three years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914;

(vi) who is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the past 10 years;

(vii) if such Shareholder Nominee or the applicable Eligible Shareholder (or any member of any group of shareholders that together is such Eligible Shareholder) provides information to the corporation in respect of such nomination that was untrue in any material respect or omitted to state a material fact necessary in order to make the statement made, in light of the circumstances under which they were made, not misleading, as determined by the board of directors or any committee thereof; or

(viii) the Eligible Shareholder (or any member of any group of shareholders that together is such Eligible Shareholder) or applicable Shareholder Nominee fails to comply with its obligations pursuant to this Section 2.13.

(L) *Invalid and Disregarded Nominations.* Notwithstanding anything to the contrary set forth herein, the board of directors or the chairman of the annual meeting of shareholders shall declare a nomination by an Eligible Shareholder to be invalid, and such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the corporation, if (i) the Shareholder Nominee(s) and/or the applicable Eligible Shareholder (or any member of any group of shareholders that together is such Eligible Shareholder) breaches its or their obligations under this Section 2.13, as determined by the board of directors or the chairman of the annual meeting, or (ii) the Eligible Shareholder (or a qualified representative thereof) does not appear at the meeting of shareholders to present any nomination pursuant to this Section 2.13.

(M) *Ineligible Shareholder Nominees.* Any Shareholder Nominee who is included in the corporation's proxy materials for a particular annual meeting of shareholders but either (i) withdraws from or becomes ineligible or unavailable for election at the annual meeting, or (ii) does not receive at least 25% of the votes cast in favor of such Shareholder Nominee's election, shall be ineligible to be a Shareholder Nominee pursuant to this Section 2.13 for the following two annual meetings.

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended January 31, 2015

or

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

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

Commission File Number 1-8897

**BIG LOTS, INC.**

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of incorporation or organization)

300 Phillipi Road, P.O. Box 28512, Columbus, Ohio

(Address of principal executive offices)

06-1119097

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

43228-5311

(Zip Code)

(614) 278-6800

(Registrant's telephone number, including area code)

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

Title of each class

Name of each exchange on which registered

Common Shares \$0.01 par value

New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The aggregate market value of the Common Shares held by non-affiliates of the Registrant (assuming for these purposes that all executive officers and directors are "affiliates" of the Registrant) was \$2,360,292,069 on August 2, 2014, the last business day of the Registrant's most recently completed second fiscal quarter (based on the closing price of the Registrant's Common Shares on such date as reported on the New York Stock Exchange).

The number of the registrant's common shares, \$0.01 par value, outstanding as of March 27, 2015, was 53,932,236.

**Documents Incorporated by Reference**

Portions of the registrant's Proxy Statement for its 2015 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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**BIG LOTS, INC.**  
**FORM 10-K**  
**FOR THE FISCAL YEAR ENDED JANUARY 31, 2015**

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## Part I

### Item 1. Business

#### The Company

Big Lots, Inc., an Ohio corporation, through its wholly owned subsidiaries (collectively referred to herein as “we,” “us,” and “our” except as used in the reports of our independent registered public accounting firm included in Item 8 of this Annual Report on Form 10-K (“Form 10-K”)), is a unique, non-traditional, discount retailer in the United States of America (“U.S.”) (see the discussion below under the caption “Merchandise”). At January 31, 2015, we operated a total of 1,460 stores in the U.S. Our goal is to exceed our core customers' expectations by providing her with great savings on value-priced merchandise, which includes brand-name closeouts. You can locate us on the Internet at [www.biglots.com](http://www.biglots.com). The contents of our websites are not part of this report.

Similar to many other retailers, our fiscal year ends on the Saturday nearest to January 31, which results in some fiscal years being comprised of 52 weeks and some being comprised of 53 weeks. Unless otherwise stated, references to years in this Form 10-K relate to fiscal years rather than to calendar years. The following table provides a summary of our fiscal year calendar and the associated number of weeks in each fiscal year:

<b>Fiscal Year</b>	<b>Number of Weeks</b>	<b>Year Begin Date</b>	<b>Year End Date</b>
2015	52	February 1, 2015	January 30, 2016
2014	52	February 2, 2014	January 31, 2015
2013	52	February 3, 2013	February 1, 2014
2012	53	January 29, 2012	February 2, 2013
2011	52	January 30, 2011	January 28, 2012
2010	52	January 31, 2010	January 29, 2011

We manage our business on the basis of one segment: discount retailing. Please refer to the consolidated financial statements and related notes in this Form 10-K for our financial information. We evaluate and report overall sales and merchandise performance based on the following key merchandising categories: Food, Consumables, Soft Home, Hard Home, Furniture & Home Décor, Seasonal, and Electronics & Accessories. The Food category includes our beverage & grocery, candy & snacks, and specialty foods departments. The Consumables category includes our health and beauty, plastics, paper, chemical, and pet departments. The Soft Home category includes the fashion bedding, utility bedding, bath, decorative textile, window, and area rugs departments. The Hard Home category includes our small appliances, table top, food preparation, stationery, greeting cards, tools, paint, and home maintenance departments. The Furniture & Home Décor category includes our upholstery, mattress, ready-to-assemble, case goods, home décor, and frames departments. The Seasonal category includes our lawn & garden, summer, Christmas, toys, books, sporting goods, and other holiday departments. The Electronics & Accessories category includes the electronics, jewelry, apparel, hosiery, and infant accessories departments. See note 16 to the accompanying consolidated financial statements for the net sales results by merchandise category for 2014, 2013, and 2012.

In May 2001, Big Lots, Inc. was incorporated in Ohio and was the surviving entity in a merger with Consolidated Stores Corporation, a Delaware corporation. By virtue of the merger, Big Lots, Inc. succeeded to all the business, properties, assets, and liabilities of Consolidated Stores Corporation. In July 2011, we acquired 100% of the outstanding shares of Liquidation World Inc. (subsequently named Big Lots Canada, Inc.). In 2014, we completed the wind down and dissolution of Big Lots Canada, Inc.

Our principal executive offices are located at 300 Phillipi Road, Columbus, Ohio 43228, and our telephone number is (614) 278-6800.



## Merchandise

Our business has historically been focused on selling value-based merchandise that was sourced through closeout channels, which can result in inconsistent offerings to our customers. In 2014, we implemented a merchandising strategy to improve the consistency of the value-based merchandise available in our stores by reducing our level of reliance on sourcing closeout offerings in certain merchandise categories. In order to improve the consistency of our merchandise, we introduced new disciplines for purchasing merchandise through the use of a ratings process that measures quality, brand, fashion, and value. This new discipline requires us to focus our decision-making activities around our customers' expectations and enables us to compare the potential performance of traditionally-sourced merchandise, either domestic or import, to closeout merchandise, which is generally sourced from production overruns, packaging changes, discontinued products, order cancellations, liquidations, returns, and other disruptions in the supply chain of manufacturers. We believe this greater level of focus on our customers' expectations will enhance our ability to provide a great mix of offerings in our unique array of merchandise categories and improve our inventory turnover. For net sales and comparable store sales by merchandise category, see the discussion below under the captions "2014 Compared To 2013" and "2013 Compared To 2012" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") of this Form 10-K.

## Real Estate

The following table compares the number of our stores in operation at the beginning and end of each of the last five fiscal years:

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>U.S.</b>					
Stores open at the beginning of the year	1,493	1,495	1,451	1,398	1,361
Stores opened during the year	24	55	87	92	80
Stores closed during the year	(57)	(57)	(43)	(39)	(43)
Stores open at the end of the year	<u>1,460</u>	<u>1,493</u>	<u>1,495</u>	<u>1,451</u>	<u>1,398</u>

During 2009, the U.S. commercial real estate market softened and, as a result, the availability of space improved and rental rates eased, which enabled us to experience net new store growth from 2009 through 2012. During the second half of 2012, we determined that rental rates had begun to stabilize, and in many markets increase, and the availability of quality real estate that met our criteria for performance was declining. The combination of these real estate factors, softness in our financial performance, and transition of senior management led us to slow our net new store growth plans in 2013, which carried into 2014. For additional information about our real estate strategy, see the discussion under the caption "Operating Strategy - Real Estate" in the accompanying MD&A in this Form 10-K.

In addition, in 2011, we acquired 89 stores in Canada as a result of our acquisition of Liquidation World Inc. (subsequently named Big Lots Canada, Inc.), which are not included in the above table. During the first quarter of 2014, we wound down and discontinued the operations of Big Lots Canada, Inc. and closed all of our stores in Canada.

The following table details our U.S. stores by state at January 31, 2015:

Alabama	30	Maine	6	Ohio	99
Arizona	39	Maryland	26	Oklahoma	18
Arkansas	12	Massachusetts	19	Oregon	15
California	159	Michigan	46	Pennsylvania	69
Colorado	19	Minnesota	7	Rhode Island	1
Connecticut	13	Mississippi	14	South Carolina	34
Delaware	5	Missouri	25	South Dakota	1
Florida	105	Montana	3	Tennessee	47
Georgia	55	Nebraska	3	Texas	116
Idaho	6	Nevada	13	Utah	9
Illinois	35	New Hampshire	7	Vermont	4
Indiana	46	New Jersey	28	Virginia	41
Iowa	3	New Mexico	12	Washington	28
Kansas	8	New York	63	West Virginia	17
Kentucky	40	North Carolina	74	Wisconsin	12
Louisiana	24	North Dakota	1	Wyoming	2
				District of Columbia	1
				<b>Total stores</b>	<b>1,460</b>
				<b>Number of states</b>	<b>48</b>

Of our 1,460 stores, 33% operate in four states: California, Texas, Ohio, and Florida, and net sales from stores in these states represented 35% of our 2014 net sales. We have a concentration in these states based on their size, population, and customer base.

### Associates

At January 31, 2015, we had approximately 36,100 active associates comprised of 12,300 full-time and 23,800 part-time associates. Approximately 66% of the associates employed throughout the year are employed on a part-time basis. Temporary associates hired during the fall and winter holiday selling season increased the number of associates to a peak of approximately 40,700 in 2014. We consider our relationship with our associates to be good, and we are not a party to any labor agreements.

### Competition

We operate in the highly competitive retail industry. We face strong sales competition from other general merchandise, discount, food, furniture, arts and crafts, and dollar store retailers, which operate in traditional brick and mortar stores and/or online. Additionally, we compete with a number of companies for retail site locations, to attract and retain quality employees, and to acquire our broad merchandising assortment from vendors.

### Purchasing

Our goal is to deliver great savings to our customers through value-based merchandise offerings. In 2014, we implemented a merchandising strategy to improve the consistency of the value-based merchandise available in our stores by reducing our level of reliance on sourcing closeout offerings in certain merchandise categories. As such, we increased the amount of our purchases of domestically-sourced merchandise. In particular, we expanded our planned purchases in our Food, Soft Home, and Furniture & Home Décor merchandise categories in 2014, which represent merchandise that our customers expect us to consistently offer in our stores at a significant value savings.

Although reduced in certain categories, the sourcing and purchasing of quality closeout merchandise directly from manufacturers and other vendors typically at prices below those paid by traditional discount retailers continues to be an important part of our business. We believe that we have built strong relationships with many brand-name vendors and our relationships and purchasing power enable us to source merchandise that provides exceptional value to our customers. We have the ability to source and purchase significant quantities of closeout merchandise and to control distribution throughout our nationwide store footprint, in accordance with vendor guidelines. We believe our sourcing model, along with our strong credit profile, provides a high level of service and convenience to our vendors. We intend to continue to deepen our relationships with our top 200 vendors. Our sourcing channels also include bankruptcies, liquidations, and insurance claims. We expect that the unpredictability of the retail and manufacturing environments coupled with what we believe is our significant purchasing power position will continue to support our ability to source quality closeout merchandise at competitive prices.

During 2014, we purchased approximately 24% of our merchandise directly from overseas vendors, including approximately 20% from vendors located in China. Additionally, a significant amount of our domestically-purchased merchandise is manufactured abroad. As a result, a significant portion of our merchandise supply is subject to certain risks described in “Item 1A. Risk Factors” of this Form 10-K.

### **Warehouse and Distribution**

The majority of our merchandise offerings are processed for retail sale and distributed to our stores from our five regional distribution centers located in Pennsylvania, Ohio, Alabama, Oklahoma, and California. We selected the locations of our distribution centers in order to minimize transportation costs and the distance from distribution centers to our stores. While certain of our merchandise vendors deliver directly to our stores, the large majority of our inventory is staged and delivered from our distribution centers to facilitate prompt and efficient distribution and transportation of merchandise to our stores and help maximize our sales and inventory turnover rate.

In addition to the regional distribution centers that handle merchandise, we operate a warehouse, within our Ohio distribution center, that distributes fixtures to our stores, and supplies to our stores and our five regional distribution centers.

For additional information regarding our warehouses and distribution facilities and related initiatives, see the discussion under the caption “Warehouse and Distribution” in “Item 2. Properties” of this Form 10-K.

### **Advertising and Promotion**

Our brand image is an important part of our marketing program. Our principal trademarks, including the Big Lots<sup>®</sup> family of trademarks, have been registered with the U.S. Patent and Trademark Office. We use a variety of marketing vehicles to promote our brand operations, including television, internet, social media, in-store point-of-purchase, and print media.

In all markets served by our stores, we design and distribute printed advertising circulars, through a combination of newspaper insertions and mailings. In 2014, we distributed multi-page circulars constituting 30 weeks of advertising coverage, which was consistent with promotions in multi-page circulars in 2013. We create regional versions of these circulars to tailor our advertising message to market differences caused by product availability, climate, and customer preferences. A newer element of our marketing efforts focuses on brand management in social and digital media outlets. We have devoted focused resources to communicate our message directly to our core customers through Facebook<sup>®</sup>, Twitter<sup>®</sup>, Pinterest<sup>®</sup>, and YouTube<sup>®</sup>. A more traditional element of our marketing program is our television campaign, which combines elements of strategic branding and promotion. These same elements are also used in most of our other marketing media. Our highly-targeted media placement strategy uses national cable as the foundation of our television advertising. In addition, we use in-store promotional materials, including in-store signage, to emphasize special bargains and significant values offered to our customers.

Our customer database, which we refer to as the Buzz Club<sup>®</sup>, is an important marketing tool that allows us to communicate in a cost effective manner with our customers, including e-mail delivery of our circulars. In addition to the Buzz Club<sup>®</sup>, we operate the Buzz Club Rewards<sup>®</sup> program (“Rewards”), which allows us to send specialized promotions to targeted customer groups with the intention of reinforcing and expanding their desire to shop at our stores. Total advertising expense as a percentage of total net sales was 1.9% in each of 2014, 2013, and 2012.

## Seasonality

We have historically experienced, and expect to continue to experience, seasonal fluctuations in our sales and profitability, with a larger percentage of our net sales and operating profit realized in our fourth fiscal quarter. In addition, our quarterly net sales and operating profits can be affected by the timing of new store openings and store closings, the timing of advertising, and the timing of certain holidays. We historically receive a higher proportion of merchandise, carry higher inventory levels, and incur higher outbound shipping and payroll expenses as a percentage of sales in our third fiscal quarter in anticipation of increased sales activity during our fourth fiscal quarter. Performance of our fourth fiscal quarter typically reflects a leveraging effect which has a favorable impact on our operating results because net sales are higher and certain of our costs, such as rent and depreciation, are fixed and do not vary as sales levels escalate.

The seasonality of our net sales and related merchandise inventory requirements influences our availability of and demand for cash or access to credit. We historically have drawn upon our credit facility to assist in funding our working capital requirements, which typically peak near the end of our third fiscal quarter. We historically have higher net sales, operating profits, and cash flow provided by operations in the fourth fiscal quarter which allows us to substantially repay our seasonal borrowings. In 2014, our total indebtedness (outstanding borrowings and letters of credit) peaked in November 2014 at approximately \$348 million under our \$700 million unsecured credit facility entered into in July 2011 (“2011 Credit Agreement”), and amended in May 2013 and which expires in May 2018. At January 31, 2015, our total indebtedness under the 2011 Credit Agreement was \$66.5 million, which included \$62.1 million in borrowings and \$4.4 million in outstanding letters of credit. We expect that borrowings will vary throughout 2015 depending on various factors, including our seasonal need to acquire merchandise inventory prior to the peak selling season, the timing and amount of sales to our customers, and the timing of share repurchase or dividend payment activity. For a discussion of our sources and uses of funds, see “Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities” and the discussion under the caption “Capital Resources and Liquidity” in the accompanying MD&A, in this Form 10-K.

## Available Information

We make available, free of charge, through the “Investor Relations” section of our website ([www.biglots.com](http://www.biglots.com)) under the “SEC Filings” caption, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), as soon as reasonably practicable after we file such material with, or furnish it to, the Securities and Exchange Commission (“SEC”). Our filings with the SEC may be read and copied at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. These filings are also available on the SEC’s website at <http://www.sec.gov> free of charge as soon as reasonably practicable after we have filed the above referenced reports.

In this Form 10-K, we incorporate by reference certain information from parts of our Proxy Statement for our 2015 Annual Meeting of Shareholders (“2015 Proxy Statement”).

In the “Investor Relations” section of our website ([www.biglots.com](http://www.biglots.com)) under the “Corporate Governance” and “SEC Filings” captions, the following information relating to our corporate governance may be found: Corporate Governance Guidelines; charters of our Board of Directors’ Audit, Compensation, and Nominating/Corporate Governance Committees; and our Public Policy and Environmental Affairs Committee; Code of Business Conduct and Ethics; Code of Ethics for Financial Officers; Chief Executive Officer and Chief Financial Officer certifications related to our SEC filings; the means by which shareholders may communicate with our Board of Directors; and transactions in our securities by our directors and executive officers. The Code of Business Conduct and Ethics applies to all of our associates, including our directors and our principal executive officer, principal financial officer, and principal accounting officer. The Code of Ethics for Financial Professionals applies to our Chief Executive Officer and all other Senior Financial Officers (as that term is defined therein) and contains provisions specifically applicable to the individuals serving in those positions. We intend to satisfy the requirement under Item 5.05 of Form 8-K regarding disclosure of amendments to and waivers from, if any, our Code of Business Conduct and Ethics (to the extent applicable to our directors and executive officers (including our principal executive officer, principal financial officer and principal accounting officer)) and our Code of Ethics for Financial Professionals in the “Investor Relations” section of our website ([www.biglots.com](http://www.biglots.com)) under the “Corporate Governance” caption. We will provide any of the foregoing information without charge upon written request to our Corporate Secretary. The contents of our website are not incorporated into, or otherwise made a part of, this Form 10-K.

## Item 1A. Risk Factors

The statements in this section describe the material risks to our business and should be considered carefully. In addition, these statements constitute cautionary statements under the Private Securities Litigation Reform Act of 1995.

Our disclosure and analysis in this Form 10-K and in our 2014 Annual Report to Shareholders contain forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, we also provide forward-looking statements in other materials we release to the public as well as oral forward-looking statements. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. Such statements are commonly identified by using words such as "anticipate," "estimate," "expect," "objective," "goal," "project," "intend," "plan," "believe," "will," "should," "may," "target," "forecast," "guidance," "outlook," and similar expressions in connection with any discussion of future operating or financial performance. In particular, forward-looking statements include statements relating to future actions, future performance, or results of current and anticipated products, sales efforts, expenses, interest rates, the outcome of contingencies, such as legal proceedings, and financial results.

We cannot guarantee that any forward-looking statement will be realized. Achievement of future results is subject to risks, uncertainties, and potentially inaccurate assumptions. If known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated, or projected results set forth in the forward-looking statements. You should bear this in mind as you consider forward-looking statements.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date thereof. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC.

The following cautionary discussion of material risks, uncertainties, and assumptions relevant to our businesses describes factors that, individually or in the aggregate, we believe could cause our actual results to differ materially from expected and historical results. Additional risks not presently known to us or that we presently believe to be immaterial also may adversely impact us. Should any risks or uncertainties develop into actual events, these developments could have material adverse effects on our business, financial condition, results of operations, and liquidity. Consequently, all of the forward-looking statements are qualified by these cautionary statements, and there can be no assurance that the results or developments we anticipate will be realized or that they will have the expected effects on our business or operations. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. There can be no assurances that we have correctly and completely identified, assessed, and accounted for all factors that do or may affect our business, financial condition, results of operations, and liquidity, as it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties.

Our ability to achieve the results contemplated by forward-looking statements is subject to a number of factors, any one, or a combination, of which could materially affect our business, financial condition, results of operations, or liquidity. These factors may include, but are not limited to:

***If we are unable to successfully execute our operating strategies, our operating performance could be significantly impacted.***

There is a risk that we will be unable to meet or exceed our operating performance targets and goals in the future if our strategies and initiatives are unsuccessful. In 2013, we hired a new Chief Executive Officer who has since replaced several members of our senior leadership team. This team has developed and begun execution of our new strategic plan. Our ability to continue the development of our strategic plan and to further execute the business activities associated with our strategic and operating plans, could impact our ability to meet our operating performance targets. See the accompanying MD&A in this Form 10-K for additional information concerning our operating strategy.

***If we are unable to compete effectively in the highly competitive discount retail industry, our business and results of operations may be materially adversely affected.***

The discount retail industry, which includes both traditional brick and mortar stores and online marketplaces, is highly competitive. As discussed in Item 1 of this Form 10-K, we compete for customers, products, employees, real estate, and other aspects of our business with a number of other companies. Some of our competitors have greater financial, broader distribution (e.g., more stores and a current online presence), marketing, and other resources than us. It is possible that increased competition, significant discounting, or improved performance by our competitors may reduce our market share, gross margin, and operating margin, and may materially adversely affect our business and results of operations.

***If we are unable to compete effectively in today's omni-channel retail marketplace, our business and results of operations may be materially adversely affected.***

We are currently developing an omni-channel retail strategy, including our online retailing capabilities. With the continued expansion of mobile computing devices, competition from other retailers in the online retail marketplace is expected to increase. Certain of our competitors, and a number of pure online retailers, have established online operations against which we compete for customers and products. It is possible that the increasing competition in the online retail space may reduce our market share, gross margin, and operating margin, and may materially adversely affect our business and results of operations in other ways. Our current strategic plan includes providing an omni-channel experience and online retailing capabilities, which we intend to use to increase the volume of our total net sales. Development of an online retail marketplace is a complex undertaking and there is no guarantee that the resources we apply to this effort will result in increased revenues or improved operating performance. If our online retailing initiatives do not meet our customers' expectations, the initiatives may reduce our customers' desire to purchase goods from us both online and at our brick and mortar stores and may materially adversely affect our business and results of operations.

***Our inability to properly manage our inventory levels and offer merchandise that our customers want may materially impact our business and financial performance.***

We must maintain sufficient inventory levels to successfully operate our business. However, we also must seek to avoid accumulating excess inventory to maintain appropriate in-stock levels. We obtain approximately one quarter of our merchandise directly from vendors outside of the U.S. These foreign vendors often require lengthy advance notice of our requirements in order to be able to supply products in the quantities that we request. This usually requires us to order merchandise and enter into purchase order contracts for the purchase of such merchandise well in advance of the time these products are offered for sale. As a result, we may experience difficulty in responding to a changing retail environment, which makes us vulnerable to changes in price and in consumer preferences. In addition, we attempt to maximize our operating profit and operating efficiency by delivering proper quantities of merchandise to our stores in a timely manner. If we do not accurately anticipate future demand for a particular product or the time it will take to replenish inventory levels, our inventory levels may not be appropriate and our results of operations may be negatively impacted.

***We rely on manufacturers located in foreign countries for significant amounts of merchandise and a significant amount of our domestically-purchased merchandise is manufactured abroad. Our business may be materially adversely affected by risks associated with international trade.***

Global sourcing of many of the products we sell is an important factor in driving higher operating profit. During 2014, we purchased approximately 24% of our products directly from overseas vendors including 20% from vendors located in China, and a significant amount of our domestically-purchased merchandise is manufactured abroad. Our ability to identify qualified vendors and to access products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced outside of the U.S. Global sourcing and foreign trade involve numerous factors and uncertainties beyond our control including increased shipping costs, increased import duties, more restrictive quotas, loss of most favored nation trading status, currency and exchange rate fluctuations, work stoppages, transportation delays, economic uncertainties such as inflation, foreign government regulations, political unrest, natural disasters, war, terrorism, trade restrictions (including retaliation by the United States against foreign practices), political instability, the financial stability of vendors, merchandise quality issues, and tariffs. These and other issues affecting our international vendors could materially adversely affect our business and financial performance.

***Changes by vendors related to the management of their inventories may reduce the quantity and quality of brand-name closeout merchandise available to us or may increase our cost to acquire brand-name closeout merchandise, either of which may materially adversely affect our revenues and gross margin.***

We have very little control over the supply, design, function, availability, or cost of much of the closeout merchandise that we source for sale in our stores. Our ability to meet or exceed our operating performance targets depends upon the sufficient availability of closeout merchandise that we can acquire and offer at prices that represent a value to our customers. To the extent that certain of our vendors are better able to manage their inventory levels and reduce the amount of their excess inventory, the amount of closeout merchandise available to us could be materially reduced. Shortages or disruptions in the availability of closeout merchandise of a quality acceptable to our customers and us would likely have a material adverse effect on our sales and gross margin and may result in customer dissatisfaction.

***Disruption to our distribution network, the capacity of our distribution centers, and the timely receipt of merchandise inventory could adversely affect our operating performance.***

We rely on our ability to replenish depleted merchandise inventory through deliveries to our distribution centers and from the distribution centers to our stores by various means of transportation, including shipments by sea, rail and truck carriers. A decrease in the capacity of carriers and/or labor strikes / disruptions (e.g., the West Coast, including the port of Los Angeles, disruption during the latter part of 2014 and early months of 2015) or shortages in the transportation industry could negatively affect our distribution network, the timely receipt of merchandise and transportation costs. In addition, long-term disruptions to the U.S. and international transportation infrastructure from wars, political unrest, terrorism, natural disasters, governmental budget constraints and other significant events that lead to delays or interruptions of service could adversely affect our business. Also, a fire, earthquake, or other disaster at one of our distribution centers could disrupt our timely receipt, processing and shipment of merchandise to our stores which could adversely affect our business. Additionally, as we seek to expand our operation through the development of our online retail capabilities, we may face increased or unexpected demands on distribution center operations, as well as unexpected demands on our distribution network.

***If we are unable to secure customer, employee, vendor and company data, our systems could be compromised, our reputation could be damaged, and we could be subject to penalties or lawsuits.***

In the normal course of business, we process and collect relevant data about our customers, employees and vendors. The protection of our customer, employee, vendor and company data is critical to us. We have implemented procedures, processes and technologies designed to safeguard our customers' debit and credit card information and other private data, our employees' and vendors' private data, and the Company's records and intellectual property. We also utilize third party service providers in connection with certain technology related activities, including credit card processing, website hosting, data encryption and software support. We require these providers to take appropriate measures to secure such data and information and to assess their ability to do so. Despite our procedures, technologies and other information security measures, we cannot be certain that our information technology systems or the information technology systems of our third-party service providers are or will be able to prevent, contain or detect all cyberattacks, cyberterrorism, or security breaches. As evidenced by other retailers who have recently suffered serious security breaches, we may be vulnerable to data security breaches and data loss, including cyberattacks. A breach of our security measures or our third-party service providers' security measures, the misuse of our customer, employee, vendor and company data or information or our failure to comply with applicable privacy and information security laws and regulations could result in the exposure of sensitive data or information, attract a substantial amount of negative media attention, damage our customer or employee relationships and our reputation and brand, distract the attention of management from their other responsibilities, subject the company to government enforcement actions, private litigation, penalties and costly response measures, and result in lost sales and a reduction in the market value of our common shares. While we have insurance, in the event we experience a data or information security breach, our insurance may not be sufficient to cover the impact to our business, or insurance proceeds may not be paid timely.

In addition, the regulatory environment surrounding data and information security and privacy is increasingly demanding, as new and revised requirements are frequently imposed across our business. For example, during 2015, we will be required to comply with new chip card standards. Compliance with more demanding privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes.

***If we are unable to maintain or upgrade our computer systems or if we are unable to convert to alternate systems in an efficient and timely manner, our operations may be disrupted or become less efficient.***

We depend on a variety of information technology and computer systems for the efficient functioning of our business. We rely on certain hardware, telecommunications and software vendors to maintain and periodically upgrade many of these systems so that we can continue to support our business. Various components of our information technology and computer systems, including hardware, networks, and software, are licensed to us by third party vendors. We rely extensively on our information technology and computer systems to process transactions, summarize results, and manage our business. Our information technology and computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyberattack or other security breaches, catastrophic events such as fires, floods, earthquakes, tornados, hurricanes, acts of war or terrorism, and usage errors by our employees or our contractors. In recent years, we have begun using hosted solutions for certain of our information technology and computers systems, which are more exposed to telecommunication failures. If our information technology or computer systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, and we may suffer loss of critical data and interruptions or delays in our operations as a result. Any material interruption experienced by our information technology or computer systems could negatively affect our business and results of operations. Costs and potential interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of our existing systems could disrupt or reduce the efficiency of our business.

***Declines in general economic condition, disposable income levels, and other conditions could lead to reduced consumer demand for our merchandise thereby materially affecting our revenues and gross margin.***

Our results of operations can be directly impacted by the health of the U.S. economy. Our business and financial performance may be adversely impacted by current and future economic conditions, including factors that may restrict or otherwise negatively impact consumer financing, disposable income levels, unemployment levels, energy costs, interest rates, recession, inflation, the impact of unseasonable weather, natural disasters or terrorist activities and other matters that influence consumer spending. Specifically, our Soft Home, Hard Home, Home Decor & Furniture and Seasonal merchandise categories may be threatened when disposable income levels are negatively impacted by economic conditions. Additionally, the net sales of cyclical product offerings in our Seasonal category may be threatened when we experience extended periods of unseasonable weather. In particular, the economic conditions and weather patterns of four states (Ohio, Texas, California, and Florida) are important as approximately 33% of our current stores operate and 35% of our 2014 net sales occurred in these states.

***Changes in federal or state legislation and regulations, including the effects of legislation and regulations on product safety and hazardous materials, could increase our cost of doing business and adversely affect our operating performance.***

We are exposed to the risk that new federal or state legislation, including new product safety and hazardous material laws and regulations, may negatively impact our operations and adversely affect our operating performance. Additional changes in product safety legislation or regulations may lead to product recalls and the disposal or write-off of merchandise, as well as fines or penalties and reputational damage. If our merchandise, including food and consumable products, do not meet applicable governmental safety standards or our customers' expectations regarding quality or safety, we could experience lost sales, increased costs and be exposed to legal and reputational risk. Additionally, if we discard or dispose of our merchandise, particularly that which is non-salable, in a fashion that is inconsistent with jurisdictional standards, we could expose ourselves to certain fines and litigation costs related to hazardous material regulations. Our inability to comply on a timely basis with regulatory requirements, execute product recalls in a timely manner, or consistently implement waste management standards, could result in fines or penalties which could have a material adverse effect on our financial results. In addition, negative customer perceptions regarding the safety of the products we sell could cause us to lose market share to our competitors. If this occurs, it may be difficult for us to regain lost sales.



***We may be subject to periodic litigation and regulatory proceedings, including Fair Labor Standards Act, state wage and hour, and shareholder class action lawsuits, which may adversely affect our business and financial performance.***

From time to time, we are involved in lawsuits and regulatory actions, including various collective or class action lawsuits that are brought against us for alleged violations of the Fair Labor Standards Act, state wage and hour laws, sales tax and consumer protection laws, False Claims Act, and federal securities laws. We also are involved in shareholder derivative lawsuits and investigations concerning our compliance with environmental and hazardous waste regulations. Due to the inherent uncertainties of litigation, we may not be able to accurately determine the impact on us of any future adverse outcome of such proceedings. The ultimate resolution of these matters could have a material adverse impact on our financial condition, results of operations, and liquidity. In addition, regardless of the outcome, these proceedings could result in substantial cost to us and may require us to devote substantial attention and resources to defend ourselves. For a description of certain current legal proceedings, see note 10 to the accompanying consolidated financial statements.

***Our current insurance program may expose us to unexpected costs and negatively affect our financial performance.***

Our insurance coverage is subject to deductibles, self-insured retentions, limits of liability and similar provisions that we believe are prudent based on the dispersion of our operations. However, we may incur certain types of losses that we cannot insure or which we believe are not economically reasonable to insure, such as losses due to acts of war, employee and certain other crime, and some natural disasters. If we incur these losses and they are material, our business could suffer. Certain material events may result in sizable losses for the insurance industry and adversely impact the availability of adequate insurance coverage or result in excessive premium increases. To offset negative cost trends in the insurance market, we may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to these market changes. In addition, we self-insure a significant portion of expected losses under our workers' compensation, general liability, including automobile, and group health insurance programs. Unanticipated changes in any applicable actuarial assumptions and management estimates underlying our recorded liabilities for these losses, including potential increases in medical and indemnity costs, could result in materially different amounts of expense than expected under these programs, which could have a material adverse effect on our financial condition and results of operations. Although we continue to maintain property insurance for catastrophic events, we are self-insured for losses up to the amount of our deductibles. If we experience a greater number of self-insured losses than we anticipate, our financial performance could be adversely affected.

***If we are unable to attract, train, and retain highly qualified associates while also controlling our labor costs, our financial performance may be negatively affected.***

Our customers expect a positive shopping experience, which is driven by a high level of customer service from our associates and a quality presentation of our merchandise. To grow our operations and meet the needs and expectations of our customers, we must attract, train, and retain a large number of highly qualified associates, while at the same time control labor costs. We compete with other retail businesses for many of our associates in hourly and part-time positions. These positions have historically had high turnover rates, which can lead to increased training and retention costs. In addition, our ability to control labor costs is subject to numerous external factors, including prevailing wage rates, the impact of legislation or regulations governing labor relations or benefits, and health insurance costs.

***The loss of key personnel may have a material impact on our future results of operations.***

We believe that we benefit substantially from the leadership and experience of our senior executives. The loss of services of these individuals could have a material adverse impact on our business. Competition for key personnel in the retail industry is intense and our future success will depend on our ability to recruit, train, and retain our senior executives and other qualified personnel.

***If we are unable to retain existing and secure suitable new store locations under favorable lease terms, our financial performance may be negatively affected.***

We lease almost all of our stores and a significant number of these leases expire or are up for renewal each year, as noted below in “Item 2. Properties” in this Form 10-K. Our strategy to improve our financial performance includes sales growth while managing the occupancy cost of each of our stores. The primary component of our sales growth strategy revolves around increasing our comparable store sales, which will require renewing many leases each year. Additional components of our sales growth strategy are to relocate certain stores to a new location within an existing market and to open new store locations, either as an expansion in an existing market or as an entrance into a new market. If the commercial real estate market does not allow for us to negotiate favorable lease renewals and new store leases, our financial position, results of operations, and liquidity may be negatively affected.

***Our inability, if any, to comply with the terms of the 2011 Credit Agreement may have a material adverse effect on our capital resources, financial condition, results of operations, and liquidity.***

We have the ability to borrow funds under the 2011 Credit Agreement and we utilize this ability at various times depending on operating or other cash flow requirements. The 2011 Credit Agreement contains financial and other covenants, including, but not limited to, limitations on indebtedness, liens, and investments, as well as the maintenance of a leverage ratio and a fixed charge coverage ratio. A violation of any of these covenants may permit the lenders to restrict our ability to further access loans and letters of credit and may require the immediate repayment of any outstanding loans. Our failure to comply with these covenants may have a material adverse effect on our capital resources, financial condition, results of operations, and liquidity.

***A significant decline in our operating profit and taxable income may impair our ability to realize the value of our long-lived assets and deferred tax assets.***

We are required by accounting rules to periodically assess our property and equipment and deferred tax assets for impairment and recognize an impairment loss or valuation charge, if necessary. In performing these assessments, we use our historical financial performance to determine whether we have potential impairments or valuation concerns and as evidence to support our assumptions about future financial performance. If our financial performance significantly declines, it could negatively affect the results of our assessments of the recoverability of our property and equipment and our deferred tax assets and trigger the impairment of these assets. Impairment or valuation charges taken against property and equipment and deferred tax assets could be material and could have a material adverse impact on our capital resources, financial condition, results of operations, and liquidity (see the discussion under the caption “Critical Accounting Policies and Estimates” in the accompanying MD&A in this Form 10-K for additional information regarding our accounting policies for long-lived assets and income taxes).

***Changes in accounting guidance could significantly affect our results of operations and the presentation of those results.***

Changes in accounting standards, including new interpretations and applications of accounting standards, may have adverse effects on our financial condition, results of operations, and liquidity. The Financial Accounting Standards Board (“FASB”) has issued and/or adopted new guidance that proposes numerous significant changes to current accounting standards. This new guidance could significantly change the presentation of financial information and our results of operations. Additionally, the new guidance may require us to make systems and other changes that could increase our operating costs. Specifically, implementing future accounting guidance related to leases could require us to make significant changes to our lease management system or other accounting systems.

***The price of our common shares as traded on the New York Stock Exchange may be volatile.***

Our stock price may fluctuate substantially as a result of factors beyond our control, including but not limited to, general economic and stock market conditions, risks relating to our business and industry as discussed above, strategic actions by us or our competitors, variations in our quarterly operating performance, our future sales or purchases of our common shares, and investor perceptions of the investment opportunity associated with our common shares relative to other investment alternatives. Additionally, based on the announcement of our quarterly dividend program, our stock price may reflect the expectation that we will declare cash dividends at the current level or greater levels in the future. Future dividends are subject to the discretion of our Board of Directors, and will depend on our financial condition, results of operations, capital requirements, compliance with applicable laws and agreements and any other factors deemed relevant by our Board. If we fail to meet any of the expectations related to future growth, profitability, or dividends, our stock price may decline significantly, which could have a material adverse impact on investor confidence and employee retention.

*We also may be subject to a number of other factors which may, individually or in the aggregate, materially or adversely affect our business. These factors include, but are not limited to:*

- Fluctuating commodity prices, including but not limited to diesel fuel and other fuels used to generate power by utilities, may affect our gross profit and operating profit margins.
- Changes in governmental laws and regulations, including matters related to taxation. In particular, income tax reform in which the marginal tax rates are significantly reduced could adversely impact the value of our net deferred tax assets;
- A downgrade in our credit rating could negatively affect our ability to access capital or could increase our borrowing costs;
- Events or circumstances could occur which could create bad publicity for us or for types of merchandise offered in our stores which may negatively impact our business results including our sales;
- Infringement of our intellectual property, including the Big Lots trademarks, could dilute their value;
- Other risks described from time to time in our filings with the SEC.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 2. Properties**

##### **Retail Operations**

All of our stores are located in the United States, predominantly in strip shopping centers, and have an average store size of approximately 30,900 square feet, of which an average of 21,900 is selling square feet. For additional information about the properties in our retail operations, see the discussion under the caption “Real Estate” in “Item 1. Business” in this Form 10-K.

The average cost to open a new store in a leased facility during 2014 was approximately \$1.1 million, including the cost of inventory. Except for 55 owned sites, all of our stores are leased. Additionally, we still own one site, which we closed in 2012, for which we have not yet completed the sale transaction. Since this owned site is no longer operating as an active store, it has been excluded from our store count at January 31, 2015. The 55 owned stores are located in the following states:

<b>State</b>	<b>Stores Owned</b>
Arizona	2
California	39
Colorado	3
Florida	3
Louisiana	1
Michigan	1
New Mexico	2
Ohio	1
Texas	3
<b>Total</b>	<b>55</b>

Store leases generally obligate us for fixed monthly rental payments plus the payment, in most cases, of our applicable portion of real estate taxes, common area maintenance costs (“CAM”), and property insurance. Some leases require the payment of a percentage of sales in addition to minimum rent. Such payments generally are required only when sales exceed a specified level. Our typical store lease is for an initial minimum term of five to ten years with multiple five-year renewal options. Sixty-nine store leases have sales termination clauses which can result in our exiting a location at our option if certain sales volume results are not achieved.

The following table summarizes the number of store lease expirations in each of the next five fiscal years and the total thereafter. In addition, as stated above, many of our store leases have renewal options. The table also includes the number of leases that are scheduled to expire each year that do not have a renewal option. The information includes stores with more than one lease and leases for stores not yet open. It excludes 5 month-to-month leases and 55 owned locations.

<b>Fiscal Year:</b>	<b>Expiring Leases</b>	<b>Leases Without Options</b>
2015	262	64
2016	278	46
2017	222	38
2018	251	42
2019	220	39
Thereafter	173	18

### Warehouse and Distribution

At January 31, 2015, we owned approximately 9.0 million square feet of distribution center and warehouse space. We own and operate five regional distribution centers strategically located across the United States in Ohio, California, Alabama, Oklahoma, and Pennsylvania. The regional distribution centers utilize warehouse management technology, which we believe enables high accuracy and efficient processing of merchandise from vendors to our retail stores. The combined output of our regional distribution centers was approximately 2.6 million cartons per week in 2014. Certain vendors deliver merchandise directly to our stores when it supports our operational goal to deliver merchandise from our vendors to the sales floor in the most efficient manner.

The number of owned distribution centers and warehouse space and the corresponding square footage of the facilities by state at January 31, 2015, were as follows:

<b>State</b>	<b>Owned</b>	<b>Leased</b>	<b>Total</b>	<b>Square Footage</b>		
				<b>Owned</b>	<b>Leased</b>	<b>Total</b>
<i>(Square footage in thousands)</i>						
Ohio	1	—	1	3,559	—	3,559
California	1	—	1	1,423	—	1,423
Alabama	1	—	1	1,411	—	1,411
Oklahoma	1	—	1	1,297	—	1,297
Pennsylvania	1	—	1	1,295	—	1,295
<b>Total</b>	<b>5</b>	<b>—</b>	<b>5</b>	<b>8,985</b>	<b>—</b>	<b>8,985</b>

### Corporate Office

We own the facility in Columbus, Ohio that serves as our general office for corporate associates.

### Item 3. Legal Proceedings

Item 103 of SEC Regulation S-K requires that we disclose actual or known contemplated legal proceedings to which a governmental authority and we are each a party and that arise under laws dealing with the discharge of materials into the environment or the protection of the environment, if the proceeding reasonably involves potential monetary sanctions of \$100,000 or more. Accordingly, please refer to the discussion in note 10 to the accompanying consolidated financial statements regarding the subpoena we received from the District Attorney for the County of Alameda, State of California and the matter regarding the California Air Resources Board.

Aside from these matters, no response is required under Item 103 of Regulation S-K. For a discussion of certain litigated matters, also see note 10 to the accompanying consolidated financial statements

#### Item 4. Mine Safety Disclosures

None.

#### Supplemental Item. Executive Officers of the Registrant

Our executive officers at March 31, 2015 were as follows:

Name	Age	Offices Held	Officer Since
David J. Campisi	59	Chief Executive Officer and President	2013
Lisa M. Bachmann	53	Executive Vice President, Chief Operating Officer	2002
Richard R. Chene	52	Executive Vice President, Chief Merchandising Officer	2013
Timothy A. Johnson	47	Executive Vice President, Chief Financial Officer	2004
Michael A. Schlonsky	48	Senior Vice President, Human Resources and Corporate Secretary	2000
Andrew D. Stein	49	Senior Vice President, Chief Customer Officer	2013

*David J. Campisi* is our Chief Executive Officer and President. Before joining Big Lots in May 2013, Mr. Campisi served as the Chairman and Chief Executive Officer of Respect Your Universe, Inc., an activewear retailer. Mr. Campisi previously served as the Chairman, President and Chief Executive Officer of The Sports Authority, Inc., a sporting goods retailer. Prior to that, Mr. Campisi served as Executive Vice President and General Merchandise Manager, Women's Apparel, Accessories, Intimates and Cosmetics of Kohl's Corporation, a department store retailer. Additionally, Mr. Campisi served as Senior Vice President and General Merchandise Manager, Apparel, Home, and Home Electronics of Fred Meyer's Corporation, a department store retailer.

*Lisa M. Bachmann* is responsible for store operations, information technology, merchandise planning and allocation, and distribution and transportation services. Ms. Bachmann was promoted to Executive Vice President, Chief Operating Officer in August 2012, and assumed responsibility for store operations. Ms. Bachmann was promoted to Executive Vice President, Supply Chain Management and Chief Information Officer in March 2010 and assumed responsibility for distribution and transportation services. Ms. Bachmann assumed responsibility for information technology in 2005. Ms. Bachmann joined us as Senior Vice President, Merchandise Planning, Allocation and Presentation in March 2002. Prior to joining us, Ms. Bachmann was Senior Vice President of Planning and Allocation of Ames Department Stores, Inc., a discount retailer.

*Richard R. Chene* is responsible for merchandising and global sourcing. Mr. Chene joined us in November 2013 as Executive Vice President, Chief Merchandising Officer. Prior to joining us, Mr. Chene was the President of The Kitchen Collection, a kitchenware retailer, and Vice President, General Merchandise Manager of Petco Animal Supplies, Inc., a pet store retailer. Additionally, Mr. Chene has served as a divisional merchandise manager at Sears Holdings Corporation, Giant Eagle, Inc., and May Department Stores, Co., which are general merchandise and grocery retailers.

*Timothy A. Johnson* is responsible for financial reporting and controls, financial planning and analysis, treasury, risk management, tax, internal audit, investor relations, real estate and asset protection. Mr. Johnson was promoted to Executive Vice President, Chief Financial Officer in March 2014. Mr. Johnson assumed responsibility for real estate in June of 2013 and asset protection in November 2013. Mr. Johnson was promoted to Senior Vice President, Chief Financial Officer in August 2012, and assumed responsibility for our treasury and risk management. He was promoted to Senior Vice President of Finance in July 2011 after serving as Vice President of Strategic Planning and Investor Relations since January 2004. He joined us in August 2000 as Director of Strategic Planning. Prior to joining us, Mr. Johnson held various positions of increasing responsibility at L Brands, Inc., culminating in his last position as a divisional Director of Financial Reporting at L Brands, Inc., an apparel retailer.

*Michael A. Schlonsky* is responsible for talent management and oversight of human resources. He was promoted to Senior Vice President, Human Resources in August 2012. Mr. Schlonsky was promoted to Vice President, Associate Relations and Benefits in 2010 and assumed responsibility for compensation in 2011. Prior to that, Mr. Schlonsky was promoted to Vice President, Associate Relations and Risk Management in 2005. Mr. Schlonsky joined us in 1993 as Staff Counsel and was promoted to Director, Risk Management in 1998, and to Vice President, Risk Management and Administrative Services in 2000.

*Andrew D. Stein* is responsible for marketing, advertising, brand development and merchandise presentation. Mr. Stein joined us in 2013 as Senior Vice President, Chief Customer Officer. Prior to joining us, Mr. Stein was the Chief Marketing Officer at Kmart, a division of Sears Holding Corporation, a retailer.

## Part II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common shares are listed on the New York Stock Exchange ("NYSE") under the symbol "BIG." The following table reflects the high and low sales prices for our common shares as reported on the NYSE composite tape for the fiscal periods indicated:

	2014		2013	
	High	Low	High	Low
First Quarter	\$ 40.24	\$ 25.50	\$ 37.81	\$ 32.07
Second Quarter	46.39	36.76	39.22	31.17
Third Quarter	48.52	41.23	37.98	31.56
Fourth Quarter	\$ 51.75	\$ 38.15	\$ 39.02	\$ 26.49

In June 2014, we announced that our Board of Directors commenced a cash dividend program. Since the commencement of the program, we have declared and paid three quarterly cash dividends of \$0.17 per common share for a total paid amount of approximately \$27.8 million. In the first quarter of 2015, our Board of Directors declared a dividend payable on April 3, 2015 to holders of record on March 20, 2015 and increased the amount of the dividend from \$0.17 to \$0.19 per share. Although it is the present intention of our Board of Directors to continue to pay a quarterly cash dividend in the future, the determination to pay future dividends will be at the discretion of our Board of Directors and will depend on our financial condition, results of operations, capital requirements, compliance with applicable laws and agreements and any other factors deemed relevant by our Board.

After making such investments and paying declared dividends, the Company has utilized its excess cash for share repurchase programs. Any future decisions on the uses of excess cash will be determined by our Board of Directors taking into account business conditions then existing, including our earnings, financial requirements and condition, opportunities for reinvesting cash, and other factors.

The following table sets forth information regarding our repurchase of our common shares during the fourth fiscal quarter of 2014:

*(In thousands, except price per share data)*

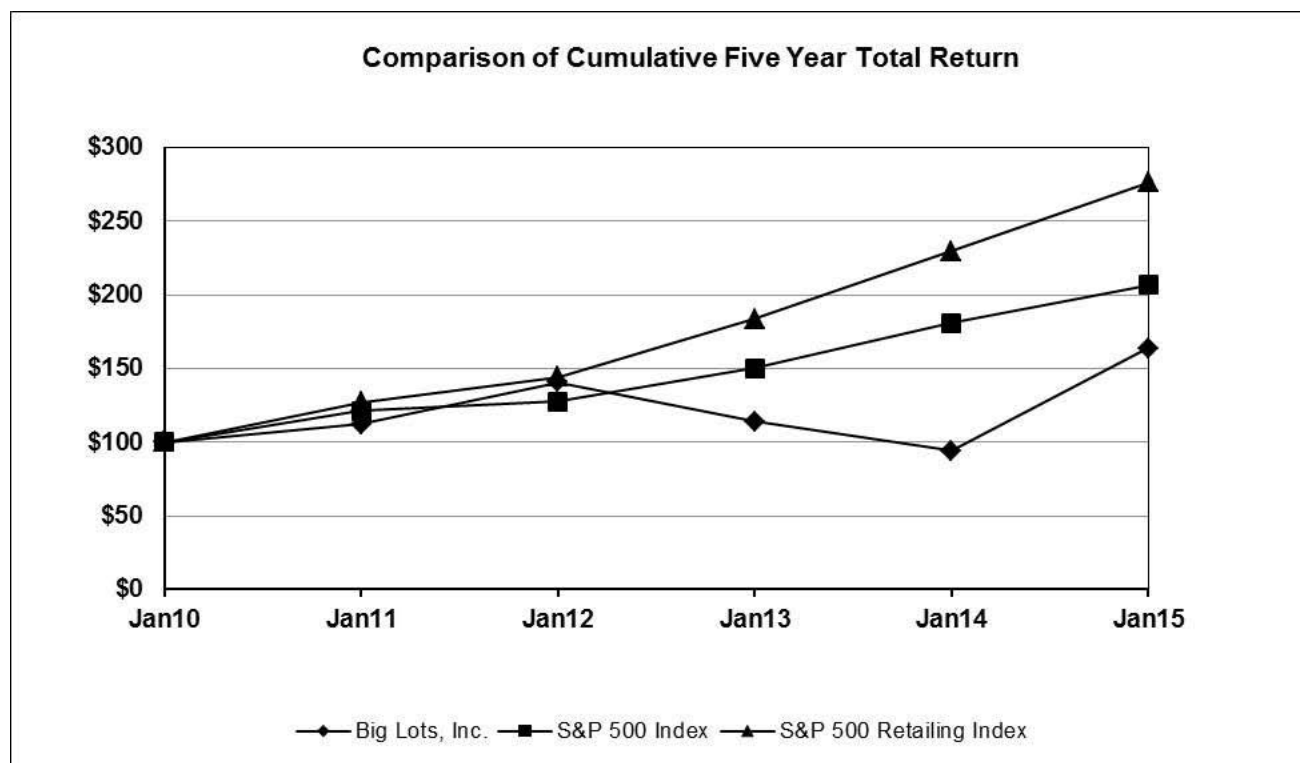
Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
November 2, 2014 - November 29, 2014	225	\$ 45.22	225	\$ —
November 30, 2014 - December 27, 2014	—	—	—	—
December 28, 2014 - January 31, 2015	—	—	—	—
Total	225	\$ 45.22	225	\$ —

On August 28, 2014, our Board of Directors authorized a program for the repurchase of up to \$125.0 million of our common shares ("August 2014 Repurchase Program"). The August 2014 Repurchase Program was exhausted during the fourth quarter of 2014.

On March 4, 2015, our Board of Directors authorized a program for the repurchase of up to \$200.0 million of our common shares ("2015 Repurchase Program"). The 2015 Repurchase Program has no scheduled termination date.

At the close of trading on the NYSE on March 27, 2015, there were approximately 798 registered holders of record of our common shares.

The following graph and table compares, for the five fiscal years ended January 31, 2015, the cumulative total shareholder return for our common shares, the S&P 500 Index, and the S&P 500 Retailing Index. Measurement points are the last trading day of each of our fiscal years ended January 29, 2011, January 28, 2012, February 2, 2013, February 1, 2014 and January 31, 2015. The graph and table assume that \$100 was invested on January 30, 2010, in each of our common shares, the S&P 500 Index, and the S&P 500 Retailing Index and reinvestment of any dividends. The stock price performance on the following graph and table is not necessarily indicative of future stock price performance.



**Indexed Returns  
Years Ended**

Company / Index	Base Period					
	January 2010	January 2011	January 2012	January 2013	January 2014	January 2015
<b>Big Lots, Inc.</b>	\$ 100.00	\$ 112.00	\$ 140.80	\$ 113.83	\$ 94.30	\$ 163.49
<b>S&amp;P 500 Index</b>	100.00	121.26	127.71	150.19	180.93	206.66
<b>S&amp;P 500 Retailing Index</b>	\$ 100.00	\$ 127.16	\$ 144.23	\$ 183.30	\$ 229.77	\$ 275.94

## Item 6. Selected Financial Data

The following statements of operations and balance sheet data have been derived from our consolidated financial statements and should be read in conjunction with MD&A and the consolidated financial statements and related notes included herein.

<i>(In thousands, except per share amounts and store counts)</i>	<b>Fiscal Year</b>				
	<b>2014</b> <sup>(a)(c)</sup>	<b>2013</b> <sup>(a)(c)</sup>	<b>2012</b> <sup>(b)(c)</sup>	<b>2011</b> <sup>(a)(c)</sup>	<b>2010</b> <sup>(a)</sup>
Net sales	\$ 5,177,078	\$ 5,124,755	\$ 5,212,318	\$ 5,097,144	\$ 4,905,631
Cost of sales (exclusive of depreciation expense shown separately below)	3,133,124	3,117,386	3,157,632	3,058,442	2,904,600
Gross margin	2,043,954	2,007,369	2,054,686	2,038,702	2,001,031
Selling and administrative expenses	1,699,764	1,664,031	1,639,770	1,594,346	1,569,271
Depreciation expense	119,702	113,228	103,146	88,324	78,540
Operating profit	224,488	230,110	311,770	356,032	353,220
Interest expense	(2,588)	(3,293)	(4,184)	(2,738)	(2,573)
Other income (expense)	—	(12)	2	163	612
Income from continuing operations before income taxes	221,900	226,805	307,588	353,457	351,259
Income tax expense	85,239	85,515	117,071	133,880	131,132
Income from continuing operations	136,661	141,290	190,517	219,577	220,127
(Loss) income from discontinued operations, net of tax	(22,385)	(15,995)	(13,396)	(12,513)	2,397
Net income	\$ 114,276	\$ 125,295	\$ 177,121	\$ 207,064	\$ 222,524
<b>Earnings per common share - basic:</b>					
Continuing operations	\$ 2.49	\$ 2.46	\$ 3.18	\$ 3.21	\$ 2.84
Discontinued operations	(0.41)	(0.28)	(0.22)	(0.18)	0.03
	\$ 2.08	\$ 2.18	\$ 2.96	\$ 3.03	\$ 2.87
<b>Earnings per common share - diluted:</b>					
Continuing operations	\$ 2.46	\$ 2.44	\$ 3.15	\$ 3.16	\$ 2.80
Discontinued operations	(0.40)	(0.28)	(0.22)	(0.18)	0.03
	\$ 2.06	\$ 2.16	\$ 2.93	\$ 2.98	\$ 2.83
<b>Weighted-average common shares outstanding:</b>					
Basic	54,935	57,415	59,852	68,316	77,596
Diluted	55,552	57,958	60,476	69,419	78,581
<b>Cash dividends declared per common share</b>	\$ 0.51	\$ —	\$ —	\$ —	\$ —
<b>Balance sheet data:</b>					
Total assets	\$ 1,635,891	\$ 1,739,599	\$ 1,753,626	\$ 1,641,310	\$ 1,619,599
Working capital	450,600	543,614	460,996	421,836	509,788
Cash and cash equivalents	52,261	68,629	60,581	68,547	177,539
Long-term obligations under bank credit facility	62,100	77,000	171,200	65,900	—
Shareholders' equity	\$ 789,550	\$ 901,427	\$ 758,142	\$ 823,233	\$ 946,793
<b>Cash flow data:</b>					
Cash provided by operating activities	\$ 318,562	\$ 198,334	\$ 281,133	\$ 318,471	\$ 315,257
Cash used in investing activities	\$ (90,749)	\$ (97,495)	\$ (130,357)	\$ (120,712)	\$ (114,552)
<b>Store data:</b>					
Total gross square footage	45,134	45,708	45,505	43,932	42,037
Total selling square footage	32,006	32,732	32,623	31,512	30,210
Stores opened during the fiscal year	24	55	87	92	80
Stores closed during the fiscal year	(57)	(57)	(43)	(39)	(43)
Stores open at end of the fiscal year	1,460	1,493	1,495	1,451	1,398

(a) The period presented is comprised of 52 weeks.

(b) The period presented is comprised of 53 weeks.



- (c) On July 18, 2011, we completed our acquisition of Liquidation World Inc. (subsequently named Big Lots Canada, Inc.), whose results are included in the consolidated results since that date. In the first quarter of 2014, we ceased the operations of Big Lots Canada, Inc.; therefore, the results of operations for all fiscal years presented have been reclassified to reflect Big Lots Canada, Inc. as discontinued operations.

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### Overview

The discussion and analysis presented below should be read in conjunction with the accompanying consolidated financial statements and related notes. Please refer to “Item 1A. Risk Factors” of this Form 10-K for a discussion of forward-looking statements and certain risk factors that may have a material adverse effect on our business, financial condition, results of operations, and/or liquidity.

Our fiscal year ends on the Saturday nearest to January 31, which results in some fiscal years with 52 weeks and some with 53 weeks. Fiscal years 2014 and 2013 were each comprised of 52 weeks. Fiscal year 2012 was comprised of 53 weeks. Fiscal year 2015 will be comprised of 52 weeks.

### Operating Results Summary

The following are the results from 2014 that we believe are key indicators of our operating performance when compared to 2013.

- Net sales increased \$52.3 million, or 1.0%.
- Comparable store sales for stores open at least fifteen months increased \$87.3 million, or 1.8%.
- Gross margin dollars increased \$36.6 million with a 30 basis point increase in gross margin rate to 39.5% of sales.
- Selling and administrative expenses increased \$35.8 million. As a percentage of net sales, selling and administrative expenses increased 30 basis points to 32.8% of net sales.
- Operating profit rate decreased 20 basis points to 4.3%.
- Diluted earnings per share from continuing operations increased from \$2.44 per share to \$2.46 per share.
- Inventory decreased by 6.9% or \$63.3 million to \$851.7 million from 2013.
- We acquired 6.1 million of our outstanding common shares for \$250.0 million, under our March 2014 Repurchase Program and August 2014 Repurchase Program combined, at a weighted average price of \$40.94 per share.
- We declared and paid three quarterly cash dividends in the amount of \$0.17 per common share, for a total paid amount of approximately \$27.8 million.

The following table compares components of our consolidated statements of operations as a percentage of net sales:

	2014	2013	2012
Net sales	100.0%	100.0%	100.0%
Cost of sales (exclusive of depreciation expense shown separately below)	60.5	60.8	60.6
Gross margin	39.5	39.2	39.4
Selling and administrative expenses	32.8	32.5	31.5
Depreciation expense	2.3	2.2	2.0
Operating profit	4.3	4.5	6.0
Interest expense	(0.0)	(0.1)	(0.1)
Other income (expense)	0.0	(0.0)	0.0
Income from continuing operations before income taxes	4.3	4.4	5.9
Income tax expense	1.6	1.7	2.2
Income from continuing operations	2.6	2.8	3.7
Loss from discontinued operations, net of tax	(0.4)	(0.3)	(0.3)
Net income	2.2%	2.4%	3.4%

See the discussion below under the captions “2014 Compared To 2013” and “2013 Compared To 2012” for additional details regarding the specific components of our operating results.

In 2013, our selling and administrative expenses include a \$4.4 million charge associated with the settlement of a legal matter, which was partially offset by a \$3.6 million gain on the sale of a company-owned property in California.

In 2012, the cost of sales increase included a charge of \$5.6 million (0.1% of net sales) due to a change in accounting principle resulting from our successful implementation of new retail inventory management systems. This non-cash charge reduced both income from continuing operations and net income by \$3.4 million, or 10 basis points. Please see note 1 to the accompanying consolidated financial statements for a more detailed discussion regarding this change in accounting principle.

### Seasonality

As discussed in “Item 1. Business - Seasonality” of this Form 10-K, our financial results fluctuate from quarter to quarter depending on various factors such as the timing of new or closed stores, the timing and extent of advertisements and promotions, and the timing of holidays. We expect the Christmas holiday selling season to continue to produce a significant portion of our sales and operating profits. If our sales performance is significantly better or worse during the Christmas holiday selling season, we would expect a more pronounced impact on our annual financial results than if our sales performance is significantly better or worse in a different season.

The following table sets forth the seasonality of net sales and operating profit for 2014, 2013, and 2012 by fiscal quarter:

	First	Second	Third	Fourth
<b>Fiscal Year 2014</b>				
Net sales as a percentage of full year	24.7%	23.1%	21.4%	30.8%
Operating profit as a percentage of full year	21.0	12.4	(1.7)	68.3
<b>Fiscal Year 2013</b>				
Net sales as a percentage of full year	24.7%	23.0%	21.6%	30.7%
Operating profit as a percentage of full year	26.7	15.9	(1.2)	58.6
<b>Fiscal Year 2012</b>				
Net sales as a percentage of full year	24.1%	22.6%	20.8%	32.5%
Operating profit as a percentage of full year	24.1	13.7	(0.9)	63.1

## Operating Strategy

In May of 2013, Mr. Campisi joined us as our Chief Executive Officer and President. Under Mr. Campisi's leadership, we reevaluated the key components of our operating strategy, our leadership and organizational structure, and the businesses that we operated. After performing his review, Mr. Campisi and the senior management team introduced our new operating strategy, the Edit to Amplify strategy ("Edit to Amplify"), which applies to all aspects of our business, but has a particular focus on merchandising, marketing, and our customers' shopping experience, all of which we believe are the key drivers of our net sales. Edit to Amplify is a strategy that focuses our entire attention on our core customer. We believe our Edit to Amplify strategy will help us to exceed the expectations of our core customer, to whom we refer as Jennifer, by adopting a customer-first mentality and delivering a product assortment that meets her everyday needs while delivering excitement and surprises aimed to drive discretionary purchases. The following sections of this MD&A provide additional discussion and analysis of our Edit to Amplify strategy. As we continue to implement the new focus of our business, during 2015, we anticipate:

- Earnings per diluted share from continuing operations to be \$2.75 to \$2.90.
- Comparable store sales increase in the low single digits, partially offset by a lower expected store count, which would result in approximately flat net sales.
- Opening 15 new stores and closing 45 stores.
- Cash flow (operating activities less investing activities) of approximately \$175 million for future reinvestment, return to shareholders, and/or to lower our obligations under the 2011 Credit Agreement.
- Cash returned to shareholders of approximately \$240 million, through our quarterly dividend program and a \$200 million share repurchase program.

The "2014 Compared To 2013" section below provides additional discussion and analysis of our financial performance and the assumptions and expectations upon which we are basing our guidance for our future results.

### *Merchandising*

Our goal of exceeding our core customer's expectations will be driven by the delivery of a product assortment that is meaningful to our core customer, combined with the quality and ease of the shopping experience. Our Edit to Amplify strategy focuses on the two separate "Edit" and "Amplify" components to achieve our goal of exceeding our core customer's expectations. The "Edit" component focuses on continuously evaluating our product mix and downsizing, or potentially eliminating, those departments within our merchandise categories and product offerings which we believe are not top of mind with our core customer and we do not maintain a competitive advantage. The "Amplify" component of our Edit to Amplify strategy seeks to expand the assortment of those departments within our merchandise categories and product offerings that we believe are important to our core customer's shopping experience and with respect to which we believe we have a competitive advantage in pricing and/or sourcing. We believe our merchandise categories – Food, Consumables, Soft Home, Hard Home, Furniture & Home Décor, Seasonal, and Electronics & Accessories – align our business with how our core customer shops our stores.

Our merchandise categories place differing emphasis on essential items (needs) and discretionary items (wants).

- Our Food and Consumables categories focus primarily on catering to our core customers' daily essentials, or "need, use, buy most" items, by providing significant value and consistency of product offerings. We believe we possess a competitive advantage in the Food and Consumables categories based on our sourcing capabilities for closeout merchandise. Manufacturers and vendors have closeout merchandise for a variety of different reasons, including other retailers canceling orders, other retailers going out of business, marketing or packaging changes, or a new product launch that has underperformed. We believe our vendor relationships along with the size and financial strength of our company afford us these opportunities. Supplementing our closeout strategy, we have expanded and improved the consistency of our offerings in these categories. During 2014, in direct response to our consumer research findings, we expanded the amount of square footage allocated to Food and Consumables in our stores, enabling us to offer more branded merchandise for sales on a daily basis. Additionally, we also decided to further expand our everyday offerings by installing coolers and freezers in a significant portion of our stores. We plan to complete this program around the end of the first quarter of 2015, resulting in approximately 1,300 stores being operational in the cooler and freezer program.

- Our Soft Home and Hard Home categories will address our core customers' cooking and living essentials, such as tabletop, bedding, and bath, as well as their home-related discretionary items, such as small appliances, home fashion, and accents. We believe that our competitive advantage in the Soft Home and Hard Home categories is based on the quality, brand, fashion, and value of our merchandise offerings, with a particular focus on value and savings. In these categories, our merchandise mix is comprised of replenishable products or assortments we develop with our vendor partners. The closeout penetration in these businesses is meaningfully lower than in our Food and Consumables categories. In 2014, we performed significant edit activities to areas that our core customer communicated were not important to her, such as home maintenance, tools, and paint. Additionally, in 2014, we began to amplify our assortment in Soft Home by introducing more fashion-based products that our core customer uses to decorate her home. In 2015, we will continue to introduce additional fashion-based products as we expand our space allocation and offerings, while downsizing other categories where we do not possess a competitive advantage.
- Our Furniture & Home Décor category primarily focuses on our core customers' home furnishing needs, such as upholstery, mattresses, ready-to-assemble, and case goods, as well as discretionary items, such as décor, frames, and framed art. In Furniture & Home Décor, we believe our competitive advantage is attributable to our sourcing relationships and everyday value offerings. The large majority of our offerings in this category consists of replenishable products either from recognized brand-name manufacturers or sold under our own brands. Our long-standing relationships with certain brand-name manufacturers, most notably in our mattresses and upholstery departments, allow us to work directly with them to create product offerings specifically for our store, which allows us to provide a high-quality product at a competitive price. During 2014, we rolled out a third party lease-to-purchase program, to which we refer as Easy Leasing, in approximately 1,300 of our stores. We believe this program increased our competitive advantage and increased sales by offering a different financing option to a portion of our customer base. In 2015, we expect to build customer awareness of this program through our marketing efforts and sales training initiatives to drive additional growth.
- Our Seasonal and Electronics & Accessories categories focus around our core customers' discretionary purchases, such as patio furniture and Christmas trim. For the Seasonal and Electronics & Accessories categories, there is not always an abundant supply of closeout inventory. As a result, we generally work with vendors to develop product for us based on our merchants' market evaluations. Much of this merchandise is sourced on an import basis, which allows us to maintain our competitive pricing. During 2014, we edited our assortment of offerings in both our Seasonal and Electronics & Accessories categories in response to reduced customer demand for certain merchandise. Specifically, we reduced the offerings in our Toy department and our Electronics department, including our tablets, digital cameras, gaming, and DVD products. During 2015, we expect to continue to edit and narrow our offerings in the Seasonal category, primarily related to reducing the amount of selling square footage allocated to our toy offerings.

Our merchandising management team is aligned with our merchandise categories and is responsible for introducing and implementing broader programs associated with merchandise execution. Their primary goal is to increase our total company comparable store sales ("comp" or "comps"). We focus our performance review of members within merchandise management on comps by merchandise category, as we believe it is the key metric that will drive long-term company net sales performance. By focusing on growing merchandise categories, which includes managing contraction in certain departments, we believe our merchandise management team can address our customer's changing shopping behaviors and implement more tailored programs within each merchandise category, which we believe will lead to continued growth in our comps in 2015.

### ***Marketing***

The top priority of all of our marketing activities is to increase our comps. In the fourth quarter of 2013, we shifted our marketing efforts to focus on making a stronger connection with our core customer in the forms of media that have become integral in her daily life. During 2014, we deepened our use of social and digital media outlets, specifically on Facebook<sup>®</sup>, Twitter<sup>®</sup>, Pinterest<sup>®</sup>, and YouTube<sup>®</sup>, by conducting entire campaigns through these outlets in an effort to drive increased brand awareness with our core customer, while also attempting to speak to a new potential customer. These outlets provide us with the ability to deliver our brand message directly to Jennifer, while also providing her with the ability to provide direct feedback, which can aid us in better understanding her needs and, in turn, guide us in developing and delivering to her a high-quality customer experience.

Given our core customers' proficiency with mobile devices and digital media, we have continued to further our use of electronic communications, particularly with our Buzz Club Rewards<sup>®</sup> members. During 2014, we expanded our use of category-specific promotional activities primarily delivered through targeted email campaigns that promote the best of our unique merchandise offerings. The goals of the promotions can vary from attempting to tailor a member's future shopping experiences based on past purchasing behaviors by providing relevant information on complementary offerings to introducing a member to products that she has previously not purchased from us to enhance product awareness and encourage the member to change their shopping habits. As we learn additional information about our rewards members, we will continue to refine our methodologies to effectively incentivize their behaviors.

In addition to electronic, social and digital media, our marketing communication efforts involve a mix of television advertising, printed ad circulars, and in-store signage. The primary goals of our television advertising are to promote our brand and, from time to time, promote products or special discounts in our stores. Our printed advertising circulars and our in-store signage initiatives focus on promoting our value proposition on our unique merchandise offerings.

### ***Shopping Experience***

During 2013, we tested a variety of initiatives aimed at improving our core customers' shopping experience with an overall goal of driving increased comps. In 2014, we began the roll-out of two programs, consistent with our customer-first mentality.

First, in 2013, we analyzed our customer financing program available in our Furniture & Home Décor category, and concluded that our old offering was not competitive as too few of our customers qualified for credit. We were not providing an adequate financing solution to assist our core customer in completing the larger purchases they desired. During the first and second quarters of 2014, we began and completed the implementation of a new lease-to-purchase solution for our customers, provided by a third party. Our new provider's program has qualified a larger percentage of our core customers for access to financing, which assisted us in achieving near double-digit comps in Furniture & Home Décor during the second half of 2014. In 2015, we believe our new lease-to-purchase program will increase comps in the Furniture & Home Décor and Seasonal categories, as the program will be active for the entire fiscal year as compared to only a portion of the year in 2014.

Second, in 2013, we tested a cooler and freezer program in approximately 100 stores. The goal of the program was to increase the convenience of the shopping experience for our core customer in our Food category. We determined that our core customer could not complete a portion of the weekly grocery shopping in our stores, as we did not offer refrigerated and frozen food products needed to complete her basket. Our test results were positive; therefore, we implemented our cooler and freezer program to an additional 650 stores by the end of the third quarter of 2014. Also, our introduction of coolers and freezers, and the associated product assortment, assisted us in becoming authorized to accept customer benefits qualifying for certain governmental assistance programs, such as the supplemental nutrition assistance program ("SNAP"), which has provided our customer with another source of funds to spend at our stores. The results of the program expansion in 2014 were positive, which has led us to expand the program further to an additional 550 stores during January and into the first quarter of 2015. We believe this program will continue to drive comps in both our Food and Consumables categories.

During 2014, we began some additional initiatives to enhance our core customers' shopping experience, including (1) upgrading our point-of-sales ("POS") systems; and (2) developing an e-commerce platform. During the third quarter of 2014, we began the chain-wide roll-out of our new POS systems. We chose to invest in an upgrade to our POS systems to improve the speed of transactions, increase functionality, and reduce our maintenance burden as our prior hardware was nearing the end of its useful life. We will complete the roll-out of our new POS systems during 2015.

Additionally, during 2014, we began our project to develop an e-commerce platform to enter into the online marketplace. Our efforts during 2014 were focused around designing a platform that can be integrated with our retail infrastructure to enhance our core customer's shopping experience. In 2015, we will be focusing on building and integrating our e-commerce platform into our business operations, and we expect to be positioned to offer products for sale online in late fiscal 2015, or early fiscal 2016.

## ***Real Estate***

We have determined our average store size of approximately 22,000 selling square feet is appropriate for us to provide our core customers with a positive shopping experience and properly present a representative assortment of products in the merchandise categories that our core customer finds meaningful. Accordingly, when we relocate or open new stores in the future, we intend to open stores of a similar size. Additionally, in 2014, we established more stringent merchandise presentation and store layout requirements for our new properties, which are intended to ensure a more consistent shopping experience across our stores. In 2012 and 2013, we performed store remodel programs in approximately 3% of our stores. Although we believe the remodeled stores create an improved shopping experience, incremental sales results for these markets in 2013 were inconsistent and we did not continue the roll-out of the program. In 2014, these stores again experienced inconsistent performance; therefore, we are not planning for a broader roll-out of this program.

In 2015, we will continue to focus on improving our comps and enhancing our core customer's shopping experience. Currently, we anticipate a decrease in our total store count in 2015, as we have fewer planned store openings as compared to expected store closings. As discussed in "Item 2. Properties," of this Form 10-K, we have 262 U.S. store leases that will expire in 2015. During 2015, we anticipate closing approximately 45 of those locations. The majority of these closings will result from a lack of renewal options or our belief that a location's sales and operating profit volume are not strong enough to warrant additional investment in the location. As part of our evaluation of potential store closings, we consider our ability to transfer sales from a closing store to other nearby locations and generate a better overall financial result for the geographic market and the Company. The balance of the closings will result from our decision to relocate the store to an improved location nearby. For our remaining store locations with fiscal 2015 lease expirations, we expect to exercise our renewal option or negotiate lease renewal terms sufficient to allow us to continue operations and achieve an acceptable return on our investment.

## **Discontinued Operations**

During the first quarter of 2014, we ceased our Canadian operations by closing all of our stores in Canada. Accordingly, we reclassified the results of our Canadian operations to discontinued operations for all periods presented. In conjunction with the wind down of our Canadian operations in the first quarter of 2014, we recorded \$23.0 million in contract termination costs, primarily associated with store operating leases, \$2.2 million in severance costs associated with our store and corporate office operations in Canada, and \$5.1 million in foreign currency losses associated with the reclassification of the cumulative translation adjustment from other comprehensive income. After the first quarter of 2014, we incurred approximately \$1.9 million in costs, which were primarily associated with professional services and negotiating termination of our leased facilities with our former landlords.

Additionally, we have elected to classify in discontinued operations the U.S. income tax benefit related to the excess tax basis in the common shares of Big Lots Canada, Inc. that we should recover as a worthless stock deduction in 2014, as this deduction was generated from our Canadian operations which we have also classified as discontinued operations. During 2014, the amount of this income tax benefit that we recognized was \$13.8 million.

During 2013, we completed the wind down of our wholesale business, which was located in the U.S. As we ceased wholesale operations in 2013, we reported the results of our wholesale business as discontinued operations for all periods presented. See note 13 to the accompanying consolidated financial statements for a more detailed discussion of all of our discontinued operations.

## 2014 COMPARED TO 2013

### Net Sales

Net sales by merchandise category (in dollars and as a percentage of total net sales), net sales change (in dollars and percentage), and comps in 2014 compared to 2013 were as follows:

<i>(In thousands)</i>	2014		2013		Change		Comps
Furniture & Home Décor	\$ 1,160,640	22.4%	\$ 1,072,410	20.9%	\$ 88,230	8.2%	8.3%
Consumables	953,028	18.4	918,124	17.9	34,904	3.8	5.0
Seasonal	888,146	17.2	907,787	17.7	(19,641)	(2.2)	(2.7)
Food	821,915	15.9	747,840	14.6	74,075	9.9	11.0
Hard Home	499,034	9.6	565,126	11.0	(66,092)	(11.7)	(8.8)
Soft Home	460,256	8.9	427,137	8.4	33,119	7.8	8.6
Electronics & Accessories	394,059	7.6	486,331	9.5	(92,272)	(19.0)	(17.8)
Net sales	\$ 5,177,078	100.0%	\$ 5,124,755	100.0%	\$ 52,323	1.0%	1.8%

We periodically assess, and make minor adjustments to, our product hierarchy, which can impact the roll-up of our merchandise categories. Our financial reporting process utilizes the most current product hierarchy in reporting net sales by merchandise category for all periods presented. Therefore, there may be minor reclassifications of net sales by merchandise category compared to previously reported amounts.

Net sales increased \$52.3 million or 1.0% to \$5,177.1 million in 2014, compared to \$5,124.8 million in 2013. The increase in net sales was principally due to a 1.8% increase in comps, which increased net sales by \$87.3 million, partially offset by the net decrease of 33 stores since the end of 2013, which decreased net sales by \$35.0 million. The Food category experienced positive comps in all departments due to an improved consistency of assortment and more branded products, particularly in our new coolers and freezers. During 2014, we began the roll-out of our coolers and freezers program, which had been installed in approximately 750, or 50%, of our stores as of the end of third quarter of 2014. Our Soft Home category experienced net sales and comp increases in many departments, with the primary driver being improved quality, brand, fashion, and value. The Furniture & Home Décor category experienced a positive and improving comp during 2014, primarily as a result of the completion of the roll-out of our lease-to-purchase program during the second quarter of 2014. Consumables experienced a comp increase, which was driven by growth in all departments, particularly our pet department in the first quarter of 2014, which benefited from a product and space expansion at the end of the first quarter of 2013 and has been an area where we have expanded our assortment. The negative comps in our Seasonal category were primarily driven by our decision to narrow our assortments in toys and Halloween in response to a multi-year trend of lower customer demand. Hard Home experienced negative comps as a result of our decision in late 2013 to narrow the product offerings in this category through “edit” activities in our Edit to Amplify strategy, specifically in our home maintenance, auto, tools, and paint departments. The negative comps in Electronics & Accessories were also a result of our “edit” activities in our Edit to Amplify strategy, as we continue to narrow the merchandise assortment in our electronics department, particularly in our tablet, digital camera, gaming and DVD products, based on our customer’s response to our product offerings, and overall trends for this category in the retail marketplace.

For 2015, we expect net sales to be approximately flat compared to 2014, which is based on an anticipated increase in comps in the low single digits partially offset by a lower expected store count. We expect above average comps from our Furniture & Home Décor, Food, Consumables, and Soft Home categories, driven by growth from our lease-to-own program, continued investment in coolers and freezers, and the slight expansion in the space allocated to Soft Home. We anticipate below average comps in our Seasonal category, due to the continued downsizing of our Toys department based on our expectations of customer demand, and our Hard Home and Electronics & Accessories categories.

## **Gross Margin**

Gross margin dollars increased \$36.6 million or 1.8% to \$2,044.0 million in 2014, compared to \$2,007.4 million in 2013. The increase in gross margin dollars was principally due to both an increase in net sales, which increased gross margin dollars by approximately \$20.5 million, and a higher gross margin rate, which increased gross margin dollars by approximately \$16.1 million. Gross margin as a percentage of net sales increased 30 basis points to 39.5% in 2014 compared to 39.2% in 2013. The gross margin rate increase was principally due to a lower overall markdown rate in 2014 as compared to 2013, which included significant markdowns from the initial implementation of our Edit to Amplify merchandise strategy.

For 2015, we expect our gross margin rate to be slightly higher than 2014, as we anticipate a slightly lower markdown rate on our merchandise and slightly lower shrink, partially offset by merchandise mix pressure with a higher percentage of sales in our Food category from our continued roll-out of our coolers and freezers program.

## **Selling and Administrative Expenses**

Selling and administrative expenses were \$1,699.8 million in 2014, compared to \$1,664.0 million in 2013. The increase of \$35.8 million, or 2.2%, was primarily due to increases in accrued bonus expense of \$26.2 million, self-insurance costs of \$8.6 million, store occupancy expenses of \$5.2 million, corporate office payroll expenses of \$2.6 million, and store utilities expense of \$2.3 million, and the absence of a gain on the sale of real estate of \$3.6 million. These increases were partially offset by a decrease in store related payroll of \$6.1 million, the absence of a non-recurring litigation settlement of \$4.4 million, and a decrease in share-based compensation expense of \$2.7 million. The increase in accrued bonus expense was directly related to better financial performance in 2014 relative to our annual operating plan as compared to our performance during 2013. The increase in self-insurance costs was due to an unfavorable development for our self-insurance programs, particularly our general liability coverage, during the fourth quarter of 2014. The increase in store occupancy expense was primarily the result of an increase in store rents from the exercise of lease options and property maintenance costs. The increase in corporate office payroll costs was driven by our investment in our merchandising team and expansion of our marketing team as we develop our omnichannel strategy. The increase in utilities expense was primarily attributable to the unseasonably cold weather in many regions of the U.S. during the first quarter of 2014, and the roll-out of our coolers and freezers program, which has gradually increased our energy consumption. The gain on sale of real estate resulted from our sale of an owned store location in the third quarter of 2013, which did not recur in 2014. The decrease in store related payroll resulted from a net decrease of 33 stores compared to 2013. The non-recurring litigation settlement was the result of a loss contingency for a legal matter that was recognized in the first quarter of 2013 and finalized in the second quarter of 2013. The decrease in share-based compensation expense was primarily driven by the forfeiture of awards by individuals affected by separation activities and the associated reversal of costs, and the change in the types of equity instruments awarded in 2014 compared to 2013 (specifically the replacement of stock options with performance share units which have a different expense recognition pattern).

As a percentage of net sales, selling and administrative expenses increased by 30 basis points to 32.8% in 2014 compared to 32.5% in 2013. The primary driver of the 30 basis point increase was the increase of accrued bonus expense which accounted for a 50 basis point increase partially offset by a 20 basis point leverage in selling and administrative expenses caused by the increase in net sales. Our future selling and administrative expense as a percentage of net sales rate is dependent upon many factors including our level of net sales, our ability to implement additional efficiencies, principally in our store and distribution center operations, and fluctuating commodity prices, such as diesel fuel, which directly affects our outbound transportation cost.

For 2015, we are forecasting an expense rate slightly lower than the rate achieved in 2014. Store expenses, distribution and transportation expenses, and advertising costs are expected to leverage as dollar growth in these areas is forecasted to be at a slower rate than our anticipated comparable store sales growth. These leveraged expenses are expected to be partially offset by certain operational investments in e-commerce activities.



**Depreciation Expense**

Depreciation expense increased \$6.5 million to \$119.7 million in 2014 compared to \$113.2 million in 2013. The increase was directly related to capital expenditures in both 2013 and 2014 associated with the implementation of our coolers and freezers program, store projects, and maintenance of existing stores and distribution centers. Depreciation expense as a percentage of net sales increased by 10 basis points compared to 2013.

For 2015, we expect capital expenditures of approximately \$130 million to \$135 million, which includes continued roll-out of our coolers and freezers and point-of-sale system replacement programs, development of our e-commerce technologies, maintenance capital for our stores, distribution centers, and corporate offices, and the construction and opening of 15 new stores. Using this assumption and the run rate of depreciation on our existing property and equipment, we expect 2015 depreciation expense to be approximately \$120 million to \$125 million, which would represent an increase from the \$119.7 million of depreciation expense in 2014.

**Operating Profit**

Operating profit was \$224.5 million in 2014 as compared to \$230.1 million in 2013. The decrease in operating profit was primarily driven by the items discussed in the "Net Sales", "Gross Margin", "Selling and Administrative Expenses", and "Depreciation Expense" sections above. In summary, the increase in our net sales and gross margin was slightly more than offset by increases in selling and administrative expenses and depreciation expense.

**Interest Expense**

Interest expense decreased \$0.7 million to \$2.6 million in 2014 compared to \$3.3 million in 2013. The decrease in interest expense was primarily driven by decreased borrowings in 2014. We had total average borrowings (including capital leases) of \$105.5 million in 2014 compared to total average borrowings of \$158.7 million in 2013. The decrease in total average borrowings was primarily the result of utilizing the excess of our cash inflows from operations, which exceeded cash outflows from investing activities, to repay portions of our indebtedness.

**Income Taxes**

The effective income tax rate in 2014 and 2013 for income from continuing operations was 38.4% and 37.7%, respectively. The increase in our effective rate was principally driven by the recognition of fewer employment-related tax credits in 2014 due to the late 2014 one-year, retroactive renewal of federal hiring credits and the decline in generation of California employment-related credits due to the termination of the program, coupled with fewer discrete settlement benefits compared to 2013.

## 2013 COMPARED TO 2012

### Net Sales

Net sales by merchandise category, in dollars and as a percentage of total net sales, net sales change in dollars and percentage, and comps from 2013 compared to 2012 were as follows:

<i>(In thousands)</i>	2013		2012		Change		Comps
Furniture & Home Decor	\$ 1,072,410	20.9%	\$ 1,060,993	20.4%	\$ 11,417	1.1 %	(0.5)%
Consumables	918,124	17.9	905,444	17.4	12,680	1.4	1.0
Seasonal	907,787	17.7	923,434	17.7	(15,647)	(1.7)	(3.3)
Food	747,840	14.6	742,267	14.2	5,573	0.8	0.0
Hard Home	565,126	11.0	591,523	11.3	(26,397)	(4.5)	(5.2)
Electronics & Accessories	486,331	9.5	556,658	10.7	(70,327)	(12.6)	(13.1)
Soft Home	427,137	8.4	431,999	8.3	(4,862)	(1.1)	(2.1)
Net sales	\$ 5,124,755	100.0%	\$ 5,212,318	100.0%	\$ (87,563)	(1.7)%	(2.7)%

Net sales decreased \$87.6 million or 1.7% to \$5,124.8 million in 2013, compared to \$5,212.3 million in 2012. The decrease in net sales was primarily driven by a 2.7% decrease in comparable store sales, which reduced net sales by \$131.5 million, and the reduction of one week of sales in 2013 compared to 2012, as 2012 was a 53-week retail calendar year. Our comps are calculated by using all stores that were open for at least fifteen months. This decline was partially offset by an increase of \$43.9 million, principally due to operating a higher average number of open stores during 2013 than 2012. Consumables experienced a comp increase, which was principally driven by growth in our pet department, which benefited from a product and space expansion during the first half of 2013. Food generated a flat comp, which was comprised of negative comps in the first half of 2013 and positive comps during the second half of 2013, as customers responded to improved consistency of quality, branded product assortments and closeouts in most major departments. The slight comp decrease in Furniture & Home Décor was driven by comp decreases in our home décor offerings, partially offset by a comp increase in our traditional furniture business (e.g. upholstery, mattresses, case goods, and ready-to-assemble departments). The decrease in Soft Home comps occurred in most departments, which was a significant contributing factor to the re-alignment of the former Home category. We believe separating Soft Home and Hard Home merchandise and aligning our merchants in those areas will narrow their focus and allow us to provide an assortment that is consistent with our core customer's needs. The decrease in our Seasonal category's comp was driven by an underperformance during our holiday selling season, particularly in our toys and Christmas trim departments, which was negatively impacted by the snow and cold weather which occurred early in the holiday selling season. The Seasonal category decrease was partially offset by a positive performance in our lawn & garden department driven by a better merchandise assortment in our patio offerings and a favorable summer weather pattern in 2013 compared to 2012. The decrease in Hard Home comps occurred in most departments and was driven by our home maintenance, auto, tools, and paint departments, which was a primary consideration when determining to exit these classifications after continued underperformance. The decrease in comps in Electronics & Accessories was primarily driven by lower electronics sales, particularly in tablet, digital camera, gaming and DVD products, as customers have not responded to our assortment of product offerings. Additionally, throughout 2013, we began to narrow our product offerings in our electronics department in order to appropriately react to our customer's response and overall trends for this category in the retail marketplace.

### Gross Margin

Gross margin dollars decreased \$47.3 million or 2.3% to \$2,007.4 million in 2013, compared to \$2,054.7 million in 2012. The decrease in gross margin dollars was principally due to both a decrease in net sales, which decreased gross margin dollars by approximately \$34.5 million, and a lower gross margin rate, which decreased gross margin dollars by approximately \$12.8 million. Gross margin as a percentage of net sales decreased 20 basis points to 39.2% in 2013 compared to 39.4% in 2012. The gross margin rate decrease was principally due to a higher markdown rate during the fourth quarter of 2013 as compared to the fourth quarter of 2012. During the fourth quarter of 2013, we began implementing the "Edit" portion of our Edit to Amplify strategy, which involved conducting significant promotional activities to reduce our inventory in certain departments, including auto, tools, and home maintenance, as a result of our planned reductions in the focus and square footage we intend to dedicate to those departments as well as editing merchandise within other departments.

### **Selling and Administrative Expenses**

Selling and administrative expenses were \$1,664.0 million in 2013, compared to \$1,639.8 million in 2012. The increase of \$24.2 million or 1.5% was primarily due to increases in store occupancy expenses of \$18.5 million, distribution and transportation expenses of \$6.9 million, corporate office payroll of \$4.8 million, and a non-recurring litigation settlement of \$4.4 million, partially offset by decreases in professional fees of \$5.3 million and share-based compensation expense of \$4.7 million, and a gain on the sale of real estate of \$3.6 million. The increase in store occupancy expenses was primarily the result of an increase in the average number of stores operating per month in 2013 as compared to 2012. The increase in distribution and transportation expenses was primarily due to an increased number of merchandise cartons flowing from our distribution centers to our stores. The increase in general office payroll expenses was primarily driven by separation activities that occurred during the second, third, and fourth quarters of 2013 combined with annual merit increases. The non-recurring litigation settlement was the result of a loss contingency for a legal matter that was finalized in the second quarter of 2013. The decrease in share-based compensation expense was primarily driven by the forfeiture of awards by individuals affected by separation activities and the associated reversal of costs. The decrease in professional fees was primarily driven by decreased consulting fees related to various ongoing information systems projects and decreased legal expenses related to pending litigation and other matters. The gain on sale of real estate resulted from our sale of an owned store location in the third quarter of 2013.

As a percentage of net sales, selling and administrative expenses increased by 100 basis points to 32.5% in 2013 compared to 31.5% in 2012. The primary drivers of the 100 basis point deleverage in selling and administrative expenses were the 2.7% decrease in overall comp performance, as the percentage increase in expense dollars was commensurate with the growth in store count, and the increase in our distribution and transportation expenses. Our future selling and administrative expense as a percentage of net sales rate is dependent upon many factors including our level of net sales, our ability to implement additional efficiencies, principally in our store and distribution center operations, and fluctuating commodity prices, such as diesel fuel, which directly affects our outbound transportation cost.

### **Depreciation Expense**

Depreciation expense increased \$10.1 million to \$113.2 million in 2013 compared to \$103.1 million in 2012. The increase is directly related to our new store openings in both 2013 and late 2012, investments in systems, and capital spending to support and maintain our stores and distribution centers. Depreciation expense as a percentage of net sales increased by 20 basis points compared to 2012.

### **Operating Profit**

Operating profit was \$230.1 million in 2013 as compared to \$311.8 million in 2012. The decrease in operating profit was primarily driven by the items discussed in the "Net Sales", "Gross Margin", "Selling and Administrative Expenses", and "Depreciation Expense" sections above and the impact of the occurrence of a 53<sup>rd</sup> week in 2012 that did not recur in 2013. In addition, our operating profit in 2012 increased by approximately \$5.0 million from the occurrence of the 53<sup>rd</sup> week.

### **Interest Expense**

Interest expense decreased \$0.9 million to \$3.3 million in 2013 compared to \$4.2 million in 2012. The decrease in interest expense was primarily driven by decreased borrowings in 2013. We had total average borrowings (including capital leases) of \$158.7 million in 2013 compared to total average borrowings of \$200.3 million in 2012. The decrease in total average borrowings was primarily the result of utilizing the excess of our cash inflows from operations, which exceeded cash outflows from investing activities, to repay portions of our indebtedness.

### **Income Taxes**

The effective income tax rate in 2013 and 2012 for income from continuing operations was 37.7% and 38.1%, respectively. The lower rate in 2013 as compared to 2012 is primarily due to the recognition of higher employment-related tax credits in 2013, which benefited the tax rate, partially offset by fewer discrete settlement benefits.

## Capital Resources and Liquidity

On July 22, 2011, we entered into the 2011 Credit Agreement, and it was amended on May 30, 2013 to lower our interest rates, pricing, and fees and extend the term from July 22, 2016 to May 30, 2018. In connection with our entry into the 2011 Credit Agreement, we paid bank fees and other expenses in the aggregate amount of \$3.0 million, which are being amortized over the term of the agreement. In connection with the amendment of the 2011 Credit Agreement, we paid bank fees and other expenses in the aggregate amount of \$0.9 million, which are being amortized over the term of the agreement. Borrowings under the 2011 Credit Agreement are available for general corporate purposes and working capital. The 2011 Credit Agreement includes a \$30 million swing loan sublimit and a \$150 million letter of credit sublimit. The interest rates, pricing and fees under the 2011 Credit Agreement fluctuate based on our debt rating. The 2011 Credit Agreement allows us to select our interest rate for each borrowing from multiple interest rate options. The interest rate options are generally derived from the prime rate or LIBOR. We may prepay revolving loans made under the 2011 Credit Agreement. The 2011 Credit Agreement contains financial and other covenants, including, but not limited to, limitations on indebtedness, liens and investments, as well as the maintenance of two financial ratios – a leverage ratio and a fixed charge coverage ratio. A violation of any of the covenants could result in a default under the 2011 Credit Agreement that would permit the lenders to restrict our ability to further access the 2011 Credit Agreement for loans and letters of credit and require the immediate repayment of any outstanding loans under the 2011 Credit Agreement. At January 31, 2015, we were in compliance with the covenants of the 2011 Credit Agreement.

We use the 2011 Credit Agreement, as necessary, to provide funds for ongoing and seasonal working capital, capital expenditures, share repurchase programs, and other expenditures. In addition, we use the 2011 Credit Agreement to provide letters of credit for various operating and regulatory requirements, and if needed, letters of credit required to cover our self-funded insurance programs. Given the seasonality of our business, the amount of borrowings under the 2011 Credit Agreement may fluctuate materially depending on various factors, including our operating financial performance, the time of year, and our need to increase merchandise inventory levels prior to the peak selling season. Generally, our working capital requirements peak late in our third fiscal quarter or early in our fourth fiscal quarter. We have typically funded those requirements with borrowings under our credit facility. In 2014, our total indebtedness (outstanding borrowings and letters of credit) under the 2011 Credit Agreement, peaked at approximately \$348 million in November. At January 31, 2015, we had \$62.1 million in outstanding borrowings under the 2011 Credit Agreement and \$633.5 million borrowings available under the 2011 Credit Agreement, after taking into account the reduction in availability resulting from outstanding letters of credit totaling \$4.4 million. Working capital was \$450.6 million at January 31, 2015.

The primary source of our liquidity is cash flows from operations and, as necessary, borrowings under the 2011 Credit Agreement. Our net income and, consequently, our cash provided by operations are impacted by net sales volume, seasonal sales patterns, and operating profit margins. Our net sales are typically highest during the nine-week Christmas selling season in our fourth fiscal quarter.

Whenever our liquidity position requires us to borrow funds under the 2011 Credit Agreement, we typically repay and/or borrow on a daily basis. The daily activity is a net result of our liquidity position, which is generally driven by the following components of our operations: (1) cash inflows such as cash or credit card receipts collected from stores for merchandise sales and other miscellaneous deposits; and (2) cash outflows such as check clearings, wire transfers and other electronic transactions for the acquisition of merchandise and for payment of payroll and other operating expenses, income and other taxes, employee benefits, and other miscellaneous disbursements.

In March 2014, our Board of Directors authorized us to repurchase up to \$125.0 million of our outstanding common shares. During 2014, we exhausted this program by purchasing approximately 3.3 million common shares at an average price of \$38.12 per share. In August 2014, our Board of Directors authorized us to repurchase up to an additional \$125.0 million of our common shares. During 2014, we exhausted this program by purchasing approximately 2.8 million common shares at an average price of \$44.21 per share.

In March 2015, our Board of Directors authorized us to repurchase up to \$200.0 million of our outstanding common shares. The repurchase program was eligible to begin on March 11, 2015 and will continue until exhausted. We expect the purchases to be made from time to time in the open market and/or in privately negotiated transactions at our discretion, subject to market conditions and other factors. Common shares acquired through the repurchase program will be available to meet obligations under equity compensation plans and for general corporate purposes.

In June 2014, we announced that our Board of Directors commenced a cash dividend program. Since the commencement of the program, we have declared and paid three quarterly cash dividends of \$0.17 per common share for a total paid amount of approximately \$27.8 million.

In March 2015, our Board increased the Company's quarterly dividend payment rate by approximately 12% by declaring a quarterly cash dividend of \$0.19 per common share payable on April 3, 2015 to shareholders of record as of the close of business on March 20, 2015.

The following table compares the primary components of our cash flows from 2014 to 2013:

<i>(in thousands)</i>	<b>2014</b>	<b>2013</b>	<b>Change</b>
Net cash provided by operating activities	\$ 318,562	\$ 198,334	\$ 120,228
Net cash used in investing activities	(90,749)	(97,495)	6,746
Net cash used in financing activities	\$ (249,320)	\$ (91,196)	\$ (158,124)

Cash provided by operating activities increased by \$120.3 million to \$318.6 million in 2014 compared to \$198.3 million in 2013. The increase in cash provided by operating activities was primarily driven by an increase in cash provided by the sale of inventory in the ordinary course of business of \$61.9 million coupled with a decrease in cash used to pay for accounts payable of \$20.6 million in 2014 as compared to 2013. During 2014, we improved our inventory turnover by reducing our existing in-store inventory through our Edit to Amplify merchandise strategy and purchasing merchandise in volumes more consistent with our expected sales opportunities, which also benefited our accounts payable position. Additionally, in 2014, we received a benefit to our deferred income taxes of \$54.7 million. The benefit was the result of the deduction taken for the worthless stock value of our Canadian operation which was shut down during the first quarter of 2014, which reduced our fiscal 2014 taxable income and in turn our cash used to pay taxes. Partially offsetting these higher cash inflows was a decrease in net income of \$11.0 million, which was primarily driven by the increase in losses from discontinued operations associated with the wind down of our Canadian operations.

Cash used in investing activities decreased by \$6.8 million to \$90.7 million in 2014 compared to \$97.5 million in 2013. The decrease was primarily due to lower capital expenditures in 2014 as compared to 2013, which were \$93.5 million and \$104.8 million, respectively. The decrease in capital expenditures was principally driven by a reduction in new store openings in 2014 as compared to 2013, which decreased to 24 new stores in 2014 from 55 new stores in 2013. Additionally, we received greater proceeds on the sale of property and equipment in 2013, as we sold an owned store location, as compared to 2014, when we had no similar real estate transaction.

Cash used in financing activities increased by \$158.1 million to \$249.3 million in 2014 compared to \$91.2 million in 2013. The increase in the cash used in financing activities was principally due to the existence of our share repurchase programs during 2014. Our use of cash for share repurchase activities increased by \$250.5 million to \$250.7 million in 2014 as compared to \$0.2 million in 2013. Additionally, we paid three quarterly cash dividends of \$0.17 per common share in the second, third, and fourth quarters of 2014 in an aggregate amount of \$27.8 million. Partially offsetting the increase in cash used in financing activities was a decrease in net repayments to our borrowings under our credit facility of \$79.3 million to \$14.9 million in 2014 compared to \$94.2 million in 2013. Lastly, there was a substantial increase in the proceeds from the exercise of stock options of \$37.7 million, as more stock options were exercised in 2014 as compared to 2013.

Based on historical and expected financial results, we believe that we have or, if necessary, have the ability to obtain, adequate resources to fund ongoing and seasonal working capital requirements, proposed capital expenditures, new projects, and currently maturing obligations.

## Contractual Obligations

The following table summarizes payments due under our contractual obligations at January 31, 2015:

<i>(In thousands)</i>	Payments Due by Period <sup>(1)</sup>				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Obligations under bank credit facility <sup>(2)</sup>	\$ 62,156	\$ 56	\$ —	\$ 62,100	\$ —
Operating lease obligations <sup>(3) (4)</sup>	1,218,867	319,757	484,105	276,573	138,432
Capital lease obligations <sup>(4)</sup>	22,339	4,010	7,522	5,762	5,045
Purchase obligations <sup>(4) (5)</sup>	702,289	612,433	78,387	7,829	3,640
Other long-term liabilities <sup>(6)</sup>	45,614	5,415	5,472	9,442	25,285
Total contractual obligations	\$ 2,051,265	\$ 941,671	\$ 575,486	\$ 361,706	\$ 172,402

- (1) The disclosure of contractual obligations in this table is based on assumptions and estimates that we believe to be reasonable as of the date of this report. Those assumptions and estimates may prove to be inaccurate; consequently, the amounts provided in the table may differ materially from those amounts that we ultimately incur. Variables that may cause the stated amounts to vary from the amounts actually incurred include, but are not limited to: the termination of a contractual obligation prior to its stated or anticipated expiration; fees or damages incurred as a result of the premature termination or breach of a contractual obligation; the acquisition of more or less services or goods under a contractual obligation than are anticipated by us as of the date of this report; fluctuations in third party fees, governmental charges, or market rates that we are obligated to pay under contracts we have with certain vendors; and the exercise of renewal options under, or the automatic renewal of, contracts that provide for the same.
- (2) Obligations under the bank credit facility consist of the borrowings outstanding under the 2011 Credit Agreement, and the associated accrued interest of \$0.1 million. In addition, we had outstanding letters of credit totaling \$59.5 million at January 31, 2015. Approximately \$58.0 million of the outstanding letters of credit represent stand-by letters of credit and we do not expect to meet the conditions requiring significant cash payments on these letters of credit; accordingly, they have been excluded from this table. For a further discussion, see note 3 to the accompanying consolidated financial statements. The remaining \$1.5 million of outstanding letters of credit represent commercial letters of credit whereby the related obligation is included in the purchase obligations.
- (3) Operating lease obligations include, among other items, leases for retail stores, warehouse space, offices, and certain computer and other business equipment. The future minimum commitments for retail store and office operating leases are \$944.7 million. For a further discussion of leases, see note 5 to the accompanying consolidated financial statements. Many of the store lease obligations require us to pay for our applicable portion of CAM, real estate taxes, and property insurance. In connection with our store lease obligations, we estimated that future obligations for CAM, real estate taxes, and property insurance were \$270.1 million at January 31, 2015. We have made certain assumptions and estimates in order to account for our contractual obligations relative to CAM, real estate taxes, and property insurance. Those assumptions and estimates include, but are not limited to: use of historical data to estimate our future obligations; calculation of our obligations based on comparable store averages where no historical data is available for a particular leasehold; and assumptions related to average expected increases over historical data. The remaining lease obligation of \$4.1 million relates primarily to operating leases for computer and other business equipment, including data center related costs.
- (4) For purposes of the lease and purchase obligation disclosures, we have assumed that we will make all payments scheduled or reasonably estimated to be made under those obligations that have a determinable expiration date, and we disregarded the possibility that such obligations may be prematurely terminated or extended, whether automatically by the terms of the obligation or by agreement between us and the counterparty, due to the speculative nature of premature termination or extension. Where an operating lease or purchase obligation is subject to a month-to-month term or another automatically renewing term, we included in the table our minimum commitment under such obligation, such as one month in the case of a month-to-month obligation and the then-current term in the case of another automatically renewing term, due to the uncertainty of future decisions to exercise options to extend or terminate any existing leases.

- (5) Purchase obligations include outstanding purchase orders for merchandise issued in the ordinary course of our business that are valued at \$470.4 million, the entirety of which represents obligations due within one year of January 31, 2015. In addition, we have a purchase commitment for future inventory purchases totaling \$32.2 million at January 31, 2015. While we are not required to meet any periodic minimum purchase requirements under this commitment, we have included, for purposes of this tabular disclosure, the value of the purchases that we anticipate making during each of the reported periods as purchases that will count toward our fulfillment of the aggregate obligation. The remaining \$199.7 million of purchase obligations is primarily related to distribution and transportation, information technology, print advertising, energy procurement, and other store security, supply, and maintenance commitments.
- (6) Other long-term liabilities include \$17.2 million for obligations related to our nonqualified deferred compensation plan, \$24.4 million for expected contributions to the Pension Plan and our nonqualified, unfunded supplemental defined benefit pension plan (“Supplemental Pension Plan”), \$2.6 million for unrecognized tax benefits, and \$0.2 million for closed store lease termination costs related to stores closed in 2014 or earlier. Pension contributions are equal to expected benefit payments for the nonqualified plan plus expected contributions to the qualified plan using actuarial estimates and assuming that we only make the minimum required contributions (see note 8 to the accompanying consolidated financial statements for additional information about our employee benefit plans). We have estimated the payments due by period for the nonqualified deferred compensation plan based on an average of historical distributions. We have included unrecognized tax benefits of \$2.3 million for payments expected in 2015 and \$0.3 million of timing-related income tax uncertainties anticipated to reverse in 2015. Unrecognized tax benefits in the amount of \$18.3 million have been excluded from the table because we are unable to make a reasonably reliable estimate of the timing of future payments. Our closed store lease termination cost payments are based on contractual terms.

#### **Off-Balance Sheet Arrangements**

Not applicable.

#### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. The use of estimates, judgments, and assumptions creates a level of uncertainty with respect to reported or disclosed amounts in our consolidated financial statements or accompanying notes. On an ongoing basis, management evaluates its estimates, judgments, and assumptions, including those that management considers critical to the accurate presentation and disclosure of our consolidated financial statements and accompanying notes. Management bases its estimates, judgments, and assumptions on historical experience, current trends, and various other factors that management believes are reasonable under the circumstances. Because of the inherent uncertainty in using estimates, judgments, and assumptions, actual results may differ from these estimates.

Our significant accounting policies, including the recently adopted accounting standards and recent accounting standards - future adoptions, if any, are described in note 1 to the accompanying consolidated financial statements. We believe the following assumptions and estimates are the most critical to understanding and evaluating our reported financial results. Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

## **Merchandise Inventories**

Merchandise inventories are valued at the lower of cost or market using the average cost retail inventory method. Market is determined based on the estimated net realizable value, which generally is the merchandise selling price at or near the end of the reporting period. The average cost retail inventory method requires management to make judgments and contains estimates, such as the amount and timing of markdowns to clear slow-moving inventory and the estimated allowance for shrinkage, which may impact the ending inventory valuation and prior or future gross margin. These estimates are based on historical experience and current information.

When management determines the saleability of merchandise inventories is diminished, markdowns for clearance activity and the related cost impact are recorded at the time the price change decision is made. Factors considered in the determination of markdowns include current and anticipated demand, customer preferences, the age of merchandise, and seasonal trends. Timing of holidays within fiscal periods, weather, and customer preferences could cause material changes in the amount and timing of markdowns from year to year.

The inventory allowance for shrinkage is recorded as a reduction to inventories, charged to cost of sales, and calculated as a percentage of sales for the period from the last physical inventory date to the end of the reporting period. Such estimates are based on both our current year and historical inventory results. Independent physical inventory counts are taken at each store once a year. During calendar 2015, the majority of these counts will occur between January and July. As physical inventories are completed, actual results are recorded and new go-forward shrink accrual rates are established based on historical results at the individual store level. Thus, the shrink accrual rates will be adjusted throughout the January to July inventory cycle based on actual results. At January 31, 2015, a 10% difference in our shrink reserve would have affected gross margin, operating profit and income from continuing operations before income taxes by approximately \$3.3 million. While it is not possible to quantify the impact from each cause of shrinkage, we have asset protection programs and policies aimed at minimizing shrinkage.

## **Long-Lived Assets**

Our long-lived assets primarily consist of property and equipment. We perform impairment reviews of our long-lived assets at the store level on an annual basis, or when other impairment indicators are present. Generally, all other property and equipment is reviewed for impairment at the enterprise level. When we perform our annual impairment reviews, we first determine which stores had impairment indicators present. We use actual historical cash flows to determine which stores had negative cash flows within the past two years. For each store with negative cash flows or other impairment indicators, we obtain undiscounted future cash flow estimates based on operating performance estimates specific to each store's operations that are based on assumptions currently being used to develop our company level operating plans. If the net book value of a store's long-lived assets is not recoverable through the expected undiscounted future cash flows of the store, we estimate the fair value of the store's assets and recognize an impairment charge for the excess net book value of the store's long-lived assets over their fair value. The fair value of store assets is estimated based on expected cash flows, including salvage value, which is based on information available in the marketplace for similar assets.

We identified three stores, seven stores, and one store in the U.S., in 2014, 2013, and 2012, respectively, with impairment indicators as a result of our annual store impairment tests. For these stores, we recognized impairment charges of \$0.2 million, \$1.3 million, and \$0.6 million in 2014, 2013, and 2012, respectively. We do not believe that varying the assumptions used to test for recoverability to estimate fair value of our long-lived assets would have a material impact on the impairment charges we incurred in 2014, 2013, or 2012.

If our future operating results decline significantly, we may be exposed to impairment losses that could be material (for additional discussion of this risk, see "Item 1A. Risk Factors - A significant decline in our operating profit and taxable income may impair our ability to realize the value of our long-lived assets and deferred tax assets.").

In addition to our annual store impairment reviews, we evaluate our other long-lived assets at each reporting period to determine whether impairment indicators are present. In second quarter of 2014, we reviewed our operational needs surrounding travel and determined that our travel demands no longer merited the need to own two corporate aircraft. As a result of that decision, we placed our older aircraft in the market as available-for-sale and recorded an impairment charge of \$1.4 million in the second quarter of 2014. The older aircraft was subsequently sold during the third quarter of 2014. After operating with one aircraft for six months, we determined it would be more cost efficient to sell our remaining aircraft and utilize a charter structure for corporate travel, as needed. As a result of that decision, we placed our newer aircraft in the market as available-for-sale in the fourth quarter of 2014 and recorded an impairment charge of \$1.9 million, based on market conditions at the time the decision was executed. The newer aircraft was subsequently sold during the first quarter of 2015.



## Share-Based Compensation

We grant non-vested restricted stock units and performance share units to our employees under shareholder approved incentive plans. Additionally, we have granted stock options and non-vested restricted stock awards in prior years. Share-based compensation expense was \$10.5 million, \$13.2 million, and \$17.9 million in 2014, 2013, and 2012, respectively. Future share-based compensation expense for non-vested restricted stock units are dependent upon the future number of awards, fair value of our common shares on the grant date, and the estimated vesting period. Future share-based compensation expense for performance share units is dependent upon the future number of awards, the estimated vesting period, the grant date of the award which may vary from the issuance date, financial results relative to the targets established for each three-year performance period, and potentially other estimates, judgments and assumptions used in arriving at the fair value of performance share units. Future share-based compensation expense related to non-vested restricted stock units and performance share units may vary materially from the currently amortizing awards.

Compensation expense for non-vested restricted stock units is recorded over the contractual vesting period based on our expectation of achieving the performance criteria. We monitor the achievement of the performance criteria at each reporting period.

We have issued two types of performance share units (“PSUs”) - those issued to our Chief Executive Officer (“CEO”) in 2013 and those issued to employees in 2014 - which have different structures. For the PSUs issued to our CEO in 2013, compensation expense was recorded over an estimated vesting period based on the estimated achievement date of the performance criteria. An estimated target achievement date was determined at the time of the award issuance based on performing a Monte Carlo simulation. We monitor the achievement of the share price performance targets for the PSUs issued to our CEO in 2013 at each reporting period and make adjustments to the estimated vesting period, as appropriate. The PSUs issued in 2014 were structured to reflect specific shareholder feedback and are based on a three-year financial performance period payable to associates at the end of the third year assuming certain financial performance metrics are achieved. Those financial metrics include earnings per share (“EPS”) and return on invested capital (“ROIC”). Financial performance targets (for both EPS and ROIC) are established by the Compensation Committee of our Board of Directors at the beginning of each fiscal year based on the Company’s approved operating plan. From an accounting perspective, a grant date will be deemed to be established when all financial targets are determined, which is estimated to occur in March 2016 for the PSUs issued in 2014. Compensation expense for the PSUs issued in 2014 will be recorded (1) based on fair value of the award on the grant date and the estimated achievement of financial performance objectives, and (2) on a straight-line basis from the grant date, which may vary from the issuance date, through the vesting date. Accordingly, based on this accounting treatment, there was no expense recognized in fiscal 2014, related to the PSUs issued in 2014. At January 31, 2015, there were 433,350 PSUs issued and outstanding. We will monitor the estimated achievement of the financial performance objectives at each reporting period and will potentially adjust the estimated expense on a cumulative basis.

We estimated the fair value of our stock options, granted in prior years, using a binomial model. The binomial model takes into account estimates, assumptions, and judgments about our stock price volatility, our dividend yield rate, the risk-free rate of return, the contractual term of the option, the probability that the option will be exercised prior to the end of its contractual life, and the probability of retirement of the option holder in computing the value of the option.

Compensation expense for non-vested restricted stock awards is recorded over the estimated vesting period based on the estimated achievement date of the performance criteria. An estimated target achievement date was determined at the time of the grant of the award based on historical and forecasted performance of similar measures. We monitor the achievement of the performance targets at each reporting period and make adjustments to the estimated vesting period when our models indicate that the estimated achievement date differs from the date being used to amortize expense. Any change in the estimated vesting date results in a prospective change to the related expense by charging the remaining unamortized expense over the remaining expected vesting period at the date the estimate was changed.

## Income Taxes

The determination of our income tax expense, refunds receivable, income taxes payable, deferred tax assets and liabilities and financial statement recognition, de-recognition and/or measurement of uncertain tax benefits (for positions taken or to be taken on income tax returns) requires significant judgment, the use of estimates, and the interpretation and application of complex accounting and multi-jurisdictional income tax laws.

The effective income tax rate in any period may be materially impacted by the overall level of income (loss) before income taxes, the jurisdictional mix and magnitude of income (loss), changes in the income tax laws (which may be retroactive to the beginning of the fiscal year), subsequent recognition, de-recognition and/or measurement of an uncertain tax benefit, changes in deferred tax asset valuation allowances and adjustments of a deferred tax asset or liability for enacted changes in tax laws or rates. Although we believe that our estimates are reasonable, actual results could differ from these estimates resulting in a final tax outcome that may be materially different from that which is reflected in our consolidated financial statements.

We evaluate our ability to recover our deferred tax assets within the jurisdiction from which they arise. We consider all available positive and negative evidence including recent financial results, projected future pretax accounting income from continuing operations and tax planning strategies (when necessary). This evaluation requires us to make assumptions that require significant judgment about the forecasts of future pretax accounting income. The assumptions that we use in this evaluation are consistent with the assumptions and estimates used to develop our consolidated operating financial plans. If we determine that a portion of our deferred tax assets, which principally represent expected future deductions or benefits, are not likely to be realized, we recognize a valuation allowance for our estimate of these benefits which we believe are not likely recoverable. Additionally, changes in tax laws, apportionment of income for state and local tax purposes, and rates could also affect recorded deferred tax assets.

We evaluate the uncertainty of income tax positions taken or to be taken on income tax returns. When a tax position meets the more-likely-than-not threshold, we recognize economic benefits associated with the position on our consolidated financial statements. The more-likely-than-not recognition threshold is a positive assertion that an enterprise believes it is entitled to economic benefits associated with a tax position. When a tax position does not meet the more-likely-than-not threshold, or in the case of those positions that do meet the threshold but are measured at less than the full benefit taken on the return, we recognize tax liabilities (or de-recognize tax assets, as the case may be). A number of years may elapse before a particular matter, for which we have de-recognized a tax benefit, is audited and fully resolved or clarified. We adjust unrecognized tax benefits and the income tax provision in the period in which an uncertain tax position is effectively or ultimately settled, the statute of limitations expires for the relevant taxing authority to examine the tax position, or as a result of the evaluation of new information that becomes available.

## **Pension**

Actuarial valuations are used to calculate the estimated expenses and obligations for our Pension Plan and Supplemental Pension Plan. Inherent in the actuarial valuations are several assumptions including discount rate, expected return on plan assets, and mortality tables. The weighted average discount rate used to determine the net periodic pension cost for 2014 was 5.0%. A 1.0% decrease in the discount rate would increase net periodic pension cost by \$0.3 million. The long-term rate of return on assets used to determine net periodic pension cost in 2014 was 6.0%. A 1.0% decrease in the expected long-term rate of return on plan assets would increase the net periodic pension cost by \$0.5 million. To determine our projected benefit obligation at January 31, 2015, we adopted the new mortality tables published by the Society of Actuaries in October 2014. These new mortality tables projected that our participants would receive benefits for a longer duration. Additionally, we performed the annual update to our discount rate estimate based on the current market, which resulted in a 1.7% decrease at January 31, 2015 as compared to February 1, 2014. Our projected benefit obligation increased significantly, by \$13.3 million, from February 1, 2014, primarily as a result of factoring in the reduced discount rate and the revised mortality table.

During 2014, we reclassified \$0.9 million, net of tax, from other comprehensive income to expense in our consolidated statement of operations. We also recognized a benefit of \$1.1 million, net of tax, to other comprehensive income in 2014, which was principally driven by the recognition of \$1.9 million (pretax) in settlement charges as participants elected more lump sum payments than originally estimated. At January 31, 2015, the accumulated other comprehensive income amount associated with the plans, which was principally unrealized actuarial loss, was an \$14.7 million loss, net of tax. During 2015, and in future periods, we expect to reclassify approximately \$2.0 million from other comprehensive income to expense, assuming we achieve our estimated rate of return on pension plan investments in future periods. Additionally, in the event that we have future settlements, as occurred in 2014, 2013 and 2012, we would expect that the pretax expense related to future settlements would be in the range of \$0.3 million to \$1.9 million in charges based on historical experience.

**Insurance and Insurance-Related Reserves**

We are self-insured for certain losses relating to property, general liability, workers' compensation, and employee medical, dental, and prescription drug benefit claims, a portion of which is funded by employees. We purchase stop-loss coverage from third party insurance carriers to limit individual or aggregate loss exposures in these areas. Accrued insurance liabilities and related expenses are based on actual claims reported and estimates of claims incurred but not reported. The estimated loss accruals for claims incurred but not paid are determined by applying actuarially-based calculations taking into account historical claims payment results and known trends such as claims frequency and claims severity. Management makes estimates, judgments, and assumptions with respect to the use of these actuarially-based calculations, including but not limited to, estimated health care cost trends, estimated lag time to report and pay claims, average cost per claim, network utilization rates, network discount rates, and other factors. A 10% change in our self-insured liabilities at January 31, 2015 would have affected selling and administrative expenses, operating profit, and income from continuing operations before income taxes by approximately \$7 million.

General liability and workers' compensation liabilities are recorded at our estimate of their net present value, using a 4.0% discount rate, while other liabilities for insurance reserves are not discounted. A 1.0% change in the discount rate on these liabilities would have affected selling and administrative expenses, operating profit, and income from continuing operations before income taxes by approximately \$2.1 million.

**Lease Accounting**

In order to recognize rent expense on our leases, we evaluate many factors to identify the lease term such as the contractual term of the lease, our assumed possession date of the property, renewal option periods, and the estimated value of leasehold improvement investments that we are required to make. Based on this evaluation, our lease term is typically the minimum contractually obligated period over which we have control of the property. This term is used because although many of our leases have renewal options, we typically do not incur an economic or contractual penalty in the event of non-renewal. Therefore, we typically use the initial minimum lease term for purposes of calculating straight-line rent, amortizing deferred rent, and recognizing depreciation expense on our leasehold improvements.

**Commitments**

For a discussion on certain of our commitments, refer to note 3, note 5, note 10, note 12, and note 13 to the accompanying consolidated financial statements.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

We are subject to market risk from exposure to changes in interest rates on investments and on borrowings under the 2011 Credit Agreement that we make from time to time. We had borrowings of \$62.1 million under the 2011 Credit Agreement at January 31, 2015. An increase of 1.0% in our variable interest rate on our investments and expected future borrowings would not have a material effect on our financial condition, results of operations, or liquidity.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Big Lots, Inc.  
Columbus, Ohio

We have audited the internal control over financial reporting of Big Lots, Inc. and subsidiaries (the "Company") as of January 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended January 31, 2015 of the Company and our report dated March 31, 2015 expressed an unqualified opinion on those consolidated financial statements.

**/s/ DELOITTE & TOUCHE LLP**

Dayton, Ohio  
March 31, 2015

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Big Lots, Inc.  
Columbus, Ohio

We have audited the accompanying consolidated balance sheets of Big Lots, Inc. and subsidiaries (the "Company") as of January 31, 2015 and February 1, 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Big Lots, Inc. and subsidiaries at January 31, 2015 and February 1, 2014, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of January 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 31, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

**/s/ DELOITTE & TOUCHE LLP**

Dayton, Ohio  
March 31, 2015

**BIG LOTS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
(In thousands, except per share amounts)

	2014	2013	2012
Net sales	\$ 5,177,078	\$ 5,124,755	\$ 5,212,318
Cost of sales (exclusive of depreciation expense shown separately below)	3,133,124	3,117,386	3,157,632
Gross margin	2,043,954	2,007,369	2,054,686
Selling and administrative expenses	1,699,764	1,664,031	1,639,770
Depreciation expense	119,702	113,228	103,146
Operating profit	224,488	230,110	311,770
Interest expense	(2,588)	(3,293)	(4,184)
Other income (expense)	—	(12)	2
Income from continuing operations before income taxes	221,900	226,805	307,588
Income tax expense	85,239	85,515	117,071
Income from continuing operations	136,661	141,290	190,517
Loss from discontinued operations, net of tax benefit (expense) of \$13,852, \$24,046, and \$(45) in fiscal years 2014, 2013 and 2012, respectively	(22,385)	(15,995)	(13,396)
Net income	\$ 114,276	\$ 125,295	\$ 177,121
Earnings per common share - basic			
Continuing operations	\$ 2.49	\$ 2.46	\$ 3.18
Discontinued operations	(0.41)	(0.28)	(0.22)
	\$ 2.08	\$ 2.18	\$ 2.96
Earnings per common share - diluted			
Continuing operations	\$ 2.46	\$ 2.44	\$ 3.15
Discontinued operations	(0.40)	(0.28)	(0.22)
	\$ 2.06	\$ 2.16	\$ 2.93
Cash dividends declared per common share	\$ 0.51	\$ —	\$ —

The accompanying notes are an integral part of these consolidated financial statements.

**BIG LOTS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
(In thousands)

	2014	2013	2012
Net income	\$ 114,276	\$ 125,295	\$ 177,121
Other comprehensive income (loss):			
Foreign currency translation	5,022	(3,589)	(383)
Amortization of pension, net of tax benefit of \$(579), \$(665), and \$(921), respectively	884	1,005	1,403
Valuation adjustment of pension, net of tax expense (benefit) of \$4,613, \$(1,589), and \$(766), respectively	(7,051)	2,403	1,169
Total other comprehensive (loss) income	(1,145)	(181)	2,189
Comprehensive income	\$ 113,131	\$ 125,114	\$ 179,310

The accompanying notes are an integral part of these consolidated financial statements.

**BIG LOTS, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
(In thousands, except par value)

	January 31, 2015	February 1, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 52,261	\$ 68,629
Inventories	851,669	914,965
Deferred income taxes	39,154	59,781
Other current assets	95,345	77,686
<b>Total current assets</b>	<b>1,038,429</b>	<b>1,121,061</b>
Property and equipment - net	550,555	569,682
Deferred income taxes	7,139	5,106
Other assets	39,768	43,750
<b>Total assets</b>	<b>\$ 1,635,891</b>	<b>\$ 1,739,599</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 358,932	\$ 365,772
Property, payroll, and other taxes	76,924	73,334
Accrued operating expenses	62,955	57,167
Insurance reserves	38,824	37,607
Accrued salaries and wages	47,878	29,175
Income taxes payable	2,316	14,392
<b>Total current liabilities</b>	<b>587,829</b>	<b>577,447</b>
Long-term obligations	62,100	77,000
Deferred rent	65,930	76,364
Insurance reserves	55,606	55,755
Unrecognized tax benefits	17,888	17,975
Other liabilities	56,988	33,631
Shareholders' equity:		
Preferred shares - authorized 2,000 shares; \$0.01 par value; none issued	—	—
Common shares - authorized 298,000 shares; \$0.01 par value; issued 117,495 shares; outstanding 52,912 shares and 57,548 shares, respectively	1,175	1,175
Treasury shares - 64,583 shares and 59,947 shares, respectively, at cost	(1,878,523)	(1,670,041)
Additional paid-in capital	574,454	562,447
Retained earnings	2,107,100	2,021,357
Accumulated other comprehensive loss	(14,656)	(13,511)
<b>Total shareholders' equity</b>	<b>789,550</b>	<b>901,427</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,635,891</b>	<b>\$ 1,739,599</b>

The accompanying notes are an integral part of these consolidated financial statements.



**BIG LOTS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Shareholders' Equity**  
(In thousands)

	Common		Treasury		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount	Shares	Amount				
Balance - January 28, 2012	63,609	\$ 1,175	53,886	\$ (1,423,524)	\$ 542,160	\$ 1,718,941	\$ (15,519)	\$ 823,233
Comprehensive income	—	—	—	—	—	177,121	2,189	179,310
Purchases of common shares	(8,232)	—	8,232	(304,038)	—	—	—	(304,038)
Exercise of stock options	1,406	—	(1,406)	37,266	(3,978)	—	—	33,288
Restricted shares vested	478	—	(478)	12,649	(12,649)	—	—	—
Tax benefit from share-based awards	—	—	—	—	8,117	—	—	8,117
Share activity related to deferred compensation plan	8	—	(8)	37	316	—	—	353
Share-based employee compensation expense	—	—	—	—	17,879	—	—	17,879
Balance - February 2, 2013	57,269	1,175	60,226	(1,677,610)	551,845	1,896,062	(13,330)	758,142
Comprehensive income	—	—	—	—	—	125,295	(181)	125,114
Purchases of common shares	(6)	—	6	(214)	—	—	—	(214)
Exercise of stock options	214	—	(214)	5,949	(1,065)	—	—	4,884
Restricted shares vested	65	—	(65)	1,805	(1,805)	—	—	—
Tax benefit from share-based awards	—	—	—	—	123	—	—	123
Share activity related to deferred compensation plan	6	—	(6)	29	166	—	—	195
Share-based employee compensation expense	—	—	—	—	13,183	—	—	13,183
Balance - February 1, 2014	57,548	1,175	59,947	(1,670,041)	562,447	2,021,357	(13,511)	901,427
Comprehensive income	—	—	—	—	—	114,276	(1,145)	113,131
Dividends declared (\$0.51 per share)	—	—	—	—	—	(28,533)	—	(28,533)
Purchases of common shares	(6,122)	—	6,122	(250,671)	—	—	—	(250,671)
Exercise of stock options	1,389	—	(1,389)	39,440	3,166	—	—	42,606
Restricted shares vested	70	—	(70)	1,995	(1,995)	—	—	—
Performance shares vested	25	—	(25)	716	(716)	—	—	—
Tax benefit from share-based awards	—	—	—	—	994	—	—	994
Share activity related to deferred compensation plan	2	—	(2)	38	24	—	—	62
Share-based employee compensation expense	—	—	—	—	10,534	—	—	10,534
Balance - January 31, 2015	52,912	\$ 1,175	64,583	\$ (1,878,523)	\$ 574,454	\$ 2,107,100	\$ (14,656)	\$ 789,550

The accompanying notes are an integral part of these consolidated financial statements.

**BIG LOTS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
(In thousands)

	2014	2013	2012
<b>Operating activities:</b>			
Net income	\$ 114,276	\$ 125,295	\$ 177,121
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	105,849	102,196	95,602
Deferred income taxes	22,628	(32,138)	12,482
Non-cash share-based compensation expense	10,534	13,183	17,879
Excess tax benefit from share-based awards	(3,776)	(123)	(8,144)
Non-cash impairment charge	3,532	21,091	984
Loss (gain) on disposition of property and equipment	2,759	(3,036)	432
Pension expense, net of contributions	4,190	3,378	3,810
Change in assets and liabilities, excluding effects of foreign currency adjustments:			
Inventories	63,336	1,385	(92,721)
Accounts payable	(6,864)	(27,468)	43,460
Current income taxes	(21,549)	(28,538)	9,844
Other current assets	3,181	420	(4,078)
Other current liabilities	20,718	4,350	397
Other assets	3,206	10,300	(17,894)
Other liabilities	(3,458)	8,039	41,959
Net cash provided by operating activities	318,562	198,334	281,133
<b>Investing activities:</b>			
Capital expenditures	(93,460)	(104,786)	(131,273)
Cash proceeds from sale of property and equipment	2,783	7,260	912
Other	(72)	31	4
Net cash used in investing activities	(90,749)	(97,495)	(130,357)
<b>Financing activities:</b>			
Net (repayments of) proceeds from borrowings under bank credit facility	(14,900)	(94,200)	105,300
Payment of capital lease obligations	(2,365)	(1,089)	(1,321)
Dividends paid	(27,828)	—	—
Proceeds from the exercise of stock options	42,606	4,884	33,288
Excess tax benefit from share-based awards	3,776	123	8,144
Payment for treasury shares acquired	(250,671)	(214)	(304,038)
Deferred bank credit facility fees paid	—	(895)	—
Other	62	195	353
Net cash used in financing activities	(249,320)	(91,196)	(158,274)
Impact of foreign currency on cash	5,139	(1,595)	(468)
(Decrease) increase in cash and cash equivalents	(16,368)	8,048	(7,966)
Cash and cash equivalents:			
Beginning of year	68,629	60,581	68,547
End of year	\$ 52,261	\$ 68,629	\$ 60,581

The accompanying notes are an integral part of these consolidated financial statements.

**NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Business**

We are a unique, non-traditional, discount retailer in the United States of America (“U.S.”). At January 31, 2015, we operated 1,460 stores in 48 states. Our goal is to exceed our core customer’s expectation by providing a product assortment of value-priced merchandise that is meaningful to our core customer, combined with the quality and ease of the shopping experience. Our value-priced merchandise is sourced through both traditional and close-out channels.

**Basis of Presentation**

The consolidated financial statements include Big Lots, Inc. and all of its subsidiaries, have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), and include all of our accounts. We consolidate all majority-owned and controlled subsidiaries. All intercompany accounts and transactions have been eliminated.

**Management Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. The use of estimates, judgments, and assumptions creates a level of uncertainty with respect to reported or disclosed amounts in our consolidated financial statements or accompanying notes. On an ongoing basis, management evaluates its estimates, judgments, and assumptions, including those that management considers critical to the accurate presentation and disclosure of our consolidated financial statements and accompanying notes.

Management bases its estimates, judgments, and assumptions on historical experience, current trends, and various other factors that it believes are reasonable under the circumstances. Because of the inherent uncertainty in using estimates, judgments, and assumptions, actual results may differ from these estimates.

**Fiscal Periods**

Our fiscal year ends on the Saturday nearest to January 31, which results in fiscal years consisting of 52 or 53 weeks. Unless otherwise stated, references to years in this report relate to fiscal years rather than calendar years. Fiscal year 2014 (“2014”) is comprised of the 52 weeks that began on February 2, 2014 and ended on January 31, 2015. Fiscal year 2013 (“2013”) was comprised of the 52 weeks that began on February 3, 2013 and ended on February 1, 2014. Fiscal year 2012 (“2012”) was comprised of the 53 weeks that began on January 29, 2012 and ended on February 2, 2013.

**Segment Reporting**

We manage our business based on one segment, discount retailing. All of our stores are located in the U.S.

**Cash and Cash Equivalents**

Cash and cash equivalents primarily consist of amounts on deposit with financial institutions, outstanding checks, credit and debit card receivables, and highly liquid investments, including money market funds, which are unrestricted to withdrawal or use and which have an original maturity of three months or less. We review cash and cash equivalent balances on a bank by bank basis in order to identify book overdrafts. Book overdrafts occur when the amount of outstanding checks exceed the cash deposited at a given bank. We reclassify book overdrafts, if any, to accounts payable on our consolidated balance sheets. Amounts due from banks for credit and debit card transactions are typically settled in less than five days, and at January 31, 2015 and February 1, 2014, totaled \$26.6 million and \$24.5 million, respectively.

**Investments**

Investment securities are classified as available-for-sale, held-to-maturity, or trading at the date of purchase. Investments are recorded at fair value as either current assets or non-current assets based on the stated maturity or our plans to either hold or sell the investment. Unrealized holding gains and losses on trading securities are recognized in earnings. Unrealized holding gains and losses on available-for-sale securities are recognized in other comprehensive income, until realized. We did not own any held-to-maturity or available-for-sale securities as of January 31, 2015 and February 1, 2014.

## **Merchandise Inventories**

Merchandise inventories are valued at the lower of cost or market using the average cost retail inventory method. Cost includes any applicable inbound shipping and handling costs associated with the receipt of merchandise into our distribution centers (see the discussion below under the caption "Selling and Administrative Expenses" for additional information regarding outbound shipping and handling costs to our stores). Market is determined based on the estimated net realizable value, which generally is the merchandise selling price. Under the average cost retail inventory method, inventory is segregated into classes of merchandise having similar characteristics at its current retail selling value. Current retail selling values are converted to a cost basis by applying an average cost factor to each specific merchandise class' retail selling value. Cost factors represent the average cost-to-retail ratio computed using beginning inventory and all fiscal year-to-date purchase activity specific to each merchandise class.

Under our previous inventory management system which was used through the end of 2011, we calculated average cost at the department level which constituted 50 inventory cost pools. On January 29, 2012, the first day of 2012, we completed the implementation of our new inventory management systems, which has allowed us to more precisely determine our inventory cost under the average cost retail inventory method. We now calculate average cost at the class level which constitutes approximately 350 inventory cost pools.

As the impact of the accounting change in the beginning of the 2012 on inventory was immaterial, we recognized the cumulative effect of the change in accounting principle as an expense in 2012 by recording a reduction in inventory and a corresponding increase to cost of sales of approximately \$5.6 million in the first quarter of 2012. This non-cash charge reduced the 2012 income from continuing operations and net income by approximately \$3.4 million and reduced 2012 basic and diluted earnings per share from continuing operations by \$0.06.

Under the average cost retail inventory method, permanent sales price markdowns result in cost reductions in inventory. Our permanent sales price markdowns are typically related to end of season clearance events and are recorded as a charge to cost of sales in the period of management's decision to initiate sales price reductions with the intent not to return the price to regular retail. Promotional markdowns are recorded as a charge to net sales in the period the merchandise is sold. Promotional markdowns are typically related to specific marketing efforts with respect to products maintained continuously in our stores or products that are only available in limited quantities but represent substantial value to our customers. Promotional markdowns are principally used to drive higher sales volume during a defined promotional period.

We record a reduction to inventories and charge to cost of sales for a shrinkage inventory allowance. The shrinkage allowance is calculated as a percentage of sales for the period from the last physical inventory date to the end of the reporting period. Such estimates are based on our historical and current year experience based on physical inventory results.

We record a reduction to inventories and charge to cost of sales for any excess or obsolete inventory. The excess or obsolete inventory is estimated based on a review of our aged inventory and takes into account any items that have already received a cost reduction as a result of the permanent markdown process discussed above. We estimate the reduction for excess or obsolete inventory based on historical sales trends, age and quantity of product on hand, and anticipated future sales.

## **Payments Received from Vendors**

Payments received from vendors relate primarily to rebates and reimbursement for markdowns and are recognized in our consolidated statements of operations as a reduction to cost of inventory purchases in the period that the rebate or reimbursement is earned or realized and, consequently, result in a reduction in cost of sales when the related inventory is sold.

## **Store Supplies**

When opening a new store, a portion of the initial shipment of supplies (including primarily display materials, signage, security-related items, and miscellaneous store supplies) is capitalized at the store opening date. These capitalized supplies represent more durable types of items for which we expect to receive future economic benefit. Subsequent replenishments of capitalized store supplies are expensed. The consumable/non-durable type items for which the future economic benefit is less measurable are expensed upon shipment to the store. Capitalized store supplies are adjusted periodically for changes in estimated quantities or costs and are included in other current assets in our consolidated balance sheets.

### **Property and Equipment - Net**

Depreciation and amortization expense of property and equipment are recorded on a straight-line basis using estimated service lives. The estimated service lives of our depreciable property and equipment by major asset category were as follows:

Land improvements	15 years
Buildings	40 years
Leasehold improvements	5 years
Store fixtures and equipment	5 - 7 years
Distribution and transportation fixtures and equipment	5 - 15 years
Office and computer equipment	5 years
Computer software costs	5 - 8 years
Company vehicles	3 years

Leasehold improvements are amortized on a straight-line basis using the shorter of their estimated service lives or the lease term. Because many initial lease terms range from five to seven years and the majority of our lease options have a term of five years, we estimate the useful life of leasehold improvements at five years. This amortization period is consistent with the amortization period for any lease incentives that we would typically receive when initially entering into a new lease that are recognized as deferred rent and amortized over the initial lease term.

Assets acquired under noncancellable leases, which meet the criteria of a capital lease, are capitalized in property and equipment - net and amortized over the estimated service life of the asset or the applicable lease term.

Depreciation estimates are revised prospectively to reflect the remaining depreciation or amortization of the asset over the shortened estimated service life when a decision is made to dispose of property and equipment prior to the end of its previously estimated service life. The cost of assets sold or retired and the related accumulated depreciation are removed from the accounts with any resulting gain or loss included in selling and administrative expenses. Major repairs that extend service lives are capitalized. Maintenance and repairs are charged to expense as incurred. Capitalized interest was not significant in any period presented.

### **Long-Lived Assets**

Our long-lived assets primarily consist of property and equipment - net. In order to determine if impairment indicators are present for store property and equipment, we review historical operating results at the store level on an annual basis, or when other impairment indicators are present. Generally, all other property and equipment is reviewed for impairment at the enterprise level. If the net book value of a store's long-lived assets is not recoverable by the expected undiscounted future cash flows of the store, we estimate the fair value of the store's assets and recognize an impairment charge for the excess net book value of the store's long-lived assets over their fair value. Our assumptions related to estimates of undiscounted future cash flows are based on historical results of cash flows adjusted for management projections for future periods. We estimate the fair value of our long-lived assets using expected cash flows, including salvage value, which is based on readily available market information for similar assets.

### **Closed Store Accounting**

We recognize an obligation for the fair value of lease termination costs when we cease using the leased property in our operations. In measuring fair value of these lease termination obligations, we consider the remaining minimum lease payments, estimated sublease rentals that could be reasonably obtained, and other potentially mitigating factors. We discount the estimated obligation using the applicable credit adjusted interest rate, which results in accretion expense in periods subsequent to the period of initial measurement. We monitor the estimated obligation for lease termination liabilities in subsequent periods and revise our estimated liabilities, if necessary. Severance and benefits associated with terminating employees from employment are recognized ratably from the communication date through the estimated future service period, unless the estimated future service period is less than 60 days, in which case we recognize the impact at the communication date. Generally all other store closing costs are recognized when incurred.

When material, we classify the results of operations of closed stores to discontinued operations when both the operations and cash flows of the stores have been (or will be) eliminated from ongoing operations and we no longer have any significant continuing involvement in the operations associated with the stores after closure. We generally meet the second criteria on all closed stores, as upon closure, operations cease and we have no continuing involvement. To determine if cash flows have been (or will be) eliminated from ongoing operations, we evaluate a number of qualitative and quantitative factors, including, but not limited to, proximity of a closing store to any remaining open stores and the estimated sales migration from the closed store to any stores remaining open. The estimated sales migration is based on historical estimates of our sales migration upon opening or closing a store in a similar market. For purposes of reporting closed stores as discontinued operations, we report net sales, gross margin, and related operating costs that are directly related to and specifically identifiable with respect to the stores' operations identified as discontinued operations. Certain corporate-level charges, such as general office cost, field operations, national advertising, fixed distribution costs, and interest cost are not allocated to closed stores' discontinued operations because we believe that these costs are not specific to the stores' operations.

### **Income Taxes**

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement basis and tax basis of assets and liabilities using enacted law and tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We assess the adequacy and need for a valuation allowance for deferred tax assets. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. We have established a valuation allowance to reduce our deferred tax assets to the balance that is more likely than not to be realized.

We recognize interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying consolidated statements of operations. Accrued interest and penalties are included within the related tax liability line in the accompanying consolidated balance sheets.

The effective income tax rate in any period may be materially impacted by the overall level of income (loss) before income taxes, the jurisdictional mix and magnitude of income (loss), changes in the income tax laws (which may be retroactive to the beginning of the fiscal year), subsequent recognition, de-recognition and/or measurement of an uncertain tax benefit, changes in a deferred tax valuation allowance, and adjustments of a deferred tax asset or liability for enacted changes in tax laws or rates.

### **Pension**

Pension assumptions are evaluated each year. Actuarial valuations are used to calculate the estimated expenses and obligations related to our pension plans. We review external data and historical trends to help determine the discount rate and expected long-term rate of return. Our objective in selecting a discount rate is to identify the best estimate of the rate at which the benefit obligations would be settled on the measurement date. In making this estimate, we review rates of return on high-quality, fixed-income investments available at the measurement date and expected to be available during the period to maturity of the benefits. This process includes a review of the bonds available on the measurement date with a quality rating of Aa or better. The expected long-term rate of return on assets is derived from detailed periodic studies, which include a review of asset allocation strategies, anticipated future long-term performance of individual asset classes, risks (standard deviations), and correlations of returns among the asset classes that comprise the plan's asset mix. While the studies give appropriate consideration to recent plan performance and historical returns, the assumption for the expected long-term rate of return is primarily based on our expectation of a long-term, prospective rate of return.

### **Insurance and Insurance-Related Reserves**

We are self-insured for certain losses relating to property, general liability, workers' compensation, and employee medical, dental, and prescription drug benefit claims, a portion of which is paid by employees. We purchase stop-loss coverage to limit significant exposure in these areas. Accrued insurance-related liabilities and related expenses are based on actual claims filed and estimates of claims incurred but not reported. The estimated accruals are determined by applying actuarially-based calculations. General liability and workers' compensation liabilities are recorded at our estimate of their net present value, using a 4% discount rate, while other liabilities for insurance-related reserves are not discounted.

### **Fair Value of Financial Instruments**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level 1, defined as observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2, defined as observable inputs other than Level 1 inputs. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The carrying value of cash equivalents, accounts receivable, accounts payable, and accrued expenses approximates fair value because of the relatively short maturity of these items.

### **Costs Associated with Exit or Disposal Activities**

Our accruals for costs associated with exit or disposal activities primarily consist of contract termination costs, principally related to operating leases, and severance benefits. The costs arose from our decision to wind down the operations of certain businesses. When determining the valuation of the liabilities for our contract termination cost estimates, we utilize the advice and input of outside experts who specialize in real estate activities. The accruals for contract termination costs and severance benefits factor in many variables including, but not limited to, buy-out scenarios and costs of capital. Additionally, these liabilities have been recorded at their net present value, which represents their fair value. Given the number of assumptions and the unobservable nature of certain of the inputs, these accruals for costs associated with exit or disposal activities are considered to be Level 3.

### **Commitments and Contingencies**

We are subject to various claims and contingencies including legal actions and other claims arising out of the normal course of business. In connection with such claims and contingencies, we estimate the likelihood and amount of any potential obligation, where it is possible to do so, using management's judgment. Management uses various internal and external specialists to assist in the estimating process. We accrue, if material, a liability if the likelihood of an adverse outcome is probable and the amount is estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable), or if it is probable but an estimate is not determinable, disclosure of a material claim or contingency is made in the notes to our consolidated financial statements and no accrual is made.

### **Revenue Recognition**

We recognize sales at the time the customer takes possession of the merchandise. Sales are recorded net of discounts and estimated returns and exclude any sales tax. The reserve for merchandise returns is estimated based on our prior return experience.

We sell gift cards in our stores and issue merchandise credits, typically as a result of customer returns, on stored value cards. We do not charge administrative fees on unused gift card or merchandise credit balances and our gift cards and merchandise credits do not expire. We recognize sales revenue related to gift cards and merchandise credits when (1) the gift card or merchandise credit is redeemed in a sales transaction by the customer or (2) breakage occurs. We recognize gift card and merchandise credit breakage when we estimate that the likelihood of the card or credit being redeemed by the customer is remote and we determine that we do not have a legal obligation to remit the value of unredeemed cards or credits to the relevant regulatory authority. We estimate breakage based upon historical redemption patterns. For 2014, 2013, and 2012, we recognized in net sales on our consolidated statements of operations breakage of \$0.2 million, \$0.2 million, and \$0.5 million, respectively, related to unredeemed gift card and merchandise credit balances that had aged at least four years beyond the end of their original issuance month. The liability for the unredeemed cash value of gift cards and merchandise credits is recorded in accrued operating expenses.

We offer price hold contracts on merchandise. Revenue for price hold contracts is recognized when the customer makes the final payment and takes possession of the merchandise. Amounts paid by customers under price hold contracts are recorded in accrued operating expenses until a sale is consummated.

**Cost of Sales**

Cost of sales includes the cost of merchandise, net of cash discounts and rebates, markdowns, and inventory shrinkage. Cost of merchandise includes related inbound freight to our distribution centers, duties, and commissions. We classify warehousing and outbound distribution and transportation costs as selling and administrative expenses. Due to this classification, our gross margin rates may not be comparable to those of other retailers that include warehousing and outbound distribution and transportation costs in cost of sales.

**Selling and Administrative Expenses**

Selling and administrative expenses include store expenses (such as payroll and occupancy costs) and costs related to warehousing, distribution, outbound transportation to our stores, advertising, purchasing, insurance, non-income taxes, and overhead. Selling and administrative expense rates may not be comparable to those of other retailers that include warehousing, distribution, and outbound transportation costs in cost of sales. Distribution and outbound transportation costs included in selling and administrative expenses were \$161.1 million, \$158.9 million, and \$153.4 million for 2014, 2013, and 2012, respectively.

**Rent Expense**

Rent expense is recognized over the term of the lease and is included in selling and administrative expenses. We recognize minimum rent starting when possession of the property is taken from the landlord, which normally includes a construction or set-up period prior to store opening. When a lease contains a predetermined fixed escalation of the minimum rent, we recognize the related rent expense on a straight-line basis and record the difference between the recognized rental expense and the amounts payable under the lease as deferred rent. We also receive tenant allowances, which are recorded in deferred incentive rent and are amortized as a reduction to rent expense over the term of the lease.

Our leases generally obligate us for our applicable portion of real estate taxes, common area maintenance (“CAM”), and property insurance that has been incurred by the landlord with respect to the leased property. We maintain accruals for our estimated applicable portion of real estate taxes, CAM, and property insurance incurred but not settled at each reporting date. We estimate these accruals based on historical payments made and take into account any known trends. Inherent in these estimates is the risk that actual costs incurred by landlords and the resulting payments by us may be higher or lower than the amounts we have recorded on our books.

Certain of our leases provide for contingent rents that are not measurable at the lease inception date. Contingent rent includes rent based on a percentage of sales that are in excess of a predetermined level. Contingent rent is excluded from minimum rent but is included in the determination of total rent expense when it is probable that the expense has been incurred and the amount is reasonably estimable.

**Advertising Expense**

Advertising costs, which are expensed as incurred, consist primarily of television and print advertising, internet marketing and advertising, and in-store point-of-purchase presentations. Advertising expenses are included in selling and administrative expenses. Advertising expenses were \$97.5 million, \$97.9 million, and \$100.8 million for 2014, 2013, and 2012, respectively.

**Store Pre-opening Costs**

Pre-opening costs incurred during the construction periods for new store openings are expensed as incurred and included in our selling and administrative expenses.



## **Share-Based Compensation**

Share-based compensation expense is recognized in selling and administrative expense in our consolidated statements of operations for all awards that we expect to vest. We estimate forfeitures based on historical information.

### ***Stock Options***

We value and expense stock options with graded vesting as a single award with an average estimated life over the entire term of the award. The expense for options with graded vesting is recorded on a straight-line basis over the vesting period.

Historically, we estimated the fair value of stock options using a binomial model. The binomial model takes into account variables such as volatility, dividend yield rate, risk-free rate, contractual term of the option, the probability that the option will be exercised prior to the end of its contractual life, and the probability of retirement of the option holder in computing the value of the option. Expected volatility was based on historical implied volatilities from traded options on our common shares. The dividend yield on our common shares was assumed to be zero, since we had not paid dividends at the time of our most recent stock option grants in 2013, nor did we have intentions of doing so at that time. The risk-free rate was based on U.S. Treasury security yields at the time of the grant. The expected life was determined from the binomial model, which incorporates exercise and post-vesting forfeiture assumptions based on analysis of historical data.

### ***Non-vested Restricted Stock Awards***

Compensation expense for our performance-based non-vested restricted stock awards is recorded based on fair value of the award on the grant date and the estimated achievement date of the performance criteria. An estimated target achievement date is determined at the time of the award grant based on historical and forecasted performance of similar measures. We monitor the projected achievement of the performance targets at each reporting period and make prospective adjustments to the estimated vesting period when our internal models indicate that the estimated achievement date differs from the date being used to amortize expense.

### ***Non-vested Restricted Stock Units***

We expense our non-vested restricted stock units with graded vesting as a single award with an average estimated life over the entire term of the award. The expense for the non-vested restricted stock units is recorded on a straight-line basis over the vesting period.

### ***CEO Performance Share Units***

For the performance share units granted to our CEO during 2013, compensation expense is recorded based on fair value of the award on the grant date and the estimated achievement date of the performance criteria. An estimated target achievement date for each tranche of the award was determined at the time of the award grant based on a Monte Carlo simulation. We monitor the estimated achievement of the performance targets at each reporting period and if the achievement of the targets occurs prior to the estimated achievement based on the Monte Carlo simulation, we will accelerate the expensing of the award.

### ***Performance Share Units***

Compensation expense for performance share units will be recorded based on fair value of the award on the grant date and the estimated achievement of financial performance objectives. From an accounting perspective, the grant date is established once all financial performance targets have been set. We monitor the estimated achievement of the financial performance objectives at each reporting period and will potentially adjust the estimated expense on a cumulative basis. The expense for the performance share units is recorded on a straight-line basis from the grant date through the vesting date.

## **Earnings per Share**

Basic earnings per share is based on the weighted-average number of shares outstanding during each period. Diluted earnings per share is based on the weighted-average number of shares outstanding during each period and the additional dilutive effect of stock options, restricted stock awards, and restricted stock units, calculated using the treasury stock method.

## **Guarantees**

We have lease guarantees which were issued prior to January 1, 2003. We record a liability for these lease guarantees in the period when it becomes probable that the obligor will fail to perform its obligation and if the amount of our guarantee obligation is estimable.

### Foreign Currency Translation

We had one foreign subsidiary domiciled in Canada, which was closed and dissolved in 2014. The functional currency of our former international subsidiary was the local currency of the country in which the subsidiary was located. Foreign currency denominated assets and liabilities are translated into U.S. Dollars using the exchange rate in effect at the consolidated balance sheet date. Results of operations and cash flows are translated using the average exchange rates throughout the period. In 2012 and 2013, the effect of exchange rate fluctuations on translation of assets and liabilities was included as a component of shareholders' equity in accumulated other comprehensive loss. Gains and losses from foreign currency transactions are included in discontinued operations because our Canadian subsidiary has ceased operations. There were losses from foreign currency transactions of \$5.1 million, \$1.2 million, and an immaterial amount for 2014, 2013, and 2012, respectively. Included in the foreign currency loss in 2014 is a \$5.1 million loss related to the realization of the cumulative translation adjustment on our investment in our Canadian operations.

### Other Comprehensive Income

Our other comprehensive income includes the impact of the amortization of our pension actuarial loss, net of tax, the revaluation of our pension actuarial loss, net of tax, and the impact of foreign currency translation.

### Supplemental Cash Flow Disclosures

The following table provides supplemental cash flow information for 2014, 2013, and 2012:

<i>(In thousands)</i>	2014	2013	2012
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest, including capital leases	\$ 1,921	\$ 2,687	\$ 3,369
Cash paid for income taxes, excluding impact of refunds	\$ 69,919	\$ 122,672	\$ 95,596
Gross proceeds from borrowings under the bank credit facility	\$ 1,550,900	\$ 1,330,100	\$ 1,448,800
Gross payments of borrowings under the bank credit facility	\$ 1,565,800	\$ 1,424,300	\$ 1,343,500
Non-cash activity:			
Assets acquired under capital leases	\$ 20,982	\$ —	\$ 392
Accrued property and equipment	\$ 10,974	\$ 5,296	\$ 6,824

### Reclassifications

#### *Canadian Operations*

During the first quarter of 2014, we executed the remainder of our wind down plan and ceased the operations of Big Lots Canada, Inc., our former Canadian segment. Therefore, we determined that the results of Big Lots Canada, Inc. should be reported as discontinued operations. As such, we have reclassified our results for all periods presented. Please see the Canadian Operations section of note 12 and note 13 to the consolidated financial statements for further discussion of the wind down of our Canadian operations and the costs we incurred in connection with the wind down during 2013 and 2014.

#### *Merchandise Categories*

We periodically assess, and make minor adjustments to, our product hierarchy, which can impact the roll-up of our merchandise categories. Our financial reporting process utilizes the most current product hierarchy in reporting net sales by merchandise category for all periods presented. Therefore, there may be minor reclassifications of net sales by merchandise category compared to previously reported amounts.

### Recent Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update provides a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. Additionally, this guidance expands related disclosure requirements. The pronouncement is effective for annual and interim reporting periods beginning after December 15, 2016. Early application is not permitted. This ASU permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements as well as the expected adoption method.

## Subsequent Events

We have evaluated events and transactions subsequent to the balance sheet date. Based on this evaluation, we are not aware of any events or transactions (other than those disclosed elsewhere) that occurred subsequent to the balance sheet date but prior to filing that would require recognition or disclosure in our consolidated financial statements.

## NOTE 2 – PROPERTY AND EQUIPMENT - NET

Property and equipment - net consist of:

<i>(In thousands)</i>	January 31, 2015	February 1, 2014
Land and land improvements	\$ 51,044	\$ 50,830
Buildings and leasehold improvements	838,663	835,117
Fixtures and equipment	716,315	692,152
Computer software costs	129,994	128,787
Transportation equipment	7,408	26,763
Construction-in-progress	17,632	6,791
Property and equipment - cost	1,761,056	1,740,440
Less accumulated depreciation and amortization	1,210,501	1,170,758
Property and equipment - net	\$ 550,555	\$ 569,682

Property and equipment - cost includes \$24.3 million and \$4.2 million at January 31, 2015 and February 1, 2014, respectively, to recognize assets from capital leases. Accumulated depreciation and amortization includes \$4.4 million and \$3.2 million at January 31, 2015 and February 1, 2014, respectively, related to capital leases.

During 2014, 2013, and 2012 respectively, we invested \$93.5 million, \$104.8 million, and \$131.3 million of cash in capital expenditures and we recorded \$119.7 million, \$113.2 million, and \$103.1 million of depreciation expense.

We incurred \$3.5 million, \$7.8 million, and \$1.0 million in asset impairment charges in 2014, 2013, and 2012, respectively. The charges in 2014 were primarily related to our corporate aircraft. During 2014, we made the decision to no longer own and operate corporate aircraft and entered into sales agreements for both our corporate aircraft. We sold our older corporate aircraft during the third quarter of 2014. At January 31, 2015, we still had possession of our newer corporate aircraft, but subsequent to January 31, 2015, we completed the sale of that asset. When determining the fair value of the newer corporate aircraft, we utilized other inputs that could be corroborated by observable market data; therefore the newer corporate aircraft was considered to be Level 2. Additionally, we wrote down the value of long-lived assets at three stores identified as part of our annual store impairment review. The total charges in 2013 principally related to the write-down of long-lived assets related to our former Canadian operations. With no expected future cash flows from our former Canadian operations beyond the first quarter of 2014, we impaired our property and equipment to its estimated salvage value at February 1, 2014, which resulted in an impairment charge of \$6.5 million, which has been included in results from discontinued operations. The remaining charges in 2013 related to our continuing operations, which principally consisted of the write-down of long-lived assets at seven stores identified as part of our annual store impairment review. The charges in 2012 principally related to the write-down of long-lived assets at five stores identified as part of our annual store impairment review, four of the stores were related to our discontinued Canadian operations.

Asset impairment charges are included in selling and administrative expenses in our accompanying consolidated statements of operations. We perform annual impairment reviews of our long-lived assets at the store level. When we perform the annual impairment reviews, we first determine which stores had impairment indicators present. We generally use actual historical cash flows to determine if stores had negative cash flows within the past two years. For each store with negative cash flows, we obtain future cash flow estimates based on operating performance estimates specific to each store's operations that are based on assumptions currently being used to develop our company level operating plans. If the net book value of a store's long-lived assets is not recoverable by the expected future cash flows of the store, we estimate the fair value of the store's assets and recognize an impairment charge for the excess net book value of the store's long-lived assets over their fair value.

### NOTE 3 – BANK CREDIT FACILITY

On July 22, 2011, we entered into a \$700 million five-year unsecured credit facility and, on May 30, 2013, we entered into an amendment of the credit facility that extended its expiration from July 22, 2016 to May 30, 2018 (“2011 Credit Agreement”). In connection with our entry into the 2011 Credit Agreement, we paid bank fees and other expenses in the aggregate amount of \$3.0 million, which are being amortized over the term of the agreement. In connection with the amendment of the 2011 Credit Agreement, we paid additional bank fees and other expenses in the aggregate amount of \$0.9 million, which are being amortized over the term of the amended agreement.

Borrowings under the 2011 Credit Agreement are available for general corporate purposes and working capital. The 2011 Credit Agreement includes a \$30 million swing loan sublimit and a \$150 million letter of credit sublimit. The interest rates, pricing and fees under the 2011 Credit Agreement fluctuate based on our debt rating. The 2011 Credit Agreement allows us to select our interest rate for each borrowing from multiple interest rate options. The interest rate options are generally derived from the prime rate or LIBOR. We may prepay revolving loans made under the 2011 Credit Agreement. The 2011 Credit Agreement contains financial and other covenants, including, but not limited to, limitations on indebtedness, liens and investments, as well as the maintenance of two financial ratios – a leverage ratio and a fixed charge coverage ratio. A violation of any of the covenants could result in a default under the 2011 Credit Agreement that would permit the lenders to restrict our ability to further access the 2011 Credit Agreement for loans and letters of credit and require the immediate repayment of any outstanding loans under the 2011 Credit Agreement. At January 31, 2015, we had \$62.1 million of borrowings outstanding under the 2011 Credit Agreement and \$4.4 million was committed to outstanding letters of credit, leaving \$633.5 million available under the 2011 Credit Agreement.

### NOTE 4 – FAIR VALUE MEASUREMENTS

In connection with our nonqualified deferred compensation plan, we had mutual fund investments of \$16.9 million and \$21.2 million at January 31, 2015 and February 1, 2014, respectively, which were recorded in other assets. These investments were classified as trading securities and were recorded at their fair value. The fair values of mutual fund investments were Level 1 valuations under the fair value hierarchy because each fund’s quoted market value per share was available in an active market.

The fair values of our long-term obligations are estimated based on the quoted market prices for the same or similar issues and the current interest rates offered for similar instruments. These fair value measurements are classified as Level 2 within the fair value hierarchy. Given the variable rate features and relatively short maturity of the instruments underlying our long-term obligations, the carrying value of these instruments approximates the fair value.

### NOTE 5 – LEASES

Leased property consisted primarily of 1,405 of our retail stores and certain transportation, information technology and other office equipment. Many of the store leases obligate us to pay for our applicable portion of real estate taxes, CAM, and property insurance. Certain store leases provide for contingent rents, have rent escalations, and have tenant allowances or other lease incentives. Many of our leases contain provisions for options to renew or extend the original term for additional periods.

Total rent expense, including real estate taxes, CAM, and property insurance, charged to continuing operations for operating leases consisted of the following:

<i>(In thousands)</i>	2014	2013	2012
Minimum leases	\$ 314,276	\$ 309,935	\$ 290,347
Contingent leases	312	308	416
Total rent expense	\$ 314,588	\$ 310,243	\$ 290,763

Future minimum rental commitments for leases, excluding closed store leases, real estate taxes, CAM, and property insurance, at January 31, 2015, were as follows:

<b>Fiscal Year</b>	<i>(In thousands)</i>	
2015	\$	248,122
2016		208,356
2017		165,037
2018		128,974
2019		85,542
Thereafter		108,629
<b>Total leases</b>	<b>\$</b>	<b>944,660</b>

We have obligations for capital leases primarily for store asset protection equipment and office equipment, included in accrued operating expenses and other liabilities on our consolidated balance sheet. Scheduled payments for all capital leases at January 31, 2015, were as follows:

<b>Fiscal Year</b>	<i>(In thousands)</i>	
2015	\$	4,010
2016		3,938
2017		3,584
2018		2,881
2019		2,881
Thereafter		5,045
Total lease payments	\$	22,339
Less amount to discount to present value		(2,869)
Capital lease obligation per balance sheet	\$	19,470

## **NOTE 6 – SHAREHOLDERS’ EQUITY**

### **Earnings per Share**

There were no adjustments required to be made to weighted-average common shares outstanding for purposes of computing basic and diluted earnings per share and there were no securities outstanding in any year presented, which were excluded from the computation of earnings per share other than antidilutive stock options, restricted stock awards, and restricted stock units. Stock options outstanding that were excluded from the diluted share calculation because their impact was antidilutive at the end of 2014, 2013, and 2012 were as follows:

<i>(In millions)</i>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Antidilutive stock options excluded from dilutive share calculation	1.1	2.8	1.9

Antidilutive options are excluded from the calculation because they decrease the number of diluted shares outstanding under the treasury stock method. Antidilutive options are generally outstanding options where the exercise price per share is greater than the weighted-average market price per share for our common shares for each period. The restricted stock awards and restricted stock units that were antidilutive, as determined under the treasury stock method, were immaterial for all years presented.

A reconciliation of the number of weighted-average common shares outstanding used in the basic and diluted earnings per share computations is as follows:

<i>(In thousands)</i>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Weighted-average common shares outstanding:			
Basic	54,935	57,415	59,852
Dilutive effect of share-based awards	617	543	624
Diluted	55,552	57,958	60,476

### Share Repurchase Programs

On March 5, 2014, our Board of Directors authorized a share repurchase program providing for the repurchase of \$125 million of our common shares (“March 2014 Repurchase Program”). The March 2014 Repurchase Program was exhausted during the second quarter of 2014.

On August 28, 2014, our Board of Directors authorized a new share repurchase program providing for the repurchase of \$125 million of our common shares (“August 2014 Repurchase Program”). The August 2014 Repurchase Program was exhausted during the fourth quarter of 2014.

During the fourth quarter of 2014, we acquired approximately 0.2 million of our outstanding common shares for \$10.2 million. During 2014, we acquired approximately 6.1 million of our outstanding common shares for \$250 million, which is comprised of 3.3 million common shares for \$125 million under the March 2014 Repurchase Program and 2.8 million common shares for \$125 million under the August 2014 Repurchase Program.

Common shares acquired through the repurchase programs are held in treasury at cost and are available to meet obligations under equity compensation plans and for general corporate purposes.

### Dividends

In the second quarter of 2014, our Board of Directors commenced a cash dividend program on our common shares. The Company declared and paid cash dividends per common share during the periods presented as follows:

	<b>Dividends Per Share</b>	<b>Amount Declared</b>	<b>Amount Paid</b>
<b>2014:</b>		<i>(in thousands)</i>	<i>(in thousands)</i>
Fourth quarter	\$ 0.17	\$ 9,230	\$ 9,005
Third quarter	0.17	9,718	9,457
Second quarter	0.17	9,585	9,366
<b>Total</b>	<b>\$ 0.51</b>	<b>\$ 28,533</b>	<b>\$ 27,828</b>

The amount of dividends declared may vary from the amount of dividends paid in a period based on certain instruments with restrictions on payment, including restricted stock awards, restricted stock units, and performance share units. Future dividends are subject to the discretion of the Board of Directors and will depend on our financial conditions, results of operations, capital requirements, compliance with applicable laws and agreements and any other factors deemed relevant by our Board of Directors.

## NOTE 7 – SHARE-BASED PLANS

Our shareholders approved the Big Lots 2012 Long-Term Incentive Plan (“2012 LTIP”) in May 2012. The 2012 LTIP authorizes the issuance of incentive and nonqualified stock options, restricted stock, restricted stock units, deferred stock awards, performance share units, stock appreciation rights, cash-based awards, and other share-based awards. We have issued nonqualified stock options, restricted stock, restricted stock units, and performance share units under the 2012 LTIP. The number of common shares available for issuance under the 2012 LTIP consists of an initial allocation of 7,750,000 common shares plus any common shares subject to the 4,702,362 outstanding awards as of March 15, 2012 under the Big Lots 2005 Long-Term Incentive Plan (“2005 LTIP”) that, on or after March 15, 2012, cease for any reason to be subject to such awards (other than by reason of exercise or settlement). The Compensation Committee of our Board of Directors (“Committee”), which is charged with administering the 2012 LTIP, has the authority to determine the terms of each award. Nonqualified stock options granted to employees under the 2012 LTIP, the exercise price of which may not be less than the fair market value of the underlying common shares on the grant date, generally expire on the earlier of: (1) the seven year term set by the Committee; or (2) one year following termination of employment, death, or disability. The nonqualified stock options generally vest ratably over a four-year period; however, upon a change in control, all awards outstanding automatically vest.

Our former equity compensation plan, the 2005 LTIP, approved by our shareholders in May 2005, expired on May 16, 2012. The 2005 LTIP authorized the issuance of nonqualified stock options, restricted stock, and other award types. We issued only nonqualified stock options and restricted stock under the 2005 LTIP. The Committee, which was charged with administering the 2005 LTIP, had the authority to determine the terms of each award. Nonqualified stock options granted to employees under the 2005 LTIP, the exercise price of which was not less than the fair market value of the underlying common shares on the grant date, generally expire on the earlier of: (1) the seven year term set by the Committee; or (2) one year following termination of employment, death, or disability. The nonqualified stock options generally vest ratably over a four-year period; however, upon a change in control, all awards outstanding automatically vest.

We previously maintained the Big Lots Director Stock Option Plan (“Director Stock Option Plan”) for non-employee directors. The Director Stock Option Plan was terminated on May 30, 2008. The Director Stock Option Plan was administered by the Committee pursuant to an established formula. Neither the Board of Directors nor the Committee exercised any discretion in administration of the Director Stock Option Plan. Grants were made annually at an exercise price equal to the fair market value of the underlying common shares on the date of grant. The annual grants to each non-employee director of an option to acquire 10,000 of our common shares became fully exercisable over a three-year period: 20% of the shares on the first anniversary, 60% on the second anniversary, and 100% on the third anniversary. Stock options granted to non-employee directors expire on the earlier of: (1) 10 years plus one month; (2) one year following death or disability; or (3) at the end of our next trading window one year following termination. In connection with the amendment to the 2005 LTIP in May 2008, our Board of Directors amended the Director Stock Option Plan so that no additional awards may be made under that plan. Our non-employee directors did not receive any stock options in 2014, 2013, and 2012, but did, as discussed below, receive restricted stock awards under the 2012 and 2005 LTIPs.

Share-based compensation expense was \$10.5 million, \$13.2 million and \$17.9 million in 2014, 2013, and 2012, respectively. We historically used a binomial model to estimate the fair value of stock options on the grant date. The binomial model takes into account variables such as volatility, dividend yield rate, risk-free rate, contractual term of the option, the probability that the option will be exercised prior to the end of its contractual life, and the probability of retirement of the option holder in computing the value of the option. Expected volatility is based on historical and current implied volatilities from traded options on our common shares. The dividend yield on our common shares was assumed to be zero since we had not paid dividends, nor did we have any plans to do so at the time of those grants. The risk-free rate is based on U.S. Treasury security yields at the time of the grant. The expected life is determined from the binomial model, which incorporates exercise and post-vesting forfeiture assumptions based on analysis of historical data.

The weighted-average fair value of stock options granted and assumptions used in the stock option pricing model for each of the respective periods were as follows:

	2013	2012
Weighted-average fair value of stock options granted	\$ 12.08	\$ 14.15
Risk-free interest rates	0.8%	0.6%
Expected life (years)	4.2	4.2
Expected volatility	41.9%	41.1%
Expected annual forfeiture rate	3.0%	3.0%

During 2014, we granted no stock options.

The following table summarizes information about our stock options outstanding and exercisable at January 31, 2015:

Range of Prices		Options Outstanding			Options Exercisable		
Greater Than	Less Than or Equal to	Options Outstanding	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price	
\$ 10.01	\$ 20.00	75,838	1.0	\$ 16.73	75,838	\$ 16.73	
	20.01	16,250	2.1	25.98	15,625	25.91	
	30.01	940,375	4.7	35.77	314,184	35.79	
\$ 40.01	\$ 50.00	670,750	3.7	42.79	370,625	42.57	
		1,703,213	4.1	\$ 37.59	776,272	\$ 36.97	

A summary of the annual stock option activity for fiscal years 2012, 2013, and 2014 is as follows:

	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (000's)
Outstanding stock options at January 28, 2012	3,676,423	\$ 28.36		
Granted	982,000	43.23		
Exercised	(1,406,262)	23.67		
Forfeited	(223,075)	40.18		
Outstanding stock options at February 2, 2013	3,029,086	\$ 34.49		
Granted	1,159,500	35.80		
Exercised	(213,520)	22.87		
Forfeited	(597,763)	38.97		
Outstanding stock options at February 1, 2014	3,377,303	\$ 34.88		
Granted	—	—		
Exercised	(1,389,040)	30.67		
Forfeited	(285,050)	39.19		
Outstanding stock options at January 31, 2015	1,703,213	\$ 37.59	4.1	\$ 14,165
Vested or expected to vest at January 31, 2015	1,616,703	\$ 37.55	4.1	\$ 13,514
Exercisable at January 31, 2015	776,272	\$ 36.97	3.3	\$ 6,943

The number of stock options expected to vest was based on our annual forfeiture rate assumption.



A summary of the nonvested awards other than stock options activity for fiscal years 2012, 2013, and 2014 is as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value Per Share
Outstanding non-vested restricted stock at January 28, 2012	741,289	\$ 39.40
Granted	589,784	42.90
Vested	(477,664)	38.52
Forfeited	(69,800)	43.04
Outstanding non-vested restricted stock at February 2, 2013	783,609	\$ 42.25
Granted	458,576	35.53
Vested	(64,784)	37.79
Forfeited	(513,300)	41.86
Outstanding non-vested restricted stock at February 1, 2014	664,101	\$ 38.34
Granted	317,641	37.81
Vested	(70,155)	34.54
Forfeited	(166,782)	39.87
Outstanding non-vested restricted stock at January 31, 2015	744,805	\$ 38.13

The non-vested restricted stock units granted in 2014 generally vest on a ratable basis over three years from the grant date of the award, if certain threshold financial performance objectives are achieved and the grantee remains employed by us through the vesting dates.

The non-vested restricted stock awards granted to employees in 2011, 2012 and 2013 (other than the awards granted to Mr. Fishman, our former CEO in 2011 and 2012) vest if certain financial performance objectives are achieved. If we meet a threshold financial performance objective and the grantee remains employed by us, the restricted stock will vest on the opening of our first trading window five years after the grant date of the award. If we meet a higher financial performance objective and the grantee remains employed by us, the restricted stock will vest on the first trading day after we file our Annual Report on Form 10-K with the SEC for the fiscal year in which the higher objective is met.

On the grant date of the 2011 restricted stock awards (other than the award granted to Mr. Fishman), we estimated a three-year period for vesting based on the assumed achievement of the higher financial performance objective. In the fourth quarter of 2012, based on operating results and future projections, we changed the estimated vesting period of the 2011 restricted stock awards to four years. In the fourth quarter of 2013, based on operating results and future projections, we changed the estimated vesting period of the 2011 restricted stock awards to five years. The impact of this change in estimate will be recognized ratably over the remaining vesting period.

On the grant date of the 2012 restricted stock awards (other than the award granted to Mr. Fishman), we estimated a three-year period for vesting based on the assumed achievement of the higher financial performance objective. In the fourth quarter of 2012, based on operating results and future projections, we changed the estimated vesting period of the 2012 restricted stock awards to four years. In the fourth quarter of 2013, based on operating results and future projections, we changed the estimated vesting period of the 2012 restricted stock awards to five years. The impact of this change in estimate will be recognized ratably over the remaining vesting period.

On the grant date of the 2013 restricted stock awards, we estimated a three-year period for vesting based on the assumed achievement of the higher financial performance objective. In the fourth quarter of 2013, based on operating results and future projections, we changed the estimated vesting period of the 2013 restricted stock awards to five years. The impact of this change in estimate will be recognized ratably over the remaining vesting period.

In 2013, in connection with his appointment as CEO and President, Mr. Campisi was awarded 37,800 performance share units, which vest based on the achievement of share price performance goals, that had a weighted average grant-date fair value per share of \$34.68. The performance share units have a contractual term of seven years. In the second quarter of 2014, Mr. Campisi's first tranche of 12,600 performance share units vested. In the third quarter of 2014, Mr. Campisi's second tranche of 12,600 performance share units vested. If the performance goals applicable to the performance share units are not achieved prior to expiration, the awards will be forfeited. A total of 12,600 performance share units remain unvested and outstanding at January 31, 2015.

The restricted stock award granted to Mr. Fishman in 2011 vested in 2012 based on achievement of the corporate financial goals for 2011. The nonvested restricted stock award granted to Mr. Fishman in 2012 was forfeited in the first quarter of 2013, because we failed to achieve a corporate financial goal set for 2012.

In 2014, we issued 433,350 performance share units, net of forfeitures, to certain members of management, which vest if certain financial performance objectives are achieved over a three-year performance period and the grantee remains employed by us during that period. The financial performance objectives for each fiscal year within the three-year performance period are approved by the Compensation Committee of our Board of Directors during the first quarter of the respective fiscal year. As a result of the process used to establish the financial performance objectives, we will only meet the requirements of establishing a grant date for the performance share units when we communicate the financial performance objectives for the third fiscal year of the award to the award recipients, which will then trigger the service inception date, the fair value of the awards, and the associated expense recognition period. Therefore, we have recognized no expense for these issued performance share units in 2014, and we do not expect to recognize expense in 2015. Based on the accounting treatment for performance share units, the expensing of the PSUs issued during 2014 could begin on or around March 2016, or the date that the targets are established for the third year for the three-year performance period. If we meet the applicable threshold financial performance objectives over the three-year performance period and the grantee remains employed by us through the end of the performance period, the performance share units will vest on the first trading day after we file our Annual Report on Form 10-K for the last year in the performance period.

In 2014, 2013, and 2012, we granted to each non-employee member of our Board of Directors a restricted stock award. In 2014, each had a fair value on the grant date of approximately \$110,000. These awards vest on the earlier of (1) the trading day immediately preceding the next annual meeting of our shareholders or (2) the death or disability of the grantee. However, the restricted stock award will not vest if the non-employee director ceases to serve on our Board of Directors before either vesting event occurs.

During 2014, 2013, and 2012, the following activity occurred under our share-based compensation plans:

<i>(In thousands)</i>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total intrinsic value of stock options exercised	\$ 18,614	\$ 2,646	\$ 29,350
Total fair value of restricted stock vested	\$ 2,825	\$ 2,237	\$ 21,907
Total fair value of performance shares vested	\$ 1,143	\$ —	\$ —

The total unearned compensation cost related to all share-based awards outstanding, excluding performance share units, at January 31, 2015 was approximately \$20.4 million. This compensation cost is expected to be recognized through January 2019 based on existing vesting terms with the weighted-average remaining expense recognition period being approximately 1.9 years from January 31, 2015.

## NOTE 8 – EMPLOYEE BENEFIT PLANS

### Pension Benefits

We maintain the Pension Plan and Supplemental Pension Plan covering certain employees whose hire date was on or before April 1, 1994. Benefits under each plan are based on credited years of service and the employee's compensation during the last five years of employment. The Supplemental Pension Plan is maintained for certain highly compensated executives whose benefits were frozen in the Pension Plan in 1996. The Supplemental Pension Plan is designed to pay benefits in the same amount as if the participants continued to accrue benefits under the Pension Plan. We have no obligation to fund the Supplemental Pension Plan, and all assets and amounts payable under the Supplemental Pension Plan are subject to the claims of our general creditors.

The components of net periodic pension expense were comprised of the following:

<i>(In thousands)</i>	2014	2013	2012
Service cost - benefits earned in the period	\$ 1,951	\$ 2,086	\$ 2,171
Interest cost on projected benefit obligation	3,218	3,041	3,292
Expected investment return on plan assets	(3,219)	(2,893)	(3,089)
Amortization of prior service cost	(34)	(34)	(34)
Amortization of transition obligation	—	12	13
Amortization of actuarial loss	1,497	1,692	2,345
Settlement loss	1,868	83	298
Net periodic pension cost	\$ 5,281	\$ 3,987	\$ 4,996

In 2014, 2013, and 2012, we incurred pretax non-cash settlement charges of \$1.9 million, \$0.1 million and \$0.3 million, respectively. The settlement charges were caused by lump sum benefit payments made to plan participants in excess of combined annual service cost and interest cost for each year.

The weighted-average assumptions used to determine net periodic pension expense were:

	2014	2013	2012
Discount rate	5.0%	4.6%	5.0%
Rate of increase in compensation levels	3.0%	3.5%	3.5%
Expected long-term rate of return	6.0%	5.1%	5.5%

The weighted-average assumptions used to determine benefit obligations were:

	2014	2013
Discount rate	3.3%	5.0%
Rate of increase in compensation levels	2.8%	3.0%

The following schedule provides a reconciliation of projected benefit obligations, plan assets, funded status, and amounts recognized for the Pension Plan and Supplemental Pension Plan at January 31, 2015 and February 1, 2014:

<i>(In thousands)</i>	<b>January 31, 2015</b>	<b>February 1, 2014</b>
<b>Change in projected benefit obligation:</b>		
Projected benefit obligation at beginning of year	\$ 64,878	\$ 70,210
Service cost	1,951	2,086
Interest cost	3,218	3,041
Plan amendments	217	—
Benefits and settlements paid	(7,857)	(5,035)
Actuarial loss (gain)	15,780	(5,424)
Projected benefit obligation at end of year	\$ 78,187	\$ 64,878
<b>Change in plan assets:</b>		
Fair market value at beginning of year	\$ 56,329	\$ 59,376
Actual return on plan assets	5,685	1,379
Employer contributions	1,135	609
Benefits and settlements paid	(7,857)	(5,035)
Fair market value at end of year	\$ 55,292	\$ 56,329
Under funded and net amount recognized	\$ (22,895)	\$ (8,549)
<b>Amounts recognized in the consolidated balance sheets consist of:</b>		
Current liabilities	\$ (372)	\$ (340)
Noncurrent liabilities	(22,523)	(8,209)
Net amount recognized	\$ (22,895)	\$ (8,549)

The following are components of accumulated other comprehensive income and, as such, are not yet reflected in net periodic pension expense:

<i>(In thousands)</i>	<b>2014</b>	<b>2013</b>
Unrecognized past service credit	\$ (195)	\$ 56
Unrecognized actuarial loss	(24,074)	(14,124)
Accumulated other comprehensive loss, pretax	\$ (24,269)	\$ (14,068)

We expect to reclassify \$2.0 million of the actuarial loss along with an immaterial amount of past service credit into net periodic pension expense during 2015.

The following table sets forth certain information for the Pension Plan and the Supplemental Pension Plan at January 31, 2015 and February 1, 2014:

<i>(In thousands)</i>	<b>Pension Plan</b>		<b>Supplemental Pension Plan</b>	
	<b>January 31, 2015</b>	<b>February 1, 2014</b>	<b>January 31, 2015</b>	<b>February 1, 2014</b>
Projected benefit obligation	\$ 72,659	\$ 59,724	\$ 5,528	\$ 5,154
Accumulated benefit obligation	65,627	54,635	4,667	4,643
Fair market value of plan assets	\$ 55,292	\$ 56,329	\$ —	\$ —

We elected not to make a discretionary contribution to the Pension Plan in 2014 or 2013. Our funding policy of the Pension Plan is to make annual contributions based on advice from our actuaries and the evaluation of our cash position, but not less than the minimum required by applicable regulations. Currently, we expect no required contributions to the Pension Plan during 2015, however, discretionary contributions could be made depending upon further analysis.

Using the same assumptions as those used to measure our benefit obligations, the Pension Plan and the Supplemental Pension Plan benefits expected to be paid in each of the following fiscal years are as follows:

<b>Fiscal Year</b>	<i>(In thousands)</i>
2015	\$ 6,030
2016	5,650
2017	5,689
2018	5,337
2019	5,476
2020 - 2024	\$ 27,007

Our overall investment strategy is to earn a long-term rate of return sufficient to meet the liability needs of the Pension Plan, within prudent risk constraints. In order to develop the appropriate asset allocation and investment strategy, an actuarial review of the Pension Plan's expected future distributions was completed. The strategy provides a well-defined risk management approach designed to reduce risks based on the Pension Plan's funded status.

Assets can generally be considered as filling one of the following roles within the strategy: (1) liability-hedging assets, which are designed to meet the cash payment needs of the plan's obligation and provide downside protection, primarily invested in intermediate and long maturity investment grade bonds; or (2) return-seeking assets, which are designed to deliver returns in excess of the Pension Plan's obligation growth rates, with broadly diversified assets including U.S. and non-U.S. equities, real estate, and high yield bonds. The current target allocation is approximately 80% liability-hedging assets and 20% return-seeking assets. Target allocations may change over time due to changes in the plan's funded status, or in response to changes in plan or market conditions. All assets must have readily ascertainable market values and be easily marketable. The portfolio of assets maintains a high degree of liquidity in order to meet benefit payment requirements and to allow responsiveness to evolving Pension Plan and market conditions.

The investment managers have the discretion to invest within sub-classes of assets within the parameters of their investment guidelines. Fixed income managers can adjust duration exposure as deemed appropriate given current or expected market conditions. Additionally, the investment managers have the authority to invest in financial futures contracts and financial options contracts for the purposes of implementing hedging strategies. There were no futures contracts owned directly by the Pension Plan at January 31, 2015 and February 1, 2014. The primary benchmark for assessing the effectiveness of the Pension Plan investments is that of the plan's liabilities themselves. Asset class returns are also judged relative to common benchmark indices such as the Russell 3000 and Barclay's Capital Long Credit Bond. Investment results and plan funded status are monitored daily, with a detailed performance review completed on a quarterly basis.

The fair value of our Pension Plan assets at January 31, 2015 and February 1, 2014 by asset category was comprised of the following:

<i>(In thousands)</i>	January 31, 2015				February 1, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
<b>Cash and Cash Equivalents</b>	\$ 1,096	\$ 1,096	\$ —	\$ —	\$ 1,418	\$ 1,418	\$ —	\$ —
<b>Common / Collective Trusts</b>								
Long Credit	25,317	—	25,317	—	44,239	—	44,239	—
Intermediate Credit	17,972	—	17,972	—	8	—	8	—
Global Real Estate	2,894	—	2,894	—	2,623	—	2,623	—
High Yield	2,674	—	2,674	—	2,629	—	2,629	—
U.S. Equity Index	2,183	—	2,183	—	2,165	—	2,165	—
International Equities	2,034	—	2,034	—	2,172	—	2,172	—
U.S. Small Cap	1,122	—	1,122	—	1,075	—	1,075	—
<b>Total</b>	\$ 55,292	\$ 1,096	\$ 54,196	\$ —	\$ 56,329	\$ 1,418	\$ 54,911	\$ —

### Savings Plans

We have a savings plan with a 401(k) deferral feature and a nonqualified deferred compensation plan with a similar deferral feature for eligible employees. We contribute a matching percentage of employee contributions. Our matching contributions are subject to Internal Revenue Service (“IRS”) regulations. For 2014, 2013, and 2012, we expensed \$5.9 million, \$5.7 million, and \$5.6 million, respectively, related to our matching contributions. In connection with our nonqualified deferred compensation plan, we had liabilities of \$17.2 million and \$21.4 million at January 31, 2015 and February 1, 2014, respectively.

## NOTE 9 – INCOME TAXES

The provision for income taxes from continuing operations was comprised of the following:

<i>(In thousands)</i>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Current:</b>			
U.S. Federal	\$ 74,235	\$ 81,270	\$ 91,373
U.S. State and local	12,840	14,506	13,380
Total current tax expense	87,075	95,776	104,753
<b>Deferred:</b>			
U.S. Federal	(2,022)	(8,275)	10,269
U.S. State and local	186	(1,986)	2,049
Total deferred tax expense	(1,836)	(10,261)	12,318
Income tax provision	\$ 85,239	\$ 85,515	\$ 117,071

Net deferred tax assets fluctuated by items that are not reflected in deferred tax expense in the above table, primarily related to matters associated with discontinued operations. Net deferred tax assets decreased by \$24.3 million in 2014, increased by \$22.0 million in 2013, and decreased by \$0.3 million in 2012 as a result of deferred income tax expense associated with our discontinued operations. Additionally, net deferred tax assets also increased by \$4.0 million in 2014, \$2.3 million in 2013, and \$1.7 million in 2012, principally from pension-related charges recorded in accumulated other comprehensive loss.

Reconciliation between the statutory federal income tax rate and the effective income tax rate for continuing operations was as follows:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Statutory federal income tax rate	35.0%	35.0%	35.0%
<b>Effect of:</b>			
State and local income taxes, net of federal tax benefit	3.8	3.6	3.3
Work opportunity tax and other employment tax credits	(0.7)	(1.0)	(0.3)
Valuation allowance	—	—	—
Other, net	0.3	0.1	0.1
Effective income tax rate	38.4%	37.7%	38.1%

Income tax payments and refunds were as follows:

<i>(In thousands)</i>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Income taxes paid	\$ 69,919	\$ 122,672	\$ 95,596
Income taxes refunded	(135)	(551)	(2,764)
Net income taxes paid	\$ 69,784	\$ 122,121	\$ 92,832

Deferred taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax, including income tax uncertainties. Significant components of our deferred tax assets and liabilities were as follows:

<i>(In thousands)</i>	<b>January 31, 2015</b>	<b>February 1, 2014</b>
<b>Deferred tax assets:</b>		
Workers' compensation and other insurance reserves	\$ 32,242	\$ 31,483
Compensation related	28,047	24,505
Accrued rent	26,283	30,962
Uniform inventory capitalization	17,649	20,708
Depreciation and fixed asset basis differences	9,972	12,727
Pension plans	9,086	3,414
Accrued state taxes	6,869	7,540
State tax credits, net of federal tax benefit	4,048	3,987
Accrued operating liabilities	1,751	2,585
Non-U.S. net operating losses	—	24,430
Impaired investment in foreign subsidiary	—	23,899
Other	20,099	26,105
Valuation allowances - primarily related to non-U.S. operations	(2,373)	(30,013)
<b>Total deferred tax assets</b>	<b>153,673</b>	<b>182,332</b>
<b>Deferred tax liabilities:</b>		
Accelerated depreciation and fixed asset basis differences	67,299	71,829
Lease construction reimbursements	15,317	16,773
Prepaid expenses	6,247	6,220
Workers' compensation and other insurance reserves	4,203	5,121
Other	14,314	17,502
<b>Total deferred tax liabilities</b>	<b>107,380</b>	<b>117,445</b>
<b>Net deferred tax assets</b>	<b>\$ 46,293</b>	<b>\$ 64,887</b>

Net deferred tax assets are shown separately on our consolidated balance sheets as current and non-current deferred income taxes. The following table summarizes net deferred income tax assets from the consolidated balance sheets:

<i>(In thousands)</i>	<b>January 31, 2015</b>	<b>February 1, 2014</b>
Current deferred income taxes	\$ 39,154	\$ 59,781
Noncurrent deferred income taxes	7,139	5,106
<b>Net deferred tax assets</b>	<b>\$ 46,293</b>	<b>\$ 64,887</b>

In 2013, we fully reduced the amount of net deferred income tax assets (including a net operating loss carryforward) of Big Lots Canada, Inc. by a valuation allowance. Big Lots Canada, Inc. had an accumulated retained deficit in 2013, thus we did not provide for income taxes in the United States on undistributed earnings. The deferred tax asset related to the impaired investment in a foreign subsidiary was recovered as a worthless stock deduction in 2014.



We have the following income tax loss and credit carryforwards at January 31, 2015 (amounts are shown net of tax excluding the federal income tax effect of the state and local items):

<i>(In thousands)</i>			
U.S. State and local:			
State net operating loss carryforwards	\$	144	Expires fiscal years 2020 through 2025
California enterprise zone credits		5,967	Predominately expires fiscal year 2023
Texas business loss credits		261	Expires fiscal years through 2025
Total income tax loss and credit carryforwards	\$	6,372	

Income taxes payable on our consolidated balance sheets have been reduced by the tax benefits primarily associated with share-based compensation. We receive an income tax deduction upon the exercise of non-qualified stock options and the vesting of restricted stock. Tax benefits of \$1.2 million, \$0.2 million, and \$8.1 million in 2014, 2013, and 2012, respectively, were credited directly to shareholders' equity related to share-based compensation deductions in excess of expense recognized for these awards.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits for 2014, 2013, and 2012:

<i>(In thousands)</i>	2014	2013	2012
Unrecognized tax benefits - beginning of year	\$ 16,650	\$ 16,019	\$ 16,755
Gross increases - tax positions in current year	898	991	838
Gross increases - tax positions in prior period	820	1,247	1,626
Gross decreases - tax positions in prior period	(2,418)	(532)	(1,928)
Settlements	(488)	(4)	(382)
Lapse of statute of limitations	(566)	(949)	(890)
Foreign currency translation	26	(122)	—
Unrecognized tax benefits - end of year	\$ 14,922	\$ 16,650	\$ 16,019

At the end of 2014 and 2013, the total amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate is \$9.6 million and \$11.0 million, respectively, after considering the federal tax benefit of state and local income taxes of \$4.7 million and \$5.0 million, respectively. Unrecognized tax benefits of \$0.6 million and \$0.7 million in 2014 and 2013, respectively, relate to tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The uncertain timing items could result in the acceleration of the payment of cash to the taxing authority to an earlier period.

We recognized an expense (benefit) associated with interest and penalties on unrecognized tax benefits of approximately \$0.5 million, \$0.5 million, and \$(0.7) million during 2014, 2013, and 2012, respectively, as a component of income tax expense. The amount of accrued interest and penalties recognized in the accompanying consolidated balance sheets at January 31, 2015 and February 1, 2014 was \$6.0 million and \$5.7 million, respectively.

We are subject to U.S. federal income tax, income tax of multiple state and local jurisdictions, and Canadian and provincial taxes. The statute of limitations for assessments on our federal income tax returns for periods prior to 2011 has lapsed. In addition, the state income tax returns filed by us are subject to examination generally for periods beginning with 2006, although state income tax carryforward attributes generated prior to 2006 and non-filing positions may still be adjusted upon examination. We have various state returns in the process of examination or administrative appeal. Generally, the time limit for reassessing returns for Canadian and provincial income taxes for periods prior to the year ending October 4, 2009 have lapsed.

We have estimated the reasonably possible expected net change in unrecognized tax benefits through January 30, 2016, based on expected cash and noncash settlements or payments of uncertain tax positions and lapses of the applicable statutes of limitations for unrecognized tax benefits. The estimated net decrease in unrecognized tax benefits for the next 12 months is approximately \$4.0 million. Actual results may differ materially from this estimate.

## NOTE 10 – COMMITMENTS, CONTINGENCIES AND LEGAL PROCEEDINGS

On May 21, May 22 and July 2, 2012, three shareholder derivative lawsuits were filed in the U.S. District Court for the Southern District of Ohio against us and certain of our current and former outside directors and executive officers (Jeffrey Berger, David Kollat, Brenda Lauderback, Philip Mallott, Russell Solt, Dennis Tishkoff, Robert Claxton, Joe Cooper, Steven Fishman, Charles Haubiel, Timothy Johnson, John Martin, Norman Rankin, Paul Schroeder, Robert Segal and Steven Smart). The lawsuits were consolidated, and, on August 13, 2012, plaintiffs filed a consolidated complaint, which generally alleges that the individual defendants traded in our common shares based on material, nonpublic information concerning our guidance for fiscal 2012 and the first quarter of fiscal 2012 and the director defendants failed to suspend our share repurchase program during such trading activity. The consolidated complaint asserts claims under Ohio law for breach of fiduciary duty, unjust enrichment, misappropriation of trade secrets and corporate waste and seeks declaratory relief and disgorgement to us of proceeds from any wrongful sales of our common shares, plus attorneys' fees and expenses. The defendants have filed a motion to dismiss the consolidated complaint, and that motion is fully briefed and awaiting a decision.

We received a letter dated January 28, 2013, sent on behalf of a shareholder demanding that our Board of Directors investigate and take action in connection with the allegations made in the derivative and securities lawsuits described above. The shareholder indicated that he would commence a derivative lawsuit if our Board of Directors failed to take the demanded action. On March 6, 2013, our Board of Directors referred the shareholder's letter to a committee of independent directors to investigate the matter. That committee, with the assistance of independent outside counsel, investigated the allegations in the shareholder's demand letter and, on August 28, 2013, reported its findings to our Board of Directors along with its recommendation that the Board reject the shareholder's demand. Our Board of Directors unanimously accepted the recommendation of the demand investigation committee and, on September 9, 2013, outside counsel for the committee sent a letter to counsel for the shareholder informing the shareholder of the Board's determination. On October 18, 2013, the shareholder filed a derivative lawsuit in the U.S. District Court for the Southern District of Ohio against us and each of the current and former outside directors and executive officers named in the 2012 shareholder derivative lawsuit. The plaintiff's complaint generally alleges that the individual defendants traded in our common shares based on material, nonpublic information concerning our guidance for fiscal 2012 and the first quarter of fiscal 2012 and the director defendants failed to suspend our share repurchase program during such trading activity. The complaint asserts claims under Ohio law for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, corporate waste and misappropriation of trade secrets and seeks damages, injunctive relief and disgorgement to us of proceeds from any wrongful sales of our common shares, plus attorneys' fees and expenses. The defendants have filed a motion to dismiss the complaint, and that motion is fully briefed and awaiting a decision.

On February 10, 2014, a shareholder derivative lawsuit was filed in the Franklin County Common Pleas Court in Columbus, Ohio, against us and certain of our current and former outside directors and executive officers (David Campisi, Steven Fishman, Joe Cooper, Charles Haubiel, Timothy Johnson, Robert Claxton, John Martin, Norman Rankin, Paul Schroeder, Robert Segal, Steven Smart, David Kollat, Jeffrey Berger, James Chambers, Peter Hayes, Brenda Lauderback, Philip Mallott, Russell Solt, James Tener and Dennis Tishkoff). The plaintiff's complaint generally alleges that the individual defendants traded in our common shares based on material, nonpublic information concerning our guidance for fiscal 2012 and the first quarter of fiscal 2012 and the director defendants failed to suspend our share repurchase program during such trading activity. The complaint also alleges that we and various individual defendants made false and misleading statements regarding our Canadian operations prior to our announcement on December 5, 2013 that we were exiting the Canadian market. The complaint asserts claims under Ohio law for breach of fiduciary duty, unjust enrichment, waste of corporate assets and misappropriation of insider information and seeks damages, injunctive relief and disgorgement to us of proceeds from any wrongful sales of our common shares, plus attorneys' fees and expenses. At the parties' request, the court has stayed this lawsuit until after the judge in the federal lawsuits discussed in the preceding paragraphs has ruled on the motions to dismiss pending in those federal lawsuits.

On July 9, 2012, a putative securities class action lawsuit was filed in the U.S. District Court for the Southern District of Ohio on behalf of persons who acquired our common shares between February 2, 2012 and April 23, 2012. This lawsuit was filed against us, Lisa Bachmann, Mr. Cooper, Mr. Fishman and Mr. Haubiel. The complaint in the putative class action generally alleges that the defendants made statements concerning our financial performance that were false or misleading. The complaint asserts claims under sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 and seeks damages in an unspecified amount, plus attorneys' fees and expenses. The lead plaintiff filed an amended complaint on April 4, 2013, which added Mr. Johnson as a defendant, removed Ms. Bachmann as a defendant, and extended the putative class period to August 23, 2012. The defendants have filed a motion to dismiss the putative class action complaint, and that motion is fully briefed and awaiting a decision.

We believe that the shareholder derivative and putative class action lawsuits are without merit, and we intend to defend ourselves vigorously against the allegations levied in these lawsuits. While a loss from these lawsuits is reasonably possible, at this time, we cannot reasonably estimate the amount of any loss that may result or whether the lawsuits will have a material impact on our financial statements.

On June 13, 2013, we received a voluntary document request from the Division of Enforcement of the SEC relating principally to our participation in investor and analyst meetings in the first fiscal quarter of 2012. We have produced documents and are cooperating with the SEC's investigation, which is ongoing.

On October 1, 2013, we received a subpoena from the District Attorney for the County of Alameda, State of California, seeking information concerning our handling of hazardous materials and hazardous waste in the State of California. We have provided information and are cooperating with the authorities from multiple counties and cities in California in connection with this ongoing matter. While a loss related to this matter is reasonably possible, at this time, we cannot reasonably estimate the possible loss or range of loss that may arise from this matter or whether this matter will have a material impact on our financial statements. In October 2014, Big Lots received a notice of a second violation from the California Air Resources Board alleging that it sold certain products that contained volatile organic compounds in excess of regulated limits (windshield washer fluid). This matter is in its early stages and settlement discussions are continuing. We anticipate that any resolution of this matter is likely to exceed \$100,000.

We are involved in other legal actions and claims arising in the ordinary course of business. We currently believe that each such action and claim will be resolved without a material effect on our financial condition, results of operations, or liquidity. However, litigation involves an element of uncertainty. Future developments could cause these actions or claims to have a material effect on our financial condition, results of operations, and liquidity.

We are self-insured for certain losses relating to property, general liability, workers' compensation, and employee medical, dental, and prescription drug benefit claims, a portion of which is paid by employees, and we have purchased stop-loss coverage in order to limit significant exposure in these areas. Accrued insurance liabilities are actuarially determined based on claims filed and estimates of claims incurred but not reported. We use letters of credit, which amounted to \$55.1 million at January 31, 2015, as collateral to back certain of our self-insured losses with our claims administrators.

We have purchase obligations for outstanding purchase orders for merchandise issued in the ordinary course of our business that are valued at \$470.4 million, the entirety of which represents obligations due within one year of January 31, 2015. In addition, we have a purchase commitment for future inventory purchases totaling \$32.2 million at January 31, 2015. We paid \$16.8 million, \$21.7 million, and \$19.9 million related to this commitment during 2014, 2013, and 2012, respectively. We are not required to meet any periodic minimum purchase requirements under this commitment. The term of the commitment extends until the purchase requirement is satisfied. We have additional purchase obligations in the amount of \$199.7 million primarily related to distribution and transportation, information technology, print advertising, energy procurement, and other store security, supply, and maintenance commitments.

## NOTE 11 – GOODWILL

The changes in the carrying amount of goodwill, which is generally not deductible for income tax purposes, for the fiscal years 2013 and 2012 were as follows:

<i>(In thousands)</i>	2013	2012
Beginning of year	\$ 13,522	\$ 12,282
Goodwill adjustments	—	1,191
Foreign currency impact	(818)	49
Impairment loss	(12,704)	—
End of year	\$ —	\$ 13,522

The goodwill adjustments in 2012 were associated with our acquisition of Big Lots Canada, Inc. in the second quarter of 2011, and primarily related to fair value adjustments on our intangible assets and liabilities associated with the acquired operating leases. Our entire balance of goodwill was related to our acquisition of Big Lots Canada, Inc.

During the third and fourth quarters of 2013, our senior management team conducted certain strategic planning activities. As a result of those planning activities in the fourth quarter of 2013, we announced our intentions to wind down the operations of Big Lots Canada, Inc. The decision to wind down was considered a triggering event for the performance of an impairment review, as the wind down would result in the elimination of future cash flows from Big Lots Canada, Inc. Therefore, in the fourth quarter of 2013, we determined that our goodwill had been impaired and we recorded an impairment charge of \$12.7 million. Please see the Canadian Operations section of note 12 to the consolidated financial statements for further discussion.

## NOTE 12 - COSTS ASSOCIATED WITH WIND DOWN ACTIVITIES

### Canadian Operations

During the fourth quarter of 2013, we announced our intention to wind down our Canadian operations. At that time, we conducted detailed evaluations of our long range strategic objectives as well as performed a preliminary review of our 2014 financial plan. As a result of that evaluation and review, we determined our Canadian operations did not fit into our strategic plan for maximizing long-term shareholder returns based on our expectations of the required investments necessary to improve the financial performance of our Canadian operations, both in the near and long-term. During the fourth quarter of 2013, we began a markdown strategy with the intent to liquidate our inventory prior to closing our stores. At February 1, 2014, we re-valued our inventory at our net realizable value based on estimated cash proceeds prior to closing, which represents our estimate of its market value. We, also, conducted a review of our long-lived assets. We determined that the elimination of future cash flows from our operations beyond the first quarter of 2014 resulted in the impairment of our property and equipment and our tradename intangible assets; therefore, we recorded a \$6.5 million impairment charge for property and equipment, in order to reduce its value to estimated salvage value, and recorded a \$0.5 million charge to fully impair our Canadian tradenames. Please see note 2 to the consolidated financial statements for further discussion. Additionally, we conducted an impairment review of our goodwill associated with our Canadian operations, determined that the goodwill had been impaired, and we recorded a \$12.7 million impairment charge. Please see note 11 to the consolidated financial statements for further discussion.

The wind down of our Canadian operations was separated into two phases: our distribution centers and our stores. During the fourth quarter of 2013, we ceased the operations in our distribution centers, as receiving, processing, and distributing activities were completed. Associated with the closure of our distribution centers and certain administrative activities, we recorded both an employee severance charge and contract termination costs related to leased distribution centers. During the first quarter of 2014, we ceased all operations in Canada by closing all stores and terminating all remaining Canadian employees, which resulted in additional severance charges and contract termination costs.

The following table summarizes the components of our wind down activities associated with our Canadian operations and the related liabilities for 2013 and 2014:

<i>(In thousands)</i>	<b>Severance</b>	<b>Contract Termination Costs</b>	<b>Total</b>
Balance at February 2, 2013	\$ —	\$ —	\$ —
Charges	2,739	1,276	4,015
Adjustments	—	—	—
Payments	(319)	—	(319)
Period change	2,420	1,276	3,696
Balance at February 1, 2014	\$ 2,420	\$ 1,276	\$ 3,696
Charges	2,206	23,126	25,332
Adjustments	—	218	218
Payments	(4,588)	(24,531)	(29,119)
Foreign currency translation	(38)	186	148
Period change	(2,420)	(1,001)	(3,421)
Balance at January 31, 2015	\$ —	\$ 275	\$ 275

As of January 31, 2015, we anticipate any future charges associated with the wind down of our Canadian operations will be immaterial. As our Canadian operations had ceased during the first quarter of 2014, the results of our Canadian operations were reclassified to discontinued operations. Please see the Canadian Operations section of note 13 to the consolidated financial statements for further information regarding this discontinued operation.

#### **Wholesale Business**

During the third quarter of 2013, we announced our intention to wind down the operations of our wholesale business during the fourth quarter of 2013. In conjunction with our decision to wind down the operations of our wholesale business, we reviewed the valuation of the inventory associated with the wholesale business and based on the composition of the merchandise, we recorded an impairment of \$3.7 million, which reduced the value of the inventory to our estimate of its market value. Additionally, we recorded a severance charge for this exit activity of approximately \$0.8 million and we recorded contract termination costs of approximately \$0.2 million, when we closed the leased facilities in which we operated our wholesale business. During 2013, we paid \$0.3 million of the severance liability and \$0.2 million for our contract termination costs. Our liability for severance costs was \$0.5 million and our liability for contract termination costs was zero at February 1, 2014.

During 2014, we paid \$0.5 million for severance cost reducing the liability to zero at January 31, 2015. We anticipate no additional charges associated with the wind down of the operations of our wholesale business.

#### **NOTE 13 – DISCONTINUED OPERATIONS**

Our discontinued operations for 2014, 2013, and 2012, were comprised of the following:

<i>(In thousands)</i>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Canadian operations	\$ (35,998)	\$ (40,918)	\$ (13,698)
Wholesale business	(248)	(4,371)	423
KB Toys matters	9	5,248	(78)
Other	—	—	2
Total loss from discontinued operations, pretax	\$ (36,237)	\$ (40,041)	\$ (13,351)

## **Canadian Operations**

During the fourth quarter of 2013, we announced our intention to wind down our Canadian operations. We began the wind down activities during the fourth quarter of 2013, which included the closing of our Canadian distribution centers, and completed the wind down activities during the first quarter of 2014, which included the closing of our Canadian stores and corporate offices. Therefore, we determined the results of our Canadian operations should be reported as discontinued operations for all periods presented. The results of our Canadian operations have historically consisted of sales of product to retail customers, the costs associated with those products, and selling and administrative expenses, including personnel, purchasing, warehousing, distribution, occupancy and overhead costs. During 2013, the results of our Canadian operations also included significant impairment charges related to goodwill, property and equipment, tradenames, severance and contract termination costs. During 2014, the results of our Canadian operations also included significant contract termination costs, severance charges associated with the wind down of the operations, and a loss on the realization of our cumulative translation adjustment on our investment in our Canadian operations. Please see the Canadian Operations section of note 12 to the consolidated financial statements for additional details regarding the costs we incurred in connection with the wind down of our Canadian operations during 2013 and 2014.

In addition to the costs associated with our Canadian operations, we reclassified to discontinued operations the direct expenses incurred by our U.S. operations to facilitate the wind down. These costs primarily consist of professional fees. We also reclassified the income tax benefit that our U.S. operations should generate as a result of the wind down of our Canadian operations, based principally on our ability to recover a worthless stock deduction in the foreseeable future. During 2013 and 2014, the amount of this income tax benefit that we recognized was approximately \$24.4 million and \$13.8 million, respectively.

## **Wholesale Business**

During the third quarter of 2013, we announced our intention to wind down the operations of our wholesale business. During the fourth quarter of 2013, we executed our wind down plan and ceased the operations of our wholesale business; therefore, we determined the results of our wholesale business should be reported as discontinued operations for all periods presented. The results of operations of our wholesale business primarily consist of sales of product to wholesale customers, the costs associated with those products, and selling and administrative expenses, including personnel, purchasing, warehousing, distribution, occupancy and overhead costs. Please see the Wholesale Business section of note 12 to the consolidated financial statements for further information regarding the costs we incurred in connection with the wind down of our wholesale business during 2013.

## **KB Toys Matters**

We acquired the KB Toys business from Melville Corporation (now known as CVS New York, Inc., and together with its subsidiaries "CVS") in May 1996. As part of that acquisition, we provided, among other things, an indemnity to CVS with respect to any losses resulting from KB Toys' failure to pay all monies due and owing under any KB Toys lease or mortgage obligation. While we controlled the KB Toys business, we provided guarantees with respect to a limited number of additional KB Toys store leases. We sold the KB Toys business to KB Acquisition Corp. ("KBAC"), an affiliate of Bain Capital, pursuant to a Stock Purchase Agreement. KBAC similarly agreed to indemnify us with respect to all lease and mortgage obligations. These guarantee and lease obligations are collectively referred to as the "KB Lease Obligations."

On January 14, 2004, KBAC and certain affiliated entities (collectively referred to as "KB-I") filed for bankruptcy protection pursuant to Chapter 11 of title 11 of the United States Code. In 2007, we reduced our liabilities for potential remaining claims to zero for the KB-I bankruptcy. During the fourth quarter of 2013, we received a final distribution from the KB-I bankruptcy estate in the amount of \$2.1 million.

On August 30, 2005, in connection with the acquisition by an affiliate of Prentice Capital Management of majority ownership of KB-I, KB-I emerged from its 2004 bankruptcy (the KB Toys business that emerged from bankruptcy is hereinafter referred to as "KB-II"). In 2007, we entered into an agreement with KB-II and various Prentice Capital entities which we believe provides a cap on our liability under the existing KB Lease Obligations and an indemnity from the Prentice Capital entities with respect to any renewals, extensions, modifications or amendments of the KB Lease Obligations which otherwise could potentially expose us to additional incremental liability beyond the date of the agreement, September 24, 2007. Under the agreement, KB-II is required to update us periodically with respect to the status of any remaining leases for which they believe we have a guarantee or indemnification obligation. In addition, we have the right to request a statement of the net asset value of Prentice Capital Offshore in order to monitor the sufficiency of the indemnity.

On December 11, 2008, KB-II filed for bankruptcy protection pursuant to Chapter 11 of title 11 of the United States Code. Based on information provided to us by KB-II, we believe that we continue to have KB Lease Obligations with respect to certain KB Toys stores (“KB-II Bankruptcy Lease Obligations”). In the fourth fiscal quarter of 2008, we recorded a charge in the amount of \$5.0 million, pretax, in income (loss) from discontinued operations to reflect the estimated amount that we expect to pay for KB-II Bankruptcy Lease Obligations. In the fourth quarter of 2013, we recorded approximately \$3.1 million in income for the KB-II Bankruptcy Lease Obligations to reduce the amount on our consolidated balance sheet to zero as of February 1, 2014. We based this reversal on the following factors: (1) we had not received any new demand letters from landlords during the past two years; (2) all prior demands against us by landlords had been settled or paid or the landlords had stopped pursuing their demands; (3) the KB-II bankruptcy occurred more than five years prior to the end of 2008 and most of the lease rejections occurred more than two years prior to the end of 2013; and (4) we believed that the likelihood of new claims against us was remote, and, if incurred, the amount would be immaterial.

#### NOTE 14 – COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the components of accumulated other comprehensive loss, net of tax, during 2012, 2013, and 2014:

<i>(In thousands)</i>	<b>Foreign currency translation</b>	<b>Pension Plan</b>	<b>Total accumulated other comprehensive loss</b>
Balance at January 28, 2012	\$ (1,050)	\$ (14,469)	\$ (15,519)
Other comprehensive income (loss) before reclassifications	(383)	989	606
Amounts reclassified from accumulated other comprehensive loss	—	1,583	1,583
Period change	(383)	2,572	2,189
Balance at February 2, 2013	(1,433)	(11,897)	(13,330)
Other comprehensive income (loss) before reclassifications	(3,589)	2,352	(1,237)
Amounts reclassified from accumulated other comprehensive loss	—	1,056	1,056
Period change	(3,589)	3,408	(181)
Balance at February 1, 2014	(5,022)	(8,489)	(13,511)
Other comprehensive income (loss) before reclassifications	(39)	(8,180)	(8,219)
Amounts reclassified from accumulated other comprehensive loss	5,061	2,013	7,074
Period change	5,022	(6,167)	(1,145)
Balance at January 31, 2015	\$ —	\$ (14,656)	\$ (14,656)

The amounts reclassified from accumulated other comprehensive income (loss) associated with our pension plans have been reclassified to selling and administrative expenses in our statement of operations. Please see note 8 to the consolidated financial statements for further information on our pension plans.

The amounts reclassified from accumulated other comprehensive income (loss) associated with foreign currency translation have been reclassified to loss from discontinued operations in our statements of operations, as the amounts related to our Canadian operations. Please see note 13 to the consolidated financial statements for further information on our discontinued operations.

## NOTE 15 - SALE OF REAL ESTATE

In October 2013, we sold company-owned real property in California, on a component of which we operated a store, for \$5.1 million. Concurrently with the sale, we entered into a lease agreement with the purchaser of the property which allowed us to continue to operate our store on an uninterrupted basis. As a result of the sale and concurrent leaseback, we determined that only a portion of the gain on the transaction could be recognized at that time. Based on the terms of the transaction, we recognized a gain of \$3.6 million during the third quarter of 2013 and deferred a gain of \$0.8 million, which will be amortized over the committed lease term.

## NOTE 16 – BUSINESS SEGMENT DATA

We use the following seven merchandise categories, which match our internal management and reporting of merchandise net sales: Food, Consumables, Soft Home, Hard Home, Furniture & Home Décor, Seasonal, and Electronics & Accessories. The Food category includes our beverage & grocery, candy & snacks, and specialty foods departments. The Consumables category includes our health and beauty, plastics, paper, chemical, and pet departments. The Soft Home category includes the fashion bedding, utility bedding, bath, window, decorative textile, and area rugs departments. The Hard Home category includes our small appliances, table top, food preparation, stationery, greeting card, tools, paint, and home maintenance departments. The Furniture & Home Décor category includes our upholstery, mattress, ready-to-assemble, case goods, home décor, and frames departments. The Seasonal category includes our lawn & garden, summer, Christmas, toys, books, sporting goods, and other holiday departments. The Electronics & Accessories category includes the electronics, jewelry, apparel, hosiery, and infant accessories departments.

We periodically assess, and potentially enact minor adjustments to, our product hierarchy, which can impact the roll-up of our merchandise categories. Our financial reporting process utilizes the most current product hierarchy in reporting net sales by merchandise category for all periods presented. Therefore, there may be minor reclassifications of net sales by merchandise category compared to previously reported amounts.

The following table presents net sales data by merchandise category:

<i>(In thousands)</i>	2014	2013	2012
Furniture & Home Décor	\$ 1,160,640	\$ 1,072,410	\$ 1,060,993
Consumables	953,028	918,124	905,444
Seasonal	888,146	907,787	923,434
Food	821,915	747,840	742,267
Hard Home	499,034	565,126	591,523
Soft Home	460,256	427,137	431,999
Electronics & Accessories	394,059	486,331	556,658
Net sales	\$ 5,177,078	\$ 5,124,755	\$ 5,212,318



## NOTE 17 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized fiscal quarterly financial data for 2014 and 2013 is as follows:

<b>Fiscal Year 2014</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Year</b>
<i>(In thousands, except per share amounts) (a)</i>					
Net sales	\$ 1,281,271	\$ 1,195,363	\$ 1,107,095	\$ 1,593,349	\$ 5,177,078
Gross margin	493,556	469,527	430,942	649,929	2,043,954
Income (loss) from continuing operations	28,581	17,212	(3,115)	93,983	136,661
Income (loss) from discontinued operations	(25,233)	2,726	(326)	448	(22,385)
Net income (loss)	3,348	19,938	(3,441)	94,431	114,276

<b>Earnings (loss) per share - basic:</b>					
Continuing operations	\$ 0.50	\$ 0.31	\$ (0.06)	\$ 1.78	\$ 2.49
Discontinued operations	(0.44)	0.05	(0.01)	0.01	(0.41)
	\$ 0.06	\$ 0.36	\$ (0.06)	\$ 1.79	\$ 2.08

<b>Earnings (loss) per share - diluted:</b>					
Continuing operations	\$ 0.50	\$ 0.31	\$ (0.06)	\$ 1.76	\$ 2.46
Discontinued operations	(0.44)	0.05	(0.01)	0.01	(0.40)
	\$ 0.06	\$ 0.36	\$ (0.06)	\$ 1.77	\$ 2.06

<b>Fiscal Year 2013</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Year</b>
<i>(In thousands, except per share amounts) (a)</i>					
Net sales	\$ 1,267,020	\$ 1,180,905	\$ 1,104,918	\$ 1,571,912	\$ 5,124,755
Gross margin	502,195	464,115	431,428	609,631	2,007,369
Income (loss) from continuing operations	37,065	21,944	(1,948)	84,229	141,290
Income (loss) from discontinued operations	(4,732)	(3,818)	(7,569)	124	(15,995)
Net income (loss)	32,333	18,126	(9,517)	84,353	125,295

<b>Earnings (loss) per share - basic:</b>					
Continuing operations	\$ 0.65	\$ 0.38	\$ (0.03)	\$ 1.46	\$ 2.46
Discontinued operations	(0.08)	(0.07)	(0.13)	—	(0.28)
	\$ 0.56	\$ 0.32	\$ (0.17)	\$ 1.47	\$ 2.18

<b>Earnings (loss) per share - diluted:</b>					
Continuing operations	\$ 0.64	\$ 0.38	\$ (0.03)	\$ 1.45	\$ 2.44
Discontinued operations	(0.08)	(0.07)	(0.13)	—	(0.28)
	\$ 0.56	\$ 0.31	\$ (0.17)	\$ 1.45	\$ 2.16

- (a) Earnings per share calculations for each fiscal quarter are based on the applicable weighted-average shares outstanding for each period and the sum of the earnings per share for the four fiscal quarters may not necessarily be equal to the full year earnings per share amount.

## **NOTE 18 – SUBSEQUENT EVENT**

On March 6, 2015, we announced that our Board of Directors authorized the repurchase of up to \$200.0 million of our common shares (“2015 Repurchase Program”). Pursuant to the 2015 Repurchase Program, we may repurchase shares in the open market and/or in privately negotiated transactions at our discretion, subject to market conditions and other factors. Common shares acquired through the 2015 Repurchase Program will be available to meet obligations under our equity compensation plans and for general corporate purposes. The 2015 Repurchase Program has no scheduled termination date and will be funded with cash and cash equivalents, cash generated from operations or, if needed, by drawing on the 2011 Credit Agreement.

### **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have each concluded that such disclosure controls and procedures were effective as of the end of the period covered by this report.

#### **Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for us. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Management assessed the effectiveness of our internal control over financial reporting as of January 31, 2015. In making its assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework* (2013 Framework). Based on this assessment, management, including the Chief Executive Officer and Chief Financial Officer, concluded that we maintained effective internal control over financial reporting as of January 31, 2015.

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on our internal control over financial reporting. The report appears in the Financial Statements and Supplementary Data section of this Form 10-K.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 9B. Other Information**

None.

## Part III

### Item 10. Directors, Executive Officers and Corporate Governance

The information contained under the captions “Proposal One: Election of Directors,” “Governance,” and “Stock Ownership” in the 2015 Proxy Statement, with respect to directors, shareholder nomination procedures, the code of ethics, the Audit Committee, our audit committee financial experts, and Section 16(a) beneficial ownership reporting compliance, is incorporated herein by reference in response to this item. The information contained in Part I of this Form 10-K under the caption “Supplemental Item. Executive Officers of the Registrant,” with respect to executive officers, is incorporated herein by reference in response to this item.

### Item 11. Executive Compensation

The information contained under the captions “Governance,” “Director Compensation,” and “Executive Compensation” in the 2015 Proxy Statement, with respect to corporate Compensation Committee interlocks and insider participation, director compensation, the Compensation Committee Report, and executive compensation, is incorporated herein by reference in response to this item.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

#### Equity Compensation Plan Information

The following table summarizes information as of January 31, 2015, relating to our equity compensation plans pursuant to which our common shares may be issued.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (#) (a)	Weighted-average exercise price of outstanding options, warrants, and rights (\$) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (#) (c)
Equity compensation plans approved by security holders	2,429,743 (1)(2)	37.59 (3)	5,272,581 (4)
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>2,429,743</b>	<b>37.59 (3)</b>	<b>5,272,581</b>

(1) Includes stock options, performance share units, and restricted stock units granted under the 2012 LTIP, the 2005 LTIP, the Director Stock Option Plan and the 1996 LTIP. In addition, we had 464,225 shares of unvested restricted stock outstanding under the 2012 LTIP and the 2005 LTIP.

(2) The common shares issuable upon exercise of outstanding stock options granted under each shareholder-approved plan are as follows:

2012 LTIP	775,125
2005 LTIP	895,688
Director Stock Option Plan	20,000
1996 LTIP	12,400

(3) The weighted average exercise price does not take into account the performance share units and the restricted stock units granted under the 2012 LTIP.

(4) The common shares available for issuance under the 2012 LTIP are limited to 5,272,581 common shares. There are no common shares available for issuance under any of the other shareholder-approved plans.

The 1996 LTIP terminated on December 31, 2005. The Director Stock Option Plan terminated on May 30, 2008. The 2005 LTIP expired on May 16, 2012. The 2012 LTIP was approved in May 2012. See note 7 to the accompanying consolidated financial statements.

The information contained under the caption “Stock Ownership” in the 2015 Proxy Statement, with respect to the security ownership of certain beneficial owners and management, is incorporated herein by reference in response to this item.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information contained under the caption “Governance - Determination of Director Independence” and “Governance - Related Person Transactions” in the 2015 Proxy Statement, with respect to the review of director independence and transactions with related persons, is incorporated herein by reference in response to this item.

**Item 14. Principal Accounting Fees and Services**

The information contained under the captions “Audit Committee Disclosure - Audit and Non-Audit Services Pre-Approval Policy” and “Audit Committee Disclosure - Fees Paid to Independent Registered Public Accounting Firm” in the 2015 Proxy Statement, with respect to the Audit Committee's pre-approval policies and procedures and the fees paid to Deloitte & Touche LLP, is incorporated herein by reference in response to this item.

## Part IV

### Item 15. Exhibits, Financial Statement Schedules

Index to Consolidated Financial Statements, Financial Statement Schedules and Exhibits

(a) Documents filed as part of this report:

(1) Financial Statements

Reports of Independent Registered Public Accounting Firm	<u>38</u>
Consolidated Statements of Operations	<u>40</u>
Consolidated Statements of Comprehensive Income	<u>41</u>
Consolidated Balance Sheets	<u>42</u>
Consolidated Statements of Shareholders' Equity	<u>43</u>
Consolidated Statements of Cash Flows	<u>44</u>
Notes to Consolidated Financial Statements	<u>45</u>

All other financial statements not listed in the preceding index are omitted because they are not required or are not applicable or because the information required to be set forth therein either was not material or is included in the consolidated financial statements or notes thereto.

(2) Financial Statement Schedules

All schedules are omitted because they are not required or are not applicable or because the information required to be set forth therein either was not material or is included in the consolidated financial statements or notes thereto.

(3) **Exhibits.** Exhibits marked with an asterisk (\*) are filed herewith. The Exhibit marked with two asterisks (\*\*) is furnished electronically with this Annual Report. Copies of exhibits will be furnished upon written request and payment of our reasonable expenses in furnishing the exhibits. Exhibits 10.1 through 10.38 are management contracts or compensatory plans or arrangements.

<u>Exhibit No.</u>	<u>Document</u>
2	Agreement of Merger (incorporated herein by reference to Exhibit 2 to our Form 10-Q for the quarter ended May 5, 2001).
3.1	Amended Articles of Incorporation (incorporated herein by reference to Exhibit 3(a) to our Form 10-Q for the quarter ended May 5, 2001).
3.2	Amendment to the Amended Articles of Incorporation of Big Lots, Inc. (incorporated herein by reference to Exhibit 3.1 to our Form 8-K dated May 27, 2010).
3.3	Code of Regulations (incorporated herein by reference to Exhibit 3(b) to our Form 10-Q for the quarter ended May 5, 2001).
4	Specimen Common Share Certificate (incorporated herein by reference to Exhibit 4(a) to our Form 10-K for the year ended February 2, 2002).
10.1	Big Lots, Inc. 1996 Performance Incentive Plan (incorporated herein by reference to Exhibit 10 to our Post-Effective Amendment No. 1 to Form S-8 dated June 29, 2001).
10.2	Amendment to the Big Lots, Inc. 1996 Performance Incentive Plan, effective May 18, 2005 (incorporated herein by reference to Exhibit 10.3 to our Form 8-K dated August 17, 2005).
10.3	Amendment to the Big Lots, Inc. 1996 Performance Incentive Plan, effective March 4, 2008 (incorporated herein by reference to Exhibit 10.4 to our Form 10-Q for the quarter ended May 3, 2008).
10.4	Form of Non-Qualified Stock Option Grant Agreement under the Big Lots, Inc. 1996 Performance Incentive Plan (incorporated herein by reference to Exhibit 10.2 to our Form 8-K dated September 9, 2004).
10.5	Big Lots 2005 Long-Term Incentive Plan, as amended and restated effective May 27, 2010 (incorporated herein by reference to Exhibit 4.4 to our Form S-8 dated March 3, 2011).
10.6	Form of Big Lots 2005 Long-Term Incentive Plan Non-Qualified Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.4 to our Form 8-K dated February 21, 2006).

10.7	Form of Big Lots 2005 Long-Term Incentive Plan Non-Qualified Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.3 to our Form 8-K dated March 4, 2009).
10.8	Form of Big Lots 2005 Long-Term Incentive Plan Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.4 to our Form 8-K dated March 4, 2009).
10.9	Form of Big Lots 2005 Long-Term Incentive Plan Restricted Stock Award Agreement for CEO (incorporated herein by reference to Exhibit 10.5 to our Form 8-K dated March 3, 2010).
10.10	Form of Big Lots 2005 Long-Term Incentive Plan Restricted Stock Award Agreement for Outside Directors (incorporated herein by reference to Exhibit 10.2 to our Form 10-Q dated July 31, 2010).
10.11	Big Lots 2012 Long-Term Incentive Plan, as amended and restated effective May 29, 2014 (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated May 29, 2014).
10.12	Form of Big Lots 2012 Long-Term Incentive Plan Non-Qualified Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.2 to our Form 8-K dated May 23, 2012).
10.13	Form of Big Lots 2012 Long-Term Incentive Plan Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.3 to our Form 8-K dated May 23, 2012).
10.14	Form of Big Lots 2012 Long-Term Incentive Plan Restricted Stock Retention Award Agreement (incorporated herein by reference to Exhibit 10.14 to our Form 10-K for the year ended February 2, 2013).
10.15	Form of Big Lots 2012 Long-Term Incentive Plan Restricted Stock Award Agreement for Nonemployee Directors (incorporated herein by reference to Exhibit 10.4 to our Form 8-K dated May 23, 2012).
10.16	Form of Big Lots 2012 Long-Term Incentive Plan Performance Share Units Award Agreement (incorporated herein by reference to Exhibit 10.9 to our Form 8-K dated April 29, 2013).
10.17	Form of Big Lots 2012 Long-Term Incentive Plan Performance Share Units Award Agreement (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated March 4, 2015).
10.18	Form of Big Lots 2012 Long-Term Incentive Plan Restricted Stock Units Award Agreement (incorporated herein by reference to Exhibit 10.2 to our Form 8-K dated March 4, 2015).
10.19	Big Lots, Inc. Amended and Restated Director Stock Option Plan (incorporated herein by reference to Exhibit 10 to our Post-Effective Amendment No. 1 to Form S-8).
10.20	First Amendment to Big Lots, Inc. Amended and Restated Director Stock Option Plan, effective August 20, 2002 (incorporated herein by reference to Exhibit 10(d) to our Form 10-Q for the quarter ended August 3, 2002).
10.21	Amendment to Big Lots, Inc. Amended and Restated Director Stock Option Plan, effective March 5, 2008 (incorporated herein by reference to Exhibit 10.5 to our Form 10-Q for the quarter ended May 3, 2008).
10.22	Form of Option Award Agreement under the Big Lots, Inc. Amended and Restated Director Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated September 9, 2004).
10.23	Big Lots 2006 Bonus Plan, as amended and restated effective May 29, 2014 (incorporated herein by reference to Exhibit 10.2 to our Form 8-K dated May 29, 2014).
10.24	Big Lots Savings Plan (incorporated herein by reference to Exhibit 10.8 to our Form 10-K for the year ended January 29, 2005).
10.25*	Big Lots Supplemental Savings Plan, as amended and restated effective January 1, 2014.
10.26	Big Lots Defined Benefit Pension Plan (incorporated herein by reference to Exhibit 10.10 to our Form 10-K for the year ended January 29, 2005).
10.27*	Big Lots Supplemental Defined Benefit Pension Plan, as amended and restated effective January 1, 2014.
10.28	Big Lots Executive Benefit Plan (incorporated herein by reference to Exhibit 10(m) to our Form 10-K for the year ended January 31, 2004).
10.29	First Amendment to Big Lots Executive Benefit Plan (incorporated herein by reference to Exhibit 10.11 to our Form 10-Q for the quarter ended November 1, 2008).
10.30	Employment Agreement with David J. Campisi (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated April 29, 2013).
10.31	Executive Employment Agreement with David J. Campisi (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated March 17, 2015).
10.32	Second Amended and Restated Employment Agreement with Lisa M. Bachmann (incorporated herein by reference to Exhibit 10.2 to our Form 8-K dated April 29, 2013).
10.33	Retirement and Consulting Agreement with Steven S. Fishman (incorporated herein by reference to Exhibit 10.10 to our Form 8-K dated April 29, 2013).
10.34	Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.12 to our Form 10-Q for the quarter ended November 1, 2008).

10.35	Form of Executive Severance Agreement (incorporated herein by reference to Exhibit 10.13 to our Form 10-Q for the quarter ended November 1, 2008).
10.36	Form of Senior Executive Severance Agreement (incorporated herein by reference to Exhibit 10.14 to our Form 10-Q for the quarter ended November 1, 2008).
10.37	Big Lots Executive Severance Plan (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated August 28, 2014).
10.38	Form of Big Lots Executive Severance Plan Acknowledgement and Agreement (incorporated by reference to Exhibit 10.2 to our Form 8-K dated August 28, 2014).
10.39	Credit Agreement among Big Lots, Inc., Big Lots Stores, Inc. and Big Lots Canada, Inc., as borrowers, the Guarantors named therein, and the Banks named therein (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated July 22, 2011).
10.40	First Amendment to Credit Agreement among Big Lots, Inc., Big Lots Stores, Inc. and Big Lots Canada, Inc., as borrowers, the Guarantors named therein, and the Banks named therein (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated May 30, 2013).
10.41	Security Agreement between Big Lots Stores, Inc. and Big Lots Capital, Inc. (incorporated herein by reference to Exhibit 10.2 to our Form 8-K dated October 29, 2004).
10.42	Stock Purchase Agreement between KB Acquisition Corporation and Consolidated Stores Corporation (incorporated herein by reference to Exhibit 2(a) to our Form 10-Q for the quarter ended October 28, 2000).
10.43	Acquisition Agreement between Big Lots, Inc. and Liquidation World Inc. (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated May 26, 2011).
10.44	Big Lots, Inc. Non-Employee Director Compensation Package and Share Ownership Requirements.
21*	Subsidiaries.
23*	Consent of Deloitte & Touche LLP.
24*	Power of Attorney for Jeffrey P. Berger, James R. Chambers, Peter J. Hayes, Brenda J. Lauderback, Philip E. Mallott, Russell Solt, James R. Tener, and Dennis B. Tishkoff.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101**	XBRL Instance Document.

## Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 31<sup>st</sup> day of March 2015.

### **BIG LOTS, INC.**

By: /s/ David J. Campisi

\_\_\_\_\_  
David J. Campisi

*Chief Executive Officer and President*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 31<sup>st</sup> day of March 2015.

By: /s/ David J. Campisi

\_\_\_\_\_  
David J. Campisi

*Chief Executive Officer and President*

(Principal Executive Officer)

/s/ Timothy A. Johnson

\_\_\_\_\_  
Timothy A. Johnson

*Executive Vice President and Chief Financial Officer*

(Principal Financial Officer, Principal Accounting Officer  
and Duly Authorized Officer)

/s/ Jeffrey P. Berger \*

\_\_\_\_\_  
Jeffrey P. Berger

Director

/s/ Philip E. Mallott \*

\_\_\_\_\_  
Philip E. Mallott

Director

/s/ James R. Chambers \*

\_\_\_\_\_  
James R. Chambers

Director

/s/ Russell E. Solt \*

\_\_\_\_\_  
Russell E. Solt

Director

/s/ Peter J. Hayes \*

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Peter J. Hayes

Director

/s/ James R. Tener \*

\_\_\_\_\_  
James R. Tener

Director

/s/ Brenda J. Lauderback \*

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Brenda J. Lauderback

Director

/s/ Dennis B. Tishkoff \*

\_\_\_\_\_  
Dennis B. Tishkoff

Director

\* The above named Directors of the Registrant execute this report by David J. Campisi, their attorney-in-fact, pursuant to the power of attorney executed by the above-named Directors all in the capacities indicated and on the 4<sup>th</sup> day of March 2015, and filed herewith.

By: /s/ David J. Campisi

\_\_\_\_\_  
David J. Campisi

*Attorney-in-Fact*



## SUBSIDIARIES

<u>Name</u>	<u>Jurisdiction</u>
Big Lots Capital, Inc.	OH
Big Lots F&S, Inc.	OH
Big Lots Online LLC	OH
Big Lots Stores, Inc.	OH
BLSI Property, LLC	DE
Capital Retail Systems, Inc.	OH
Closeout Distribution, Inc.	PA
Consolidated Property Holdings, Inc.	NV
CSC Distribution, Inc.	AL
C.S. Ross Company	OH
Durant DC, LLC	OH
Great Basin LLC	DE
Industrial Products of New England, Inc.	ME
Mac Frugal's Bargains Close-outs Inc.	DE
Midwestern Home Products, Inc.	DE
PNS Stores, Inc.	CA
Sahara LLC	DE
Sonoran LLC	DE
Tool and Supply Company of New England, Inc.	DE
West Coast Liquidators, Inc.	CA
Barn Acquisition Corporation	DE
Fashion Barn, Inc.	NY
Fashion Barn of Oklahoma, Inc.	OK
Fashion Bonanza, Inc.	NY
Midwestern Home Products Company, Ltd.	OH
Rogers Fashion Industries, Inc.	NY
SS Investments Corporation	DE
BLC LLC	DE
Liquidation Services, Inc.	DE
Liquidation World U.S.A. Holding Corp.	DE
Liquidation World U.S.A Inc.	DE
LQW Traders Inc.	DE
North American Solutions, Inc.	DE
Talon Wholesale, Inc.	DE
Big Lots eCommerce LLC	OH

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements listed below on Form S-8 of our reports dated March 31, 2015, relating to the consolidated financial statements of Big Lots, Inc. and subsidiaries (the “Company”), and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended January 31, 2015.

- 1) Post-Effective Amendment No. 1 to Registration Statement No. 33-42502 on Form S-8 pertaining to Big Lots, Inc. Director Stock Option Plan;
- 2) Post-Effective Amendment No. 1 to Registration Statement No. 33-42692 on Form S-8 pertaining to Big Lots, Inc. Supplemental Savings Plan;
- 3) Post-Effective Amendment No. 2 to Registration Statement No. 33-19309 on Form S-8 pertaining to Big Lots, Inc. Savings Plan;
- 4) Post-Effective Amendment No. 1 to Registration Statement No. 333-32063 on Form S-8 pertaining to Big Lots, Inc. 1996 Performance Incentive Plan;
- 5) Registration Statement No. 333-140181 on Form S-8 pertaining to the Big Lots 2005 Long-Term Incentive Plan;
- 6) Registration Statement No. 333-152481 on Form S-8 pertaining to the Big Lots 2005 Long-Term Incentive Plan;
- 7) Registration Statement No. 333-172592 on Form S-8 pertaining to the Big Lots 2005 Long-Term Incentive Plan;
- 8) Registration Statement No. 333-179836 on Form S-8 pertaining to the Big Lots 2005 Long-Term Incentive Plan; and
- 9) Registration Statement No. 333-181619 on Form S-8 pertaining to the Big Lots 2012 Long-Term Incentive Plan.

/s/ DELOITTE & TOUCHE LLP

Dayton, Ohio

March 31, 2015

## POWER OF ATTORNEY

Each director of Big Lots, Inc. (the "Company") whose signature appears below hereby appoints Ronald D. Parisotto as the undersigned's attorney to sign, in the undersigned's name and behalf of each such director and in any and all capacities stated below, and to cause to be filed with the Securities and Exchange Commission (the "Commission"), the Company's Annual Report on Form 10-K (the "Form 10-K") for the fiscal year ended January 31, 2015, and likewise to sign and file with the Commission any and all amendments thereto, including any and all exhibits and other documents required to be included therewith, and the Company hereby also appoints David J. Campisi as its attorney-in-fact with like authority to sign and file the Form 10-K and any amendments thereto granting to such attorneys-in-fact full power of substitution and revocation, and hereby ratifying all that any such attorneys-in-fact or their substitutes may do by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this instrument to be effective as of March 4, 2015.

<u>Signature</u>	<u>Title</u>
<u>/s/ Jeffrey P. Berger</u> Jeffrey P. Berger	Director
<u>/s/ James R. Chambers</u> James R. Chambers	Director
<u>/s/ Peter J. Hayes</u> Peter J. Hayes	Director
<u>/s/ Brenda J. Lauderback</u> Brenda J. Lauderback	Director
<u>/s/ Philip E. Mallott</u> Philip E. Mallott	Director
<u>/s/ Russell E. Solt</u> Russell E. Solt	Director
<u>/s/ James R. Tener</u> James R. Tener	Director
<u>/s/ Dennis B. Tishkoff</u> Dennis B. Tishkoff	Director

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David J. Campisi, certify that:

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

Dated: March 31, 2015

By: /s/ David J. Campisi

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David J. Campisi

*Chief Executive Officer and President*

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy A. Johnson, certify that:

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

Dated: March 31, 2015

By: /s/ Timothy A. Johnson

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Timothy A. Johnson  
*Executive Vice President and  
Chief Financial Officer*

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is provided pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and accompanies the annual report on Form 10-K (the "Report") for the year ended January 31, 2015, of Big Lots, Inc. (the "Company"). I, David J. Campisi, Chief Executive Officer and President of the Company, certify that:

- (i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2015

By: /s/ David J. Campisi

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David J. Campisi

*Chief Executive Officer and President*

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is provided pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and accompanies the annual report on Form 10-K (the "Report") for the year ended January 31, 2015, of Big Lots, Inc. (the "Company"). I, Timothy A. Johnson, Executive Vice President and Chief Financial Officer of the Company, certify that:

- (i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2015

By: /s/ Timothy A. Johnson

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Timothy A. Johnson  
*Executive Vice President and  
Chief Financial Officer*

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### Transfer Agent & Registrar

Computershare  
P.O. Box 30170  
College Station, TX 77842  
877.581.5548 (Within USA, US territories & Canada)  
781.575.2879 (Outside USA, US territories & Canada)  
[www.computershare.com/investor](http://www.computershare.com/investor)

### Investment Inquiries

Investor Relations Department  
300 Phillipi Road  
Columbus, Ohio 43228  
614.278.6622  
[Investor\\_Relations@biglots.com](mailto:Investor_Relations@biglots.com)

### Independent Registered Public Accounting Firm

Deloitte & Touche LLP  
220 E. Monument Avenue, Suite 500  
Dayton, Ohio 45402

### NYSE Trading Symbol

**BIG**  
**LISTED**  
**NYSE**

### Telephone

**614.278.6800**

### Web Site

**[www.biglots.com](http://www.biglots.com)**

### E-Mail

**[talk2us@biglots.com](mailto:talk2us@biglots.com)**

### Notice of Annual Meeting

The Annual Meeting of Shareholders will be held at 9:00 a.m. EDT on Thursday, May 28, 2015, at our corporate office, 300 Phillipi Road, Columbus, Ohio. Whether or not you plan to attend, you are encouraged to vote as soon as possible. In accordance with the accompanying proxy statement, shareholders who attend the meeting may withdraw their proxies and vote in person if they so desire.

# BIG LOTS!

## Company Information

Headquartered in Columbus, Ohio, Big Lots Inc. (NYSE: BIG) is a unique, nontraditional discount retailer operating approximately 1,400 Big Lots stores in 48 states with product assortments in the merchandise categories of Food, Consumables, Furniture & Home Decor, Seasonal, Soft Home, Hard Home, and Electronics & Accessories. Our vision is to be recognized for providing an outstanding shopping experience for our customers, valuing and developing our associates, and creating growth for our shareholders. For more information, visit [www.biglots.com](http://www.biglots.com).





**BIG  
LOTS!**

300 Phillipi Rd. | Columbus, OH 43228 | 614.278.6800

[www.biglots.com](http://www.biglots.com)