ANNUAL REPORT 2013

SURPRISES
IN EVERY AISLE, **EVERY DAY**

BIG LOTS!®

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!***

OUR CORE CUSTOMER **JENNIFER**

Not all Jennifers are created equal.
Our research shows that we have four types of customers.

THE SMART HUNTER

- Shops to save and enjoys it
- One of the first to check out new stores
- Values friends' opinions on shopping
- Likes options and choice in shopping

THE SAVVY BARGAINISTA

- Everything about shopping excites her
- Celebrates finding everyday surprises — big and small
- Will go out of her way to find amazing deals
- Values style and fashion within reach
- Always shopping online

THE PRAGMATIC MINIMALIST

- Shopping isn't enjoyable for her
- Only shops when she needs something
- Ideal shopping experience = efficient
- Flexible on price if she gets what she wants

THE FOCUSED TRADITIONALIST

- Shops for convenience and price
- Rarely shops outside favorite stores
- Likes to shop with family

OUR **MISSION**

Guided by an understanding of our core customer Jennifer, our mission is simple:
SURPRISES* IN EVERY AISLE,
EVERY DAY.

**unexpected prices, items, and brands*

OUR **VISION**

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

OUR **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**

SURPRISES IN EVERY AISLE, **EVERY DAY**

is about understanding our core customer Jennifer, and what she wants when shopping our stores. It's about exceeding her expectations with great values on branded products.

David J. Campisi
Chief Executive Officer and President

DEAR **SHAREHOLDERS**:

Let me begin by expressing how excited I am to be at Big Lots. Since joining the Company in May 2013, I have spent a great deal of time with our associates listening and learning about the business – what has worked and where we have experienced challenges. I truly appreciate the support, the candid insights, and the honest feedback I received throughout my year of transition.

As a team, we have invested countless hours walking our stores across the country in different types of markets and customer demographic settings. I've seen first-hand what our customer sees … great value merchandise in many of our categories, which is very important in these difficult economic times. However, we also have seen challenges and inconsistency in our product offerings, a lack of a "customer-first" mentality when merchandising our stores, and product assortments that had become too broad and less and less meaningful over time. We were trying to be everything to everyone which resulted in a business model that is overly complicated to operate and perform at a high level.

The good news is our core customer still loves us, and today through this process, we have a better understanding than ever before of who she is and how she likes to shop. Her name is Jennifer, and we now have a focus on her in all facets of our business. In order to align our team on how we intend to operate the business going forward with a focus on Jennifer, we created mission, vision, and values statements which the organization was thirsty for and has rallied behind …

- Our **Mission** is simple … *Surprises in every aisle, every day* … across all merchandise categories in our store
- Our **Vision** for the future … *providing an outstanding shopping experience for our customers, valuing and developing our associates, and creating growth for our shareholders* … which aligns with our strategic focus
- And our **Values** embody the essence of how we intend to work together at Big Lots each and every day

Developing our Mission, Vision, and Values statements was the first step to our Strategic Planning Process (or SPP). Our SPP represents a 3-year view with specific strategies designed to position our business for the long term while delivering improved financial performance. There are three key overarching objectives, or pillars, which were identified …

- **Jennifer** … who represents the sales and customer opportunity
- **Associates** … the team which will deliver the results
- **Shareholders** … who we ultimately work for and who invested in Big Lots for a financial return

JENNIFER

The Jennifer pillar represents the sales portion of the strategy and what will drive the profitability of the model and ultimately help us achieve our goal of driving shareholder returns. We have assembled a senior leadership team that clearly understands top line growth, consistency of results, and execution are our top priorities.

Merchandising: It is critical to focus our resources on winnable, ownable businesses … merchandising categories that are top-of-mind with Jennifer – like Furniture, Seasonal, Home, and Food & Consumables. Our "edit to amplify" merchandising strategy emphasizes these businesses and edits – or exits – the categories that are less relevant and not top of mind at Big Lots for Jennifer.

We believe how we source our product, specifically closeouts which are an important part of our heritage, is a key strategic advantage. It is equally important to recognize that Jennifer wants some level of consistency in our store, which can be complicated when closeouts are not always available. As a result, we will introduce more consistency of product in those "need, use, buy most" categories, particularly in Food & Consumables. We will supplement this initiative with the rollout of our *Cooler and Freezer program* to over 600 stores this year, and likely a similar number in 2015. This provides not only consistency, but also enables our stores to begin to accept EBT and SNAP as an additional form of tender for those customers utilizing these forms of government assistance. The recent economic downturn left many Americans relying on government assistance, and it is important for us to be able to meet their needs and accept this form of payment. In a similar light, we are rolling out what we have called internally a *Furniture Financing program* to the majority of our store fleet in 2014. More specifically, this is a lease-to-purchase program that we believe is an important service to a portion of our customer base… again, taking down a barrier to shopping our stores.

*It is critical to focus our resources on merchandising categories that are top-of-mind with **Jennifer**.*

Our merchandise assortments must provide great value and improve consistency, and we recognize we have to significantly improve the quality and taste level of our offerings as well. In customer focus groups, Jennifer repeatedly mentions a lack of trust in the quality of our merchandise, and we have responded by putting in place processes and disciplines focused on grading potential product purchases based on their quality and taste level… and where the product is in its life cycle or demand curve with the customer. In addition to improved buying disciplines, we believe our vendor base has become too broad which has inadvertently caused us to become less relevant in the vendor community. We have a full court press on improving our relationships with our key vendors… our top 200 vendors will make a difference in our product offerings and ultimately the quality and value Jennifer sees in our stores.

Marketing: We're simplifying everything we do to focus on Jennifer and how she wants to be communicated to and share information with her friends. In the near term, traditional print advertising will continue to be a part of our strategy. More importantly, our focus longer term has to evolve our television messaging and move swiftly and aggressively into other forms of media, particularly digital marketing and social media as well as the ecommerce and omnichannel space.

We are building a team with extensive experience in all areas of consumer engagement and messaging including enhancing our presence online and our use of social media. For instance, our social media launch of #thriftisback – a campaign around what was previously the Hostess® Thrift store business – is a small example of what we see as the opportunity to build our brand socially with Jennifer and allow her to share more about Big Lots with her friends and followers. This is a totally new approach for Big Lots… incremental activity to anything we have done in the past, again aimed at more consistency with our customer base.

We're also working diligently to develop an ecommerce solution that fits our business model and will lead to omnichannel capabilities to leverage our brick and mortar presence. We know we are behind most of retail in this area, and we know these capabilities have customer engagement and sales opportunity. We also know Jennifer wants to buy online from existing or expanded assortments and pickup product in our stores. Right now, we believe ecommerce is likely to go live some time in 2015.

ASSOCIATES

Throughout my retail career, I have seen time and time again … you win with People. Given the changes in our strategy and the need for different thinking and expertise, we have experienced a significant change in the senior leadership of our team and throughout many areas of the organization. We have attracted top-level talent… now our job is to retain our talent and continue to look for the best in the industry. Do we have a solid succession plan? What are our

training and development needs? How do we raise the level of associate engagement across all areas of our business in our relentless drive to success? Failure is not an option. The Associate pillar, when completed, will address these fundamental business needs.

SHAREHOLDERS

The Shareholders pillar is highly dependent on the success of the Jennifer and Associate pillars. During this SPP period of 2014 to 2016, we anticipate sales productivity approaching historic highs and our retail operating margins improving to approximately 6%. It's important to understand this is a 3-year view and not intended to be a ceiling of what is possible.

This level of financial performance would drive meaningful operating margin expansion and meaningful amounts of cash flow. The Shareholders pillar will aim to drive shareholder return not only with financial performance but also with a cash deployment strategy based on our Board's assessment of what is best for our company and shareholders. We believe this continues to align management with our shareholders and ultimately gives us the best opportunity to drive shareholder return.

Our SPP also required us to make difficult decisions about exiting businesses or investments where we were not generating a good financial return, or where we did not see an opportunity to win longer-term. In 2013, we closed our wholesale business and announced the decision to exit the unprofitable Canadian market. These decisions were not taken lightly, as it affected a number of dedicated associates who worked very hard in an effort to grow these areas of our business. And while the strategic and fundamental rationale supporting the decisions was clear, we deeply regret the impact it had on our associates, our customers, and the communities where our stores, distribution centers, and offices were located.

GIVING BACK

Giving back to the communities we serve is important. I am particularly proud of our philanthropic initiatives such as our Lots2Give® program supporting education, our 19-year relationship with Toys for Tots, and our work with Nationwide Children's Hospital. This year we celebrate our 10-year relationship with the Furniture Bank of Central Ohio, where together with our vendor partners, we've raised more than $6 million for struggling families. Our community involvement extends to Feeding America and dozens of other programs in education, social services, healthcare, and the arts. Our associates are engaged in volunteerism and join us in our efforts to increase our community impact.

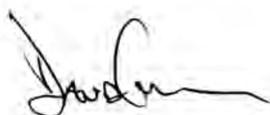
IT IS NOT BUSINESS AS USUAL

In closing, I am excited about the progress we made in 2013, and the prospects for the years to come. I'm confident we have developed a solid strategy to deliver consistent and sustainable growth, and I am also confident we have the right senior merchandising leadership team to execute the strategy. I am very proud of how our entire team has come together and embraced the singular goal of strengthening the Big Lots brand by better serving Jennifer and continuously looking at our business through her lens.

It is *not* business as usual here at Big Lots… this is just the start. We are at the beginning of the beginning.

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

Sincerely,



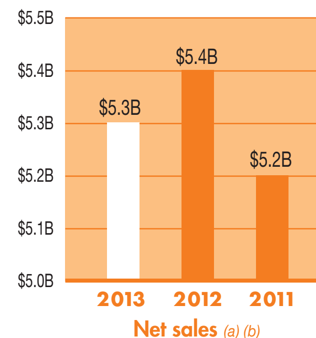
David J. Campisi
Chief Executive Officer and President

*The Thrift is Back – an online campaign promoting our Hostess® products – is one example of how we are **building our brand socially**.*

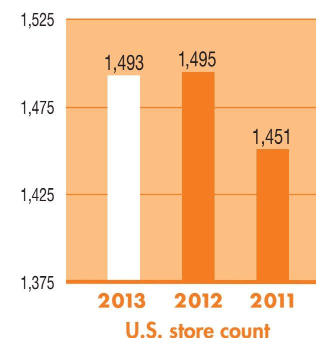
FINANCIAL HIGHLIGHTS (Unaudited Adjusted Results)

($ in thousands, except per share amounts)	2013 (a)	FISCAL YEAR 2012 (a)	2011 (a)
Earnings Data *(b)*			
Net sales	$5,301,912	$5,367,165	$5,159,249
Net sales increase (decrease)	(1.2)%	4.0%	4.2%
Income from continuing operations *(c)*	$ 101,451	$ 180,357	$ 206,158
Income from continuing operations decrease *(c)*	(43.7)%	(12.5)%	(7.4)%
Earnings from continuing operations per share - diluted *(c)*	$ 1.75	$ 2.98	$ 2.97
Earnings from continuing operations per share - diluted increase (decrease) *(c)*	(41.3)%	0.3%	4.9%
Average diluted common shares outstanding (000's)	57,958	60,476	69,419
Gross margin - % of net sales *(c)*	39.0%	39.5%	40.0%
Selling and administrative expenses - % of net sales	33.2%	31.8%	31.6%
Depreciation expense - % of net sales	2.2%	2.0%	1.7%
Operating profit - % of net sales *(c)*	3.6%	5.7%	6.7%
Non-operating expense, including interest - % of net sales	0.1%	0.1%	0.1%
Income from continuing operations - % of net sales *(c)*	1.9%	3.4%	4.0%
Balance Sheet Data and Financial Ratios			
Cash and cash equivalents	$ 68,629	$ 60,581	$ 68,547
Inventories	914,965	918,023	825,195
Property and equipment - net	569,682	593,562	572,767
Total assets	1,739,599	1,753,626	1,641,310
Borrowings under bank credit facility	77,000	171,200	65,900
Shareholders' equity	901,427	758,142	823,233
Working capital	$ 543,614	$ 460,996	$ 421,836
Current ratio	1.9	1.7	1.7
Inventory turnover *(b) (c)*	3.3	3.5	3.6
Bank borrowings to total capitalization	7.9%	18.4%	7.4%
Return on assets - continuing operations *(b) (c)*	5.8%	10.6%	12.6%
Return on shareholders' equity - continuing operations *(b) (c)*	12.2%	22.8%	23.3%
Cash Flow Data *(b)*			
Cash provided by operating activities *(d)*	$ 198,334	$ 281,133	$ 318,471
Cash used in investing activities *(e)*	(97,495)	(130,357)	(120,712)
Cash flow *(f)*	$ 100,839	$ 150,776	$ 197,759
Store Data			
Stores open at end of the fiscal year	1,570	1,574	1,533
Gross square footage (000's)	47,489	47,376	45,780
Selling square footage (000's)	34,255	34,267	33,119
Increase in selling square footage	(0.0)%	3.5%	9.6%
Average selling square footage per store	21,818	21,771	21,604
U.S. Segment Sales and Store Data *(b)*			
Comparable store sales (decrease) increase	(2.7)%	(2.7)%	0.1%
Average sales per store	$ 3,430	$ 3,539	$ 3,578
Stores open at end of the fiscal year	1,493	1,495	1,451

Earnings from continuing operations per share – diluted *(a) (b) (c)*



Net sales *(a) (b)*



U.S. store count

(a) The results of Big Lots Canada are included from the date of acquisition (July 18, 2011) and forward. The results of our wholesale business have been reclassified as discontinued operations and therefore are excluded.

(b) The results for fiscal year 2013 and 2011 include 52 weeks, while the results for fiscal year 2012 includes 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 $102,196, $95,602, and $82,851 for fiscal years 2013, 2012, and 2011, respectively.

(e) Includes capital expenditures of $104,787, $131,273, and $131,293 for fiscal years 2013, 2012, and 2011, respectively.

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

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 2013.

FISCAL 2013

The 2013 Unaudited Adjusted Results reflect lower selling and administrative expense 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 a result of a U.S. deferred tax benefit associated with the wind down of the operations of our Canadian segment, 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 which resulted in a decrease of selling and administrative expenses.

U.S. Tax Benefit of Canadian Wind Down

In the fourth quarter of fiscal 2013, we recognized a reduction in income tax expense of $23,899 related to the recognition of a U.S. deferred tax benefit associated with the excess tax basis in the investment in our Canadian segment, which is being wound down.

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.

	FISCAL YEAR 2013 *(a)*							FISCAL YEAR 2012 *(a)*				
($ in thousands, except per share amounts)	Reported (GAAP)		Adjustment to loss contingency accrual	Gain on sale of real estate	U.S. tax benefit of Canadian wind down	Unaudited Adjusted Results (non-GAAP)		Reported (GAAP)		Adjustment to exclude change in inventory accounting principle	Unaudited Adjusted Results (non-GAAP)	
Net sales	$5,301,912	100.0%	$ –	$ –	$ –	$5,301,912	100.0%	$5,367,165	100.0%	$ –	$5,367,165	100.0%
Cost of sales	3,236,606	61.0	–	–	–	3,236,606	61.0	3,254,837	60.6	(5,574)	3,249,263	60.5
Gross profit	2,065,306	39.0	–	–	–	2,065,306	39.0	2,112,328	39.4	5,574	2,117,902	39.5
Selling and administrative expenses	1,759,745	33.2	(4,375)	3,579	–	1,758,949	33.2	1,708,160	31.8	–	1,708,160	31.8
Depreciation expense	115,122	2.2	–	–	–	115,122	2.2	106,137	2.0	–	106,137	2.0
Operating profit	190,439	3.6	4,375	(3,579)	–	191,235	3.6	298,031	5.6	5,574	303,605	5.7
Interest expense	(3,339)	(0.1)	–	–	–	(3,339)	(0.1)	(4,192)	(0.1)	–	(4,192)	(0.1)
Other income (expense)	(1,213)	(0.0)	–	–	–	(1,213)	(0.0)	51	0.0	–	51	0.0
Income from continuing operations before income taxes	185,887	3.5	4,375	(3,579)	–	186,683	3.5	293,890	5.5	5,574	299,464	5.6
Income tax expense	61,118	1.2	1,615	(1,400)	23,899	85,232	1.6	116,921	2.2	2,186	119,107	2.2
Income from continuing operations	124,769	2.4	2,760	(2,179)	(23,899)	101,451	1.9	176,969	3.3	3,388	180,357	3.4
Income from discontinued operations	526	0.0	–	–	–	526	0.0	152	0.0	–	152	0.0
Net income	$ 125,295	2.4%	$ 2,760	$ (2,179)	$ (23,899)	$ 101,977	1.9%	$ 177,121	3.3%	$ 3,388	$ 180,509	3.4%
Earnings per common share - basic: *(g)*												
Continuing operations	$ 2.17		$ 0.05	$ (0.04)	$ (0.42)	$ 1.77		$ 2.96		$ 0.06	$ 3.01	
Discontinued operations	0.01		–	–	–	0.01		–		–	–	
Net income	$ 2.18		$ 0.05	$ (0.04)	$ (0.42)	$ 1.78		$ 2.96		$ 0.06	$ 3.02	
Earnings per common share - diluted: *(g)*												
Continuing operations	$ 2.15		$ 0.05	$ (0.04)	$ (0.41)	$ 1.75		$ 2.93		$ 0.06	$ 2.98	
Discontinued operations	0.01		–	–	–	0.01		–		–	–	
Net income	$ 2.16		$ 0.05	$ (0.04)	$ (0.41)	$ 1.76		$ 2.93		$ 0.06	$ 2.98	

(g) 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 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

Lucy G. Cindric
General Merchandise Manager

Leslie R. (Trey) Johnson III
General Merchandise Manager

Ronald D. Parisotto
General Counsel & Corporate Secretary

Carlos V. Rodriguez
Distribution & Transportation Services

Michael A. Schlonsky
Human Resources

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 15, 2014

Dear Shareholder:

We cordially invite you to attend the 2014 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 29, 2014, beginning at 9:00 a.m. EDT.

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. If you attend the Annual Meeting, you may revoke your proxy and vote in person, even if you have previously submitted a proxy.

We have elected to take advantage of Securities and Exchange Commission rules that allow us to furnish proxy materials to certain shareholders on the Internet. On or about the date of this letter, we began mailing a Notice of Internet Availability of Proxy Materials to shareholders of record at the close of business on March 31, 2014. At the same time, we provided those shareholders with access to our online proxy materials and filed our proxy materials with the Securities and Exchange Commission. 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.

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

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 29, 2014

Notice is hereby given that the 2014 Annual Meeting of Shareholders of Big Lots, Inc. will be held at our corporate offices located at 300 Phillipi Road, Columbus, Ohio, on May 29, 2014, beginning at 9:00 a.m. EDT, for the following purposes:

1. To elect as directors of Big Lots, Inc. the nine nominees named in our 2014 Proxy Statement;
2. To consider and vote upon a proposal to approve the amended and restated Big Lots 2012 Long-Term Incentive Plan;
3. To consider and vote upon a proposal to approve the amended and restated Big Lots 2006 Bonus Plan;
4. To approve, on an advisory basis, the compensation of our named executive officers, as disclosed in our 2014 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;
5. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2014;
6. To consider a shareholder proposal if the proposal is properly presented for consideration at the Annual Meeting; and
7. 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 31, 2014, 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,

RONALD D. PARISOTTO
Senior Vice President, General Counsel
and Corporate Secretary

April 15, 2014
Columbus, Ohio

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

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors ("Board") of Big Lots, Inc., an Ohio corporation ("we," "us," "our" and "Big Lots"), for use at the 2014 Annual Meeting of Shareholders to be held on May 29, 2014 ("Annual Meeting"), at our corporate offices located at 300 Phillipi Road, Columbus, Ohio at 9:00 a.m. EDT. On or about April 15, 2014, we began mailing to our shareholders of record at the close of business on March 31, 2014, 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 February 1, 2014 ("fiscal 2013").

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 the amended and restated Big Lots 2012 Long-Term Incentive Plan ("2012 LTIP"); (3) approve the amended and restated Big Lots 2006 Bonus Plan ("2006 Bonus Plan"); (4) 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"); (5) ratify the appointment of Deloitte & Touche LLP as our independent registered accounting firm for the fiscal year ending January 31, 2015 ("fiscal 2014"); (6) consider a shareholder proposal if the proposal is properly presented at the Annual Meeting and (7) 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 31, 2014, 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 58,152,531 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 General Corporation Law of the State of Ohio.

Registered Shareholders and Beneficial Shareholders

If our common shares are registered in your name directly with our transfer agent, Computershare Investor Services, LLC, you are considered, with respect to those common shares, 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 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.

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 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. EDT, and the Annual Meeting will begin at 9:00 a.m. EDT. If you attend the Annual Meeting, please note that you may be asked to present valid picture identification, such as a driver's license or passport. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting. Please also note that if you hold your common shares as a beneficial shareholder, you may be asked to check in at the Annual Meeting registration desk and 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

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 to access our proxy materials. You will have the opportunity to vote your common shares online at www.proxyvote.com until May 28, 2014 at 11:59 p.m. EDT. 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. 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 28, 2014 or (3) you are a registered shareholder, attend the Annual Meeting and deliver your completed proxy card in person, your common shares will be voted as you direct.

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 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 Five, 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, Proposal Three, Proposal Four and Proposal Six 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 either request householding or 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 added to or removed from the householding program within 30 days of receipt of your instructions. If you revoke your consent for householding, you will be sent separate copies of the documents sent to our shareholders at such time as you are removed from the householding program.

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

Tabulation of Votes

Tabulation of the votes cast at the Annual Meeting will be performed by Broadridge, and such tabulation will be inspected by our duly appointed inspectors of election.

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 of the amended and restated 2012 LTIP (see Proposal Two);
3. FOR approval of the amended and restated 2006 Bonus Plan (see Proposal Three);

4. 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 Four);
5. FOR the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2014 (see Proposal Five); and
6. AGAINST the shareholder proposal (if the proposal is properly presented at the Annual Meeting) (see Proposal 6).

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 be voted at the Annual Meeting will constitute a quorum, permitting 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 represented 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, Proposal Three, Proposal Four, Proposal Five and Proposal Six, 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 Four, Proposal Five and Proposal Six are advisory and will not bind the Board or us. A properly executed proxy marked "abstain" with respect to Proposal Two, Proposal Three, Proposal Four, Proposal Five and Proposal Six 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 negative vote for purposes of Proposal Two, Proposal Three, Proposal Four, Proposal Five and Proposal Six. 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.

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. All nine nominees are currently directors on our Board. Proxies cannot be voted at the Annual Meeting for more than nine persons.

Set forth below is certain information relating to the director nominees, including each nominee's age (as of the end of fiscal 2013), tenure as a director on our Board, current Board committee memberships, business experience and principal occupation for the past five or more years, the specific experience, qualifications, attributes or skills of each nominee that led to the conclusion that the nominee should serve as a director (which are in addition to the general qualifications discussed in the "Selection of Nominees by the Board" section below), and other public company directorships held by each nominee during the past five or more years. 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.

Name	Age	Director Since	Audit Committee	Compensation Committee	Nominating / Corporate Governance Committee
Jeffrey P. Berger	64	2006		*	**
David J. Campisi	57	2013			
James R. Chambers	56	2012	*		*
Peter J. Hayes	71	2008	*	*	
Brenda J. Lauderback	63	1997	*		*
Philip E. Mallott	56	2003	**		
Russell Solt	66	2003	*	**	
James R. Tener	64	2005		*	*
Dennis B. Tishkoff	70	1991		*	*

* 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 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.

Peter J. Hayes is the former Chief Operating Officer of Variety Wholesalers, Inc. (discount retailer). Mr. Hayes also previously served as the President and Chief Operating Officer of Family Dollar Stores, Inc. (discount retailer) and the Chairman and Chief Executive Officer of the Gold Circle / Richway divisions of Federated Department Stores, Inc. (department store retailer). Mr. Hayes' experience in discount retail, his leadership experience at large corporations and his qualification as an "audit committee financial expert," as defined by applicable SEC rules, make him well suited to continue serving on the Board.

Brenda J. Lauderback is the former President – Wholesale Group of Nine West Group, Inc. (footwear retailer and wholesaler). Ms. Lauderback also previously served as the President – Footwear Wholesale of U.S. Shoe Corporation (footware retailer and wholesaler) and the Vice President, General Merchandise Manager of Dayton Hudson Corporation (department store retailer). Ms. Lauderback is also currently a director of Denny's Corporation (restaurant operator) (where she is the chair of the corporate governance and nominating committee and a member of the compensation committee), Select Comfort Corporation (bedding manufacturer and retailer) (where she is the chair of the corporate governance and nominating committee and a member of the compensation committee), and Wolverine World Wide, Inc. (footwear manufacturer) (where she is the chair of the governance committee and a member of the audit committee). Ms. Lauderback previously served as a director of Irwin Financial Corporation (bank holding company). Ms. Lauderback's extensive service on the boards of other public companies and experience in leadership roles with other retailers make her well suited to continue serving on the 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 a member of the audit committee and 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 led to the conclusion that he would continue to be a valuable member of the Board.

Russell 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.

James R. Tener is the former President and Chief Operating Officer of Brook Mays Music Company (music retailer and wholesaler that filed for bankruptcy on July 11, 2006). Mr. Tener also previously served as the Chief Operating Officer of The Sports Authority (sporting goods retailer). Mr. Tener's extensive experience in senior leadership roles of other publicly-traded retailers and prior service on the board of a privately-held company make him a strong choice to continue serving on the Board.

Dennis B. Tishkoff is the Chairman and Chief Executive Officer of Drew Shoe Corporation (footwear manufacturer, importer, exporter, retailer and wholesaler), and the President of Tishkoff and Associates, Inc. (retail consultant). Mr. Tishkoff previously served as the President and Chief Executive Officer of Shoe Corporation of America (footwear retailer). Mr. Tishkoff's extensive experience in senior management roles of other retailers and wholesalers, his experience with importing merchandise and his leadership skills led to the conclusion that he will continue to be a valuable member of 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 the individuals identified in Proposal One. Other than Mr. Campisi, our CEO and President, each of the other nominees are independent (as defined by the applicable NYSE and SEC rules), non-employee directors ("outside directors"). Effective May 30, 2013, the Board appointed Mr. Mallott, an independent director, 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 2013

The Board held ten meetings during fiscal 2013. During fiscal 2013, 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 named in Proposal One attended the 2013 annual meeting of shareholders. Under our Corporate Governance Guidelines, each director is expected to dedicate sufficient time and attention to ensure the diligent performance of his or her duties, including attending meetings of the shareholders, the Board and the committees of which he or she is a member.

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. The Audit Committee was established in accordance with the Securities Exchange Act of 1934, as amended ("Exchange Act"), and each of its members is 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 Messrs. Mallott, Hayes and Solt satisfy the standards for 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) under the "Corporate Governance" caption. The Audit Committee met eight times during fiscal 2013.

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) under the "Corporate Governance" caption. The Compensation Committee met eight times during fiscal 2013.

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) under the "Corporate Governance" caption. The Nominating / Corporate Governance Committee met five times during fiscal 2013.

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, 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.

After completing its evaluation of a prospective nominee, the Nominating / Corporate Governance Committee may make a recommendation to the Board that the targeted individual be nominated by the Board. The Board then decides whether to approve the nominee after considering the recommendation and report of the Nominating / Corporate Governance Committee. Any invitation to join the Board is extended to a prospective nominee by the chair of the Nominating / Corporate Governance Committee and our CEO, after approval by the Board.

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. No such firm 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 undertook its most recent annual review of director independence in March 2014. During this annual review, the Board considered all transactions, relationships and arrangements between each director, his or her affiliates, and any member of his or her immediate family, on one hand, and Big Lots, its subsidiaries and members of senior management, on the other hand. The purpose of this review was to determine whether any such transactions or relationships were inconsistent with a determination that the director is independent in accordance with NYSE rules.

As a result of this review, 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 directors other than Mr. Campisi is independent, the Board considered charitable contributions to not-for-profit organizations of which these directors or 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

The Board and the Nominating / Corporate Governance Committee have the responsibility for monitoring compliance with our corporate governance policies, practices and guidelines applicable to our directors, nominees for director, officers and employees. The Board and the Nominating / Corporate Governance Committee have enlisted the assistance of our General Counsel's office and human resources management to fulfill this responsibility. Our written Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics for Financial Professionals, and human resources policies address governance matters and 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 also 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 that 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 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. We do not intend to engage in related person transactions disapproved by the Nominating / Corporate Governance Committee. 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 outside 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.

Based on our most recent review conducted in the first quarter of fiscal 2014, we have not engaged in any related person transactions since the beginning of fiscal 2013.

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) 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 is applicable to all of our directors, officers and employees. We also have a Code of Ethics for Financial Professionals which is applicable 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) 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) under the "Corporate Governance" caption.

Compensation Committee Interlocks and Insider Participation

During fiscal 2013, Mr. Berger, Mr. Hayes, Mr. Solt, Mr. Tener and Mr. 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 2013 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 2013, 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 outside 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 outside 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 outside 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 outside directors certain retainers and fees on a quarterly basis. Until May 30, 2013, the retainers and fees we paid to outside directors for fiscal 2013 consisted of: (1) an annual retainer of $45,000; (2) an additional annual retainer of $15,000 for the chair of the Audit Committee; (3) an additional annual retainer of $10,000 for the chairs of the Compensation Committee and the Nominating / Corporate Governance Committee; (4) $1,500 for each Board meeting attended in person; (5) $1,250 for each committee meeting attended in person; (6) $500 for each Board or committee meeting attended telephonically; and (7) the ability to nominate one or more charities to receive from us donations in the aggregate amount of up to $10,000 per outside director.

Effective May 30, 2013, our director compensation packaged changed, and now consists of: (1) an annual retainer of $70,000 for each outside 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 Nominating / Corporate Governance Committee member; and (7) the ability to nominate one or more charities to receive from us donations up to $15,000 annually and we will match charitable donations made by each outside director up to $15,000 annually. The Board also eliminated the fees paid for Board and committee meetings attended in person and provides for the payment of $750 per telephonic meeting only when the meeting is the second or subsequent telephonic meeting of the quarter by the Board or committee, as applicable.

In fiscal 2013, the chair of the Search Committee received a fee of $50,000 and the other members of the Search Committee each received a fee of $30,000 for their service. The Search Committee's purpose was to identify a new CEO to replace Mr. Fishman.

During fiscal 2013, Messrs. Berger, Chambers, Hayes, Mallott, Solt, Tener, Tishkoff, and Ms. Lauderback qualified as outside directors and, thus, received compensation for their Board service. Due to our employment of Mr. Campisi and Mr. Fishman as CEO in fiscal 2013, they did not qualify as outside directors and did not receive compensation for their service as directors. The compensation received by Mr. Campisi as an employee and by Mr. Fishman as an employee and consultant are shown in the Summary Compensation Table included in this Proxy Statement.

Restricted Stock

In fiscal 2013, the outside directors also received a restricted stock award having a grant date fair value equal to approximately $100,000 (2,972 common shares). The fiscal 2013 restricted stock awards were made in June 2013 under the 2012 LTIP. The restricted stock awarded to the outside directors in fiscal 2013 will vest on the earlier of (1) the trading day immediately preceding the Annual Meeting or (2) the outside director's death or disability (as that term is defined in the 2012 LTIP). However, the restricted stock will not vest if the outside director ceases to serve on the Board before either vesting event occurs.

Director Compensation Table for Fiscal 2013

The following table summarizes the compensation earned by each outside director for his or her Board service in fiscal 2013.

Name (a)	Fees Earned or Paid in Cash ($)*(1)* (b)	Stock Awards ($)*(2)(3)* (c)	Option Awards ($)*(4)* (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (f)	All Other Compensation ($)*(5)* (g)	Total ($) (h)
Mr. Berger	145,250	100,008	—	—	—	24,750	270,008
Mr. Chambers	108,500	100,008	—	—	—	20,000	228,508
Mr. Hayes	110,500	100,008	—	—	—	15,000	225,508
Ms. Lauderback	117,750	100,008	—	—	—	16,250	234,008
Mr. Mallott	196,500	100,008	—	—	—	25,700	322,208
Mr. Solt	100,500	100,008	—	—	—	15,000	215,508
Mr. Tener	130,250	100,008	—	—	—	10,000	240,258
Mr. Tishkoff	86,750	100,008	—	—	—	15,000	201,758

(1) Amounts in this column include the additional fees of $15,000 paid to Mr. Chambers, Mr. Hayes and Mr. Tener for their increased time commitment in fiscal 2013.

(2) Amounts in this column reflect the aggregate grant date fair value of the restricted stock awards granted to the outside directors in fiscal 2013 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 2013 restricted stock award granted to each outside director, as computed in accordance with ASC 718, was based on individual awards of 2,972 common shares at a per common share value of $33.65 on the grant date (i.e., $100,008 per outside 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.

(3) As of February 1, 2014, each individual included in the table held 2,972 shares of restricted stock.

(4) Prior to fiscal 2008, the outside 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 outside director in fiscal 2013. As of February 1, 2014, only Mr. Mallott (20,000 common shares) and Mr. Tener (15,000 common shares) held stock options to purchase our common shares.

(5) Amounts in this column reflect both matching contributions and payments made by us during fiscal 2013 to charitable organizations nominated by the specified directors pursuant to the Big Lots, Inc. Non-Employee Director Compensation Package.

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 21, 2014.

Name of Beneficial Owner or Identity of Group	Amount and Nature of Beneficial Ownership *(1)*	Percent of Outstanding Common Shares
Lisa M. Bachmann	306,813	*
Jeffrey P. Berger	18,762	*
David J. Campisi	107,725	*
James R. Chambers	5,570	*
Joe R. Cooper	250,063	*
Steven S. Fishman	777,218	1.3%
Peter J. Hayes	8,561	*
Charles W. Haubiel II	30,000	*
Timothy A. Johnson	152,056	*
Brenda J. Lauderback	11,695	*
Philip E. Mallott	40,662	*
John C. Martin	53,750	*
Carlos V. Rodriguez	30,000	*
Russell Solt	14,337	*
James R. Tener	36,762	*
Dennis B. Tishkoff	19,371	*
FMR, LLC *(2)*	8,757,238	15.0%
Sasco Capital, Inc. *(3)*	4,490,155	7.2%
Capital Research Global Investors *(4)*	3,699,800	6.3%
BlackRock, Inc. *(5)*	3,385,419	5.8%
LSV Asset Management *(6)*	3,230,889	5.6%
The Vanguard Group, Inc. *(7)*	3,029,181	5.2%
All directors and executive officers as a group (22 persons)	2,076,926	3.6%

* 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 21, 2014 under stock options exercisable within that period. The number of common shares that may be acquired within 60 days of March 21, 2014 under stock options exercisable within that period are as follows: Ms. Bachmann: 195,313; Mr. Berger: 0; Mr. Campisi: 28,875; Mr. Chambers: 0; Mr. Cooper: 146,563; Mr. Fishman: 307,510; Mr. Hayes: 0; Mr. Haubiel: 30,000; Mr. Johnson: 66,125; Ms. Lauderback: 0; Mr. Mallott: 20,000; Mr. Martin: 28,750; Mr. Rodriguez 10,000: Mr. Solt: 0; Mr. Tener: 15,000; Mr. Tishkoff: 0; and all directors and executive officers as a group: 959,886.

(2) In its Schedule 13G/A filed on February 14, 2014, 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, 2013, had sole voting power over 10,198 of the shares, had sole dispositive power over 8,757,238 of the shares, had no shared voting power or shared dispositive power over any of the shares. In its Schedule 13G/A, this reporting person indicated that its wholly-owned subsidiary, Fidelity Management and Research Company, was the beneficial owner of 8,747,207 common shares.

(3) In its Schedule 13G/A filed on February 12, 2014, 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, 2013, had sole voting power over 1,831,695 of the shares, had sole dispositive power over all of the shares, and had no shared voting power or shared dispositive power over any of the shares.

(4) In its Schedule 13G/A filed on February 13, 2014, Capital Research Global Investors, 333 South Hope Street, Los Angeles, CA 90071, stated that it beneficially owned the number of common shares reported in the table as of December 31, 2013, had sole voting power and sole dispositive power over all of the shares, and had no shared voting power or shared dispositive power over any of the shares.

(5) In its Schedule 13G filed on January 28, 2014, BlackRock, Inc., 40 East 52nd Street, New York, NY 10022, stated that it beneficially owned the number of common shares reported in the table as of December 31, 2013, had sole voting power over 3,139,116 of the shares and sole dispositive power over all of 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 10, 2014, 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, 2013, had sole voting power over 1,777,669 of the shares and sole dispositive power over all of the shares, and had no shared voting power or shared dispositive power over any of the shares.

(7) In its Schedule 13G/A filed on February 11, 2014, 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, 2013, had sole voting power over 36,891 of the shares, had sole dispositive power over 2,997,190 of the shares, had shared dispositive power over 31,991 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 31,991 and 4,900 common shares, respectively.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the 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 2013 with the reporting requirements of Section 16(a) of the Exchange Act, except Mr. Hayes, an outside director, who inadvertently failed to disclose the sale of 1,660 of our common shares on June 17, 2013. This transaction was reported on a Form 4 dated June 21, 2013.

PROPOSAL TWO: APPROVAL OF THE AMENDED AND RESTATED BIG LOTS 2012 LONG-TERM INCENTIVE PLAN

Background

On March 5, 2014, the Board adopted, based on the recommendation of the Compensation Committee (which we refer to as the "Committee" throughout this discussion of Proposal 2), and proposed that our shareholders approve, the amended and restated 2012 LTIP. Our shareholders first approved the 2012 LTIP on May 23, 2012. The amended and restated 2012 LTIP will become effective if and when approved by our shareholders at the Annual Meeting. The Board recommends that shareholders approve the amended and restated 2012 LTIP.

We are required to periodically resubmit the 2012 LTIP for shareholder approval so that certain Awards (as defined below in "Summary of the Amended and Restated 2012 LTIP") granted under the 2012 LTIP can continue to qualify as qualified performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended and including applicable rules, regulations and authoritative interpretations thereunder ("IRC"). Therefore, we are seeking shareholder approval with respect to the amended and restated 2012 LTIP in its entirety. The amended and restated 2012 LTIP does not include a request for additional common shares to be awarded under the plan. If our shareholders do not approve the amended and restated 2012 LTIP, Awards previously granted under the 2012 LTIP will remain valid and the 2012 LTIP will remain in effect.

The Proposed Amended and Restated 2012 LTIP

The amendments to the 2012 LTIP made in the amended and restated 2012 LTIP include:

- *Expanding the performance measures for Awards intended to qualify as "performance-based" compensation under Section 162(m) of the IRC.* The only significant revisions to the 2012 LTIP made in the amended and restated 2012 LTIP for which we require shareholder approval are the additional performance measures set forth in the amended and restated 2012 LTIP on which the Committee may base the performance goals it establishes for performance-based Awards granted under the amended and restated 2012 LTIP. The Board believes that the 2012 LTIP needs to include these additional performance measures to address all of the financial measures that management now focuses on in its corporate operating plan. See "Types of Awards – Performance-Based Awards" for a complete list of the performance measures available under the amended and restated 2012 LTIP.
- *Updating and clarifying certain other provisions of the 2012 LTIP.* The other proposed amendments to the 2012 LTIP principally consist of (1) updates to accounting standard references in the 2012 LTIP, (2) clarifications to performance measures that conform certain of the performance measures to the performance measures set forth in our amended and restated 2006 Bonus Plan, and (3) additional revisions that we believe would improve the clarity of the 2012 LTIP. We believe these amendments will facilitate a better understanding of the 2012 LTIP's terms by participants, shareholders, administrators and us.

Section 162(m) Approval Requirement

Section 162(m) of the IRC generally provides that we may not deduct more than $1,000,000 of compensation paid during any fiscal year to our covered employees (i.e., our CEO and our three other highest compensated executives (excluding the principal financial officer) employed at the end of the fiscal year). However, this limit does not apply to "qualified performance-based compensation" as defined by Section 162(m) of the IRC. Awards under the 2012 LTIP will only constitute qualified performance-based compensation under Section 162(m) of the IRC if certain requirements are satisfied, including shareholder approval of the material terms of the performance measures of the 2012 LTIP at least once every five years. By approving the amended and restated 2012 LTIP, our shareholders will approve, among other things, the material terms of the performance measures (as described below in "Types of Awards – Performance-Based Awards") used to determine whether performance-based Awards are earned.

Summary of the Amended and Restated 2012 LTIP

The 2012 LTIP is an omnibus plan that provides for a variety of types of Awards to maintain flexibility. The 2012 LTIP permits 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").

The 2012 LTIP is designed to support our long-term business objectives in a manner consistent with our compensation philosophy. The Board believes that by offering our employees long-term equity and qualified performance-based compensation through the 2012 LTIP, we promote the following key objectives of our compensation program:

- aligning the interests of salaried employees, outside directors and consultants with those of our shareholders through increased participant ownership of our common shares; and
- attracting, motivating and retaining experienced and highly qualified salaried employees, outside directors and consultants who will contribute to our financial success.

We have made a concerted effort to manage to reasonable levels the annual run rate – that is, the total number of common shares underlying equity-related awards granted in any given fiscal year divided by the weighted-average number of common shares outstanding during that fiscal year. It is our intention to continue to manage our run rate over time to reasonable levels while ensuring that our executive compensation program is competitive and motivational.

The following summary describes the material features of the amended and restated 2012 LTIP and is qualified in its entirety by reference to the complete text of the amended and restated 2012 LTIP attached to this Proxy Statement as Appendix A.

Administration

Subject to the terms of the 2012 LTIP, the selection of participants in the 2012 LTIP, the level of participation of each participant and the terms and conditions of all Awards will be determined by the Committee. Each member of the Committee will be an "independent director" for purposes of our Corporate Governance Guidelines, the Committee's charter and the NYSE listing requirements; a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act; and an "outside director" within the meaning of Section 162(m) of the IRC. The Committee is currently comprised of five directors, each of whom meets all of these criteria. Consistent with the purpose of the 2012 LTIP, the Committee will have the discretionary authority to (1) interpret the 2012 LTIP, (2) prescribe, amend and rescind rules and regulations relating to the 2012 LTIP, and (3) make all other determinations necessary or advisable for the administration or operation of the 2012 LTIP. The Committee may delegate authority to administer the 2012 LTIP as it deems appropriate, subject to the express limitations set forth in the 2012 LTIP.

Limits on Awards

The Board has reserved a number of common shares for issuance under the 2012 LTIP 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 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 of the awards to the extent they are exercised for or settled in vested and nonforfeitable common shares). Of this number, no more than 7,750,000 common shares may be issued pursuant to grants of ISOs during the term of the 2012 LTIP.

The 2012 LTIP is designed with a flexible share pool. With a flexible share pool, the share authorization is based on the least costly award vehicle (generally stock options). The value of an option is compared to a full value award (a full value award is an award other than a stock option or SAR that is settled by the issuance of a common share)

to determine a valuation ratio. We have used a binominal model to determine our valuation ratio of 1:2.15. This means that every time an option is granted, the authorized pool is reduced by one common share and every time a full value share is granted, the authorized pool is reduced by 2.15 common shares.

A participant may receive multiple Awards under the 2012 LTIP. Awards will be limited to the following per participant annual fiscal year amounts:

Award Type	Annual Limit per Participant
Stock Options	2,000,000 common shares
SARs	2,000,000 common shares
Restricted Stock	1,000,000 common shares
Restricted Stock Units	1,000,000 common shares
Deferred Stock Units	1,000,000 common shares
Performance Shares, Performance Share Units and Performance Units	1,000,000 common shares or equivalent value
Cash-Based Awards	The greater of $7,000,000 or the value of 1,000,000 common shares
Other Stock-Based Awards	1,000,000 common shares

The common shares available for issuance under the 2012 LTIP will be our authorized but unissued common shares and treasury shares. Subject to the terms of the 2012 LTIP, common shares covered by an Award will only be counted as used to the extent they are actually issued. To the extent that any Award payable in common shares (1) terminates by expiration, forfeiture, cancellation, or otherwise without the issuance of such common shares, (2) is settled in cash in lieu of common shares, or (3) is exchanged with the Committee's permission prior to the issuance of common shares for Awards not involving common shares, the common shares covered thereby may again be made subject to Awards under the 2012 LTIP. However, common shares which are (a) not issued or delivered as a result of the net settlement of a stock option or stock-settled SAR, (b) withheld to satisfy tax withholding obligations on a stock option or SAR issued under the 2012 LTIP, (c) tendered to pay the exercise price of a stock option or the grant price of a SAR under the 2012 LTIP, or (d) repurchased on the open market with the proceeds of a stock option exercise will no longer be eligible to be again available for grant under the 2012 LTIP.

Eligibility and Participation

All of our and our affiliates' employees, outside directors and consultants will be eligible to participate in the 2012 LTIP. As of February 1, 2014, we and our affiliates had approximately 38,100 employees and eight outside directors. We are unable to reasonably estimate the number of consultants who will be eligible to receive awards under the 2012 LTIP. In fiscal 2013, approximately 110 employees, 8 outside directors and no consultants received equity incentive awards, although this may vary from year to year. From time to time, the Committee will determine who will be granted Awards, the number of shares subject to such grants, and all other terms of Awards.

Types of Awards

Stock Options

Stock options granted under the 2012 LTIP may be either NQSOs or ISOs. The exercise price of any stock option granted may not be less than the fair market value of the Company's common shares on the date the stock option is granted. The stock option exercise price is payable (1) in cash, (2) by tendering previously acquired common shares (subject to the satisfaction of the holding period set forth in the 2012 LTIP) having an aggregate fair value at the time of exercise equal to the exercise price, (3) through a broker-assisted cashless exercise, or (4) by any combination of the foregoing.

The Committee determines the terms of each stock option grant at the time of the grant. However, the aggregate fair market value (determined as of the date of the grant) of the common shares subject to ISOs that are exercisable by any participant for the first time in any calendar year may not be greater than $100,000. The Committee specifies at the time each stock option is granted the time or times at which, and in what proportions, the stock

option becomes vested and exercisable. No stock option shall be exercisable earlier than six months after the grant date or later than seven years after the grant date. In general, a stock option expires upon the earlier of (1) its stated expiration date or (2) one year after the participant terminates service (except in the case of ISOs which must be exercised within three months after a termination of service, other than due to death or disability).

Stock Appreciation Rights

A SAR entitles the participant, upon settlement, to receive a payment based on the excess of the fair market value of our common shares on the settlement date over the grant price of the SAR, multiplied by the number of SARs being settled. The grant price of a SAR may not be less than the fair market value of our common shares on the grant date. SARs may be payable in cash, our common shares or a combination of both.

The Committee determines the vesting requirements, the form of payment and other terms of a SAR. Vesting may be based on the continued service of the participant for specified time periods or the attainment of a specified business performance goal established by the Committee or both. No SAR shall be exercisable earlier than six months after the grant date or later than seven years after the grant date. In general, a SAR expires upon the earlier of (1) its stated expiration date or (2) one year after the participant terminates service. We have not issued any SARs under the 2005 LTIP or the 2012 LTIP, and do not currently have any SARs outstanding.

Restricted Stock

A restricted stock Award represents our common shares that are issued subject to restrictions on transfer and vesting requirements as determined by the Committee. Vesting requirements may be based on the continued service of the participant for specified time periods or the attainment of a specified business performance goal established by the Committee. In general, no more than one-third of a restricted stock Award may vest before each of the first three anniversary dates after the grant date. However, if vesting is based on the attainment of a specified business performance goal established by the Committee, then the restricted stock may not vest sooner than the first anniversary after the grant date.

Subject to the transfer restrictions and vesting requirements of the restricted stock Award, the participant has the same rights as our shareholders during the restriction period, including all voting and dividend rights, although the Committee may provide that dividends and restricted stock certificates will be held in escrow during the restriction period (and forfeited or distributed depending on whether applicable performance goals or service restrictions have been met). Also, any stock dividends will be subject to the same restrictions that apply to the restricted stock upon which the stock dividends are issued. Unless the Committee specifies otherwise in the Award agreement, the restricted stock is forfeited if the participant terminates service before the restricted stock vests or if applicable terms and conditions have not been met at the end of the restriction period.

Restricted Stock Units

An Award of restricted stock units provides the participant the right to receive a payment based on the value of our common shares. Restricted stock units may be subject to such vesting requirements, restrictions and conditions to payment as the Committee determines are appropriate. Vesting requirements may be based on the continued service of the participant for a specified time period or on the attainment of a specified business performance goal established by the Committee. In general, no more than one-third of a stock-settled restricted stock unit Award may vest before each of the first three anniversary dates after the grant date. However, if vesting is based on the attainment of a specified business performance goal established by the Committee, then the stock-settled restricted stock units may not vest sooner than the first anniversary after the grant date. Restricted stock units are payable in cash, our common shares or a combination of both, as determined by the Committee.

Participants receiving restricted stock units do not have, with respect to such restricted stock units, any of the rights of a shareholder. Unless the Committee specifies otherwise in the Award agreement, the restricted stock unit Award is forfeited if the participant terminates service before the restricted stock unit vests or if applicable terms and conditions have not been met at the end of the restriction period.

Deferred Stock Units

An Award of deferred stock units provides the participant the right to defer receipt of all or some portion of his or her annual compensation, annual incentive bonus and/or long-term compensation as permitted by the Committee, and for which the participant will receive a payment based on the value of our common shares. Deferred stock units shall be fully vested and non-forfeitable at all times. Deferred stock units, together with any dividend-equivalent rights credited with respect thereto, may be subject to such requirements, restrictions and conditions to payment as the Committee determines are appropriate. Deferred stock unit Awards are payable in cash, our common shares or a combination of both. Participants credited with deferred stock units shall not have, with respect to such deferred stock units, any of the rights of a shareholder of the Company.

Performance Shares, Performance Share Units and Performance Units

An Award of performance shares, performance share units or performance units provides the participant the right to receive our common shares if specified terms and conditions are met. Performance shares are restricted shares that are subject to performance based vesting. Performance share units are restricted stock units that are subject to performance based vesting. Performance units are cash based awards that are subject to performance based vesting. Performance share, performance share unit and performance unit Awards are payable in cash or our common shares or in a combination of both. Unless the Committee specifies otherwise when the Award is granted, if a participant terminates service for any reason before the performance shares, performance share units or performance units become vested, such Award will be forfeited.

Cash-Based Awards

An Award of cash-based awards provides the participant an opportunity to receive a cash payment. Cash-based awards may be subject to such vesting requirements, restrictions and conditions to payment as the Committee determines are appropriate. Vesting requirements may be based on the continued service of the participant for a specified time period or on the attainment of a specified performance goal established by the Committee. If a participant terminates service before the cash-based award vests, the Award will be forfeited.

Other Stock-Based Awards

An Award of other stock-based awards provides the participant an equity-based or equity-related right, which may provide the participant the right to receive our common shares. Other stock-based awards may be subject to such vesting requirements, restrictions and conditions to payment as the Committee determines are appropriate. Vesting requirements may be based on the continued service of the participant for a specified time period or on the attainment of a specified performance goal established by the Committee. In general, no more than one-third of another stock-based award may vest before each of the first three anniversary dates after the grant date. However, if vesting is based on the attainment of a specified business performance goal established by the Committee, then the other stock-based award may not vest sooner than the first anniversary after the grant date. If a participant terminates service for any reason before the other stock-based award vests, the Award will be forfeited.

Performance-Based Awards

Any Awards granted under the 2012 LTIP may be granted in a form that qualifies for the qualified performance-based compensation exception under Section 162(m) of the IRC. Under Section 162(m) of the IRC, the terms of the Award must state, through an objective formula or standard, the method of computing the amount of compensation payable under the Award, and must preclude discretion to increase the amount of compensation payable under the terms of the Award (but may give the Committee discretion to decrease the amount of compensation payable). As described above in "Limits on Awards," the 2012 LTIP imposes certain limitations on the number and value of performance-based Awards to covered employees. The payment or vesting of performance-based Awards granted under the 2012 LTIP is based on performance goals established by the Committee. The 2012 LTIP specifies the following performance measures from which the performance goals must be derived:

- Earnings (loss) per common share from continuing operations;
- Earnings (loss) per common share;
- Operating profit (loss), operating income (loss), or income (loss) from operations (as the case may be);

- Income (Loss) from continuing operations before unusual or infrequent items;
- Income (Loss) from continuing operations;
- Income (Loss) from continuing operations before income taxes;
- Income (Loss) from continuing operations before extraordinary item and/or cumulative effect of a change in accounting principle (as the case may be);
- Income (Loss) before extraordinary item and/or cumulative effect of a change in accounting principle (as the case may be);
- Net income (loss);
- Income (Loss) before other comprehensive income (loss);
- Comprehensive income (loss);
- Income (Loss) before interest and income taxes;
- Income (Loss) before interest, income taxes, depreciation and amortization;
- Any other objective and specific income (loss) category or non-GAAP financial measure that appears as a line item in our filings with the Securities and Exchange Commission or the annual report to shareholders;
- Any of the performance measures above (other than earnings (loss) per common share from continuing operations and earnings (loss) per common share) on a weighted average common shares outstanding basis;
- Either of earnings (loss) per common share from continuing operations and earnings (loss) per common share on a basic or diluted basis and any of the other performance measures above on a basic or diluted earnings per share basis;
- Common stock price;
- Total shareholder return expressed on a dollar or percentage basis as is customarily disclosed in the proxy statement accompanying the notice of annual meetings of shareholders;
- Percentage increase in comparable store sales;
- Gross profit (loss) or gross margin (loss) (as the case may be);
- Economic value added;
- Return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue);
- Expense targets;
- Cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment);
- Productivity ratios;
- Market share;
- Customer satisfaction; or
- Working capital targets and change in working capital.

Effect of Change in Control

Awards under the 2012 LTIP are generally subject to special provisions upon the occurrence of a change in control (as defined in the 2012 LTIP). For Awards granted under the 2012 LTIP, if a change in control occurs, then: (1) all outstanding stock options and SARs under the 2012 LTIP shall become fully exercisable; (2) all remaining restrictions applicable to restricted stock and restricted stock units shall lapse and such restricted stock and restricted stock units shall become free of restrictions, fully vested and transferable or redeemed, as applicable; (3) all performance goals or other conditions applicable to performance shares, performance share units or performance units shall be deemed satisfied in full and the common shares or cash subject to such Award shall be fully distributable; (4) any remaining restrictions, performance goals or other conditions applicable to deferred stock units shall be deemed to be satisfied in full with the common shares or cash subject to such Award being fully distributable; and (5) all outstanding other stock-based awards or cash-based awards shall become fully vested. Payments under Awards that become subject to the excess parachute rules of Section 280G of the IRC may be reduced under certain circumstances. See the "Tax Treatment of Awards — Sections 280G and 4999" subsection below for more details.

Limited Transferability

All Awards or common shares subject to an Award under the 2012 LTIP are nontransferable except upon death, either by the participant's will or the laws of descent and distribution or through a beneficiary designation, and Awards are exercisable during the participant's lifetime only by the participant (or by the participant's legal representative in the event of the participant's incapacity).

Adjustments for Corporate Changes

In the event of a reorganization, recapitalization, merger, spin-off, stock split or other specified changes affecting us or our capital structure, the Committee is required to make equitable adjustments that reflect the effects of such changes to the participants. Such adjustments may relate to the number of our common shares available for grant, as well as to other maximum limitations under the 2012 LTIP (e.g., exercise prices and number of Awards), and the number of our common shares or other rights and prices under outstanding Awards.

Term, Amendment and Termination

The 2012 LTIP will expire on May 23, 2022, unless terminated earlier by the Board. Although the Board or the Committee may amend or alter the 2012 LTIP, it may not do so without shareholder approval of any amendment or alteration to the extent shareholder approval is required by law, regulation or stock exchange rule. In addition, any amendment, alteration or termination of the 2012 LTIP or an Award agreement may not adversely affect any outstanding Award to a participant without the consent of that participant other than amendments for the purpose of (1) causing the 2012 LTIP to comply with applicable law, (2) permitting us to receive a tax deduction under applicable law, or (3) avoiding an expense charge to us or our affiliates.

Repricing

The 2012 LTIP does not permit the repricing of Awards without the approval of shareholders or the granting of Awards with a reload feature.

Plan Benefits

Future benefits under the 2012 LTIP are not currently determinable. The Committee has discretionary authority to grant Awards pursuant to the 2012 LTIP which does not contain any provision for automatic grants.

In accordance with the rules of the SEC, the following table sets forth all of the stock options granted to each of our named executive officers and the groups identified below since the adoption of the 2012 LTIP through February 1, 2014:

Name of Individual or Identity of Group and Position	Number of Options *(1)*	Number of Shares of Restricted Stock *(2)*	Number of Performance Share Units *(3)*
David J. Campisi, *Chief Executive Officer and President*	115,500	37,800	37,800
Timothy A. Johnson, *Executive Vice President, Chief Financial Officer*	45,000	54,500	—
Lisa M. Bachmann, *Executive Vice President, Chief Operating Officer*	40,000	51,500	—
Joe R. Cooper, *Executive Vice President and President, Big Lots Canada, Inc.*	40,000	43,500	—
Carlos V. Rodriguez, *Senior Vice President, Distribution and Transportation Services*	40,000	20,000	—
Steven S. Fishman, *Former Chief Executive Officer and President*	0	0	—
Charles W. Haubiel II, *Former Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary*	40,000	49,000	—
John C. Martin, *Former Executive Vice President, Chief Merchandising Officer*	40,000	30,000	—
All current executive officers, as a group (14 persons)	435,000	277,100	37,800
All current directors who are not executive officers, as a group (8 directors)	0	0	—
Each nominee for election as a director	115,000	37,800	37,800
Each associate of any of such directors, executive officers or nominees	0	0	—
Each other person who received or is to receive 5 percent of awards under plan	0	0	—
All employees, including all current officers who are not executive officers, as a group	804,000	200,900	—

(1) All of these stock options: (a) were granted with an exercise price equal to the fair market value of our common shares on the date of grant; (b) have exercise prices ranging from $27.68 to $40.62 (with a weighted average exercise price of $35.82); and (c) have a seven-year term and expire between June 4, 2019 and January 13, 2021. All of these stock options vest and become exercisable over a four-year period in 25% increments beginning on the first anniversary of the grant date, subject to the recipient's continued employment with us on the applicable vesting date. As of February 1, 2014, the closing price of our common shares on the NYSE was $26.79.

(2) All of these shares of restricted stock, other than the Retention Awards and the restricted stock awarded to outside directors, vest upon attaining the first trigger and the first to occur of (a) attaining the second trigger; (b) the lapsing of five years after the grant date while continuously employed; or (c) the grantee's death or disability (which results in the vesting of a prorated portion of the award).

The Compensation Committee granted Retention Awards under the 2012 LTIP to Mr. Johnson, Ms. Bachmann, Mr. Cooper and Mr. Haubiel on April 1, 2013 consisting of 9,500, 21,500, 13,500 and 19,000 shares of restricted stock, respectively. Each Retention Award will vest and be transferred to the named executive officer without restriction on the earlier of: (a) the first trading day that is 18 months following

the grant date; or (b) the first trading day following the executive's termination of employment if such termination of employment is the result of the executive's (i) dismissal by us without cause (as defined in the Retention Award Agreement) or (ii) death or disability (provided, however, if the executive dies or suffers a disability, only 1/18th of the Retention Award will vest for each consecutive month that the executive completed with us between the grant date and his or her termination).

The restricted stock awarded to the outside directors vests on the earlier of (a) the trading day immediately preceding our annual meeting of shareholders in the fiscal year after the award or (b) the outside director's death or disability; provided, that the restricted stock will not vest if the outside director ceases to serve on the Board before either vesting event occurs.

(3) All of these performance share units may be earned in one-third increments if the market price of our common shares appreciates, for a period of 20 consecutive trading days, to at least 110%, 120% and 130% of the grant date fair market value before the earlier to occur of the termination of the executives employment and the lapsing of seven years after the grant date.

As of February 1, 2014; there were (1) 6,805,740 common shares available for grant under the 2012 LTIP; (2) 1,441,088 common shares underlying awards outstanding under the 2012 LTIP (1,022,687 of which are underlying stock options, 380,601 which are underlying restricted stock and 37,800 shares underlying a performance share units award); (3) 2,567,336 common shares underlying awards outstanding under the 2005 LTIP (2,283,836 of which are underlying stock options and 283,500 of which are underlying restricted stock); and (4) 58,325,322 outstanding common shares.

As of February 1, 2014: (1) the weighted average exercise price of the 3,377,303 outstanding stock options under our equity compensation plans (including under those plans that previously terminated) was $34.88 and the weighted average remaining term was 4.3 years; and (2) there were 701,901 restricted stock awards outstanding under our equity compensation plans.

Federal Income Tax Treatment of Awards

The following summary discussion of the United States federal income tax implications of Awards under the 2012 LTIP is based on the provisions of the IRC as of the date of this Proxy Statement. This summary is not intended to be exhaustive and does not, among other things, describe state, local or foreign tax consequences and such tax consequences may not correspond to the federal income tax treatment described herein. The exact federal income tax treatment of transactions could vary depending upon the specific facts and circumstances involved and participants are advised to consult their personal tax advisors with regard to all consequences arising from the grant, vesting or exercise of Awards and the disposition of any acquired common shares.

Incentive Stock Options

ISOs may only be granted to our employees. No taxable ordinary income to the participant or a deduction to us will be realized at the time the ISO is granted or exercised. If the participant holds the common shares received as a result of an exercise of an ISO for at least two years from the grant date and one year from the exercise date, then (1) any gain realized on disposition of the common shares is treated as a long-term capital gain and any loss sustained will be a long-term capital loss and (2) we are not entitled to a deduction. If the common shares acquired by an exercise of an ISO are disposed of within either of these periods (i.e., a "disqualifying disposition"), then the participant must include in his or her income, as taxable compensation for the year of the disposition, an amount equal to the excess, if any, of the fair market value of the common shares upon exercise of the stock option over the stock option exercise price (or, if less, the excess of the amount realized upon disposition over the stock option exercise price). In such case, we will generally be entitled to a deduction, generally in the year of such a disposition, for the amount includible in the participant's income as taxable compensation. The participant's basis in the common shares acquired upon exercise of an ISO is equal to the stock option exercise price paid, plus any amount includible in his or her income as a result of a disqualifying disposition. The rules that generally apply to ISOs do not apply when calculating any alternative minimum tax liability. The rules affecting the application of the alternative minimum tax are complex, and their effect depends on individual circumstances, including whether a participant has items of adjustment other than those derived from ISOs.

Non-Qualified Stock Options

A NQSO results in no taxable income to the participant or deduction to us at the time it is granted. A participant exercising a NQSO will, at that time, realize taxable compensation in the amount of the difference between the stock option exercise price and the then-current fair market value of the common shares. Subject to the applicable provisions of the IRC, a deduction for federal income tax purposes will be allowable to us in the year of exercise in an amount equal to the taxable compensation recognized by the participant.

The participant's basis in such common shares is equal to the sum of the stock option exercise price plus the amount includible in his or her income as compensation upon exercise. Any gain (or loss) upon subsequent disposition of the common shares will be a long-term or short-term gain (or loss), depending upon the holding period of the common shares.

If a participant tenders previously owned common shares in payment of the NQSO exercise price, then, instead of the treatment described above, the following generally will apply: (1) a number of new common shares equal to the number of previously owned common shares tendered will be considered to have been received in a tax-free exchange; (2) the participant's basis and holding period for such number of new common shares will be equal to the basis and holding period of the previously owned common shares exchanged; (3) the participant will have compensation income equal to the fair market value on the exercise date of the number of new common shares received in excess of such number of exchanged common shares; (4) the participant's basis in such excess shares will be equal to the amount of such compensation income; and (5) the holding period in such common shares will begin on the exercise date.

Stock Appreciation Rights

Generally, a participant that receives a SAR will not recognize taxable income at the time the SAR is granted. If a participant receives the appreciation inherent in a SAR in cash, the cash will be taxed as ordinary compensation income to the participant at the time it is received. If a participant receives the appreciation inherent in a SAR in common shares, the spread between the then-current fair market value of the common shares and the grant price will be taxed as ordinary compensation income to the participant at the time it is received. In general, there will be no federal income tax deduction allowed to us upon the grant or termination of a SAR. However, upon the settlement of either form of SAR, we will generally be entitled to a deduction equal to the amount of ordinary income the participant is required to recognize as a result of the settlement.

If the amount a participant receives upon disposition of the common shares that the participant acquired by exercising a SAR is greater than the sum of the aggregate exercise price that the participant paid plus the amount of ordinary income recognized by the participant upon exercise, the excess will be treated as a long-term or short-term capital gain, depending on the holding period of the common shares. Conversely, if the amount a participant receives upon disposition of the common shares that the participant acquired by exercising a SAR is less than the sum of the aggregate exercise price that the participant paid plus the amount of ordinary income recognized by the participant upon exercise, the difference will be treated as a long-term or short-term capital loss, depending on the holding period of the common shares.

Restricted Stock

Generally, a participant will not recognize income and we will not be entitled to a deduction at the time an award of restricted stock is made under the 2012 LTIP, unless the participant makes a Section 83(b) election described below. A participant who has not made such an election will recognize ordinary compensation income at the time the restrictions on the common shares lapse in an amount equal to the fair market value of the common shares at such time. We will generally be entitled to a corresponding deduction in the same amount and at the same time as the participant recognizes income. Any otherwise taxable disposition of the restricted stock after the time the restrictions lapse will result in a capital gain or loss to the extent the amount realized from the sale differs from the tax basis (i.e., the fair market value of the common shares on the date the restrictions lapse).

Deferred Stock Units

Generally, a participant who defers compensation into deferred stock units will not recognize income at the time the compensation would otherwise have been paid to the participant. Upon the settlement of the deferred stock unit, the participant will be taxed on the then-current fair market value of the shares or cash paid and we will be entitled to a deduction equal to the amount of ordinary compensation income the participant is required to recognize as a result of the settlement.

Other Awards

The current United States federal income tax consequences of other Awards authorized under the 2012 LTIP are generally in accordance with the following: (1) the fair market value of other stock-based awards is generally subject to ordinary compensation income tax at the time the restrictions lapse, unless the participant elects to accelerate recognition as of the date of grant; and (2) the amount of cash paid (or the fair market value of the common shares issued) to settle restricted stock units, performance shares, performance share units, performance units and cash-based awards is generally subject to ordinary compensation income tax. In each of the foregoing cases, we will generally be entitled to a corresponding federal income tax deduction at the same time the participant recognizes ordinary compensation income.

Dividend-Equivalent Rights

Participants may be granted dividend-equivalent rights in connection with any Award other than a stock option or SAR. A participant who receives dividend-equivalent rights with respect to an Award between the grant date and the date the Award is exercised, payable or vests or when the restrictions lapse or expires (as the terms of the Awards dictate) will recognize ordinary compensation income equal to the value of cash or common shares delivered and we will generally be entitled to a corresponding deduction for such dividends.

Section 162(m)

As described above, Section 162(m) of the IRC generally provides that a company is prohibited from deducting compensation paid to certain "covered employees" (i.e., the principal executive officer and three other most highly compensated officers (other than the principal financial officer)) in excess of $1 million per person in any year. Compensation that qualifies as "qualified performance-based compensation" is excluded for purposes of calculating the amount of compensation subject to the $1 million limit. To qualify as qualified performance-based compensation, Awards must be granted under the 2012 LTIP by the Committee and satisfy the 2012 LTIP's limit on the total number of common shares that may be awarded to any one participant during a year. In addition, for Awards other than stock options to qualify as qualified performance-based compensation, the issuance or vesting of the Award, as applicable, must be contingent upon satisfying one or more of the performance measures listed in the 2012 LTIP, as established and certified by the Committee.

Sections 280G and 4999

Section 280G of the IRC disallows deductions for excess parachute payments and Section 4999 of the IRC imposes penalties on persons who receive excess parachute payments. A parachute payment is the present value of any compensation amount that is paid to "disqualified individuals" (such as our and our subsidiaries' officers and highly paid employees) that are contingent upon or paid on account of a change in control – but only if such payments, in the aggregate, are equal to or greater than 300% of the participant's taxable compensation averaged over the five calendar years ending before the change in control (or over the participant's entire period of service if that period is less than five calendar years). This average is called the "Base Amount." An excess parachute payment is the amount by which any parachute payment exceeds the portion of the Base Amount allocated to such payment.

Some participants in the 2012 LTIP may receive parachute payments in connection with a change in control. If this happens, the value of each participant's parachute payment from the 2012 LTIP must be combined with other parachute payments the same participant is entitled to receive under other agreements or arrangements with us or our subsidiaries, such as an employment agreement or a change in control agreement. If the participant

is a disqualified individual and the combined value of all parachute payments is an excess parachute payment, the participant must pay an excise tax equal to 20% of the value of all parachute payments above 100% of the participant's Base Amount. This tax is due in addition to other federal, state and local income, wage and employment taxes. Also, neither we nor any of our subsidiaries would be able to deduct the amount of any participant's excess parachute payment and the $1,000,000 limit on deductible compensation under Section 162(m) of the IRC would be reduced by the amount of the excess parachute payment.

The 2012 LTIP addresses excess parachute payment penalties. Generally, if a participant in the 2012 LTIP receives an excess parachute payment, the value of the payment is reduced to avoid the excess parachute penalties. However, the 2012 LTIP also states that other means of dealing with these penalties will be applied if required by the terms of another written agreement (whether currently in effect or adopted in future) with us or any of our subsidiaries (such as an employment or a change in control agreement). We are a party to an employment agreement with several of our named executive officers. Those employment agreements provide that if the payments received by the named executive officer in connection with a change in control constitute an excess parachute payment under Section 280G of the IRC, the executive's benefits under his or her employment agreement will be reduced to the extent necessary to become one dollar less than the amount that would generate such excise tax, if this reduction results in a larger after-tax amount to the executive as compared to the excise tax reimbursement method. The compensation payable on account of a change in control may be subject to the deductibility limitations of Sections 162(m) and 280G of the IRC.

Section 83(b)

A participant may elect pursuant to Section 83(b) of the IRC to have compensation income recognized at the grant date of an Award of restricted stock, restricted stock units or performance units and to have the applicable capital gain holding period commence as of that date. If a participant makes this election, we will generally be entitled to a corresponding tax deduction equal to the value of the Award affected by this election. If the participant who has made an election subsequently forfeits the Award, then the participant will not be entitled to deduct the amount previously recognized as income.

Section 409A

Section 409A of the IRC imposes certain restrictions on amounts deferred under nonqualified deferred compensation plans and a 20% excise tax on amounts that are subject to, but do not comply with, Section 409A of the IRC. If the requirements of Section 409A are not complied with, holders of such Awards may be taxed earlier than would otherwise be the case (e.g., at the time of vesting instead of the time of payment) and may be subject to an additional 20% penalty tax and, potentially, interest and penalties. Section 409A of the IRC includes a broad definition of nonqualified deferred compensation plans, which includes certain types of equity incentive compensation. It is intended that the Awards granted under the 2012 LTIP will comply with or be exempt from the requirements of Section 409A of the IRC and the treasury regulations promulgated thereunder (and any subsequent notices or guidance issued by the Internal Revenue Service).

Market Value

On February 1, 2014, the closing price of the Company's common shares traded on the NYSE was $26.79 per share.

Equity Compensation Plan Information

The following table summarizes information as of February 1, 2014 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	3,415,103*(1)(2)*	$ 34.88*(3)*	6,805,740*(4)*
Equity compensation plans not approved by security holders	—	—	—
Total	3,415,103	$ 34.88*(3)*	6,805,740

(1) Includes stock options granted and performance share units granted under the 2012 LTIP, the 2005 LTIP, the Director Stock Option Plan, and the Big Lots, Inc. 1996 Performance Incentive Plan ("1996 LTIP"). In addition, we had 664,101 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	1,022,687
2005 LTIP	2,283,836
Director Stock Option Plan	35,000
1996 LTIP	35,780

(3) The weighted average exercise price does not take into account the performance share units granted under the 2012 LTIP.

(4) The common shares available for issuance under the 2012 LTIP are limited to 6,805,740 common shares. There are no common shares available for issuance under any of the other shareholder-approved plans.

The 2012 LTIP was initially approved by shareholders on May 23, 2012. 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.

See the "Stock Ownership" section of this Proxy Statement for additional information with respect to security ownership of certain beneficial owners and management.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE THE AMENDED AND RESTATED 2012 LTIP.

PROPOSAL THREE: APPROVAL OF THE AMENDED AND RESTATED BIG LOTS 2006 BONUS PLAN

Background

On March 5, 2014, the Board adopted, based on the recommendation of the Compensation Committee (which we refer to as the "Committee" throughout this discussion of Proposal 3), and proposed that our shareholders approve, the amended and restated 2006 Bonus Plan. The 2006 Bonus Plan provides for cash incentive awards, which are 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 Committee at the start of the fiscal year. Our shareholders first approved the 2006 Bonus Plan on May 25, 2006, and subsequently amended and restated the 2006 Bonus Plan effective May 27, 2010. The amended and restated 2006 Bonus Plan will become effective if and when approved by our shareholders at the Annual Meeting. The Board recommends that shareholders approve the amended and restated 2006 Bonus Plan.

We are required to periodically resubmit the 2006 Bonus Plan for shareholder approval so that bonus opportunities awarded under the 2006 Bonus Plan can qualify as qualified performance-based compensation under Section 162(m) of the IRC. Therefore, we are seeking shareholder approval with respect to the amended and restated 2006 Bonus Plan in its entirety. If our shareholders do not approve the amended and restated 2006 Bonus Plan, bonus opportunities previously awarded under the 2006 Bonus Plan will remain valid and the 2006 Bonus Plan will remain in effect.

The Proposed Amended and Restated 2006 Bonus Plan

The primary amendments to the 2006 Bonus Plan reflected in the amended and restated 2006 Bonus Plan include:

- *Expanding the performance criteria, and the equitable adjustments that may be made thereto, for awards under the 2006 Bonus Plan.* The amended and restated 2006 Bonus Plan includes several additional performance criteria, and additional equitable adjustments that may be made to the performance criteria, upon which the Committee may base the performance goals it establishes for bonus opportunities awarded under the Plan. The Board believes that the 2006 Bonus Plan needs to include these additional performance criteria and equitable adjustments to address all of the financial measures that management now focuses on in its corporate operating plan. See "Description of Bonus Awards" for a complete list of the performance criteria and equitable adjustments available under the amended and restated 2006 Bonus Plan.
- *Updating and clarifying certain other provisions of the 2006 Bonus Plan*. The other proposed amendments to the 2006 Bonus Plan principally consist of (1) updates and clarifications to better ensure compliance with the requirements of Section 409A and Section 162(m) of the IRC, (2) clarifications to the performance criteria and adjustment categories set forth in the appendix of the 2006 Bonus Plan, and (3) additional revisions that we believe would improve the clarity of the 2006 Bonus Plan. We believe these amendments would facilitate a better understanding of the 2006 Bonus Plan's terms by participants, shareholders, administrators and us.

Section 162(m) Approval Requirement

Section 162(m) of the IRC generally provides that we may not deduct more than $1,000,000 of compensation paid during any fiscal year to our covered employees (*i.e.*, our CEO and our three other highest compensated executives (excluding the principal financial officer) employed at the end of the fiscal year). However, this limit does not apply to "qualified performance-based compensation" as defined by Section 162(m) of the IRC. Annual incentive awards under the 2006 Bonus Plan will only constitute qualified performance-based compensation under Section 162(m) of the IRC if certain requirements are satisfied, including shareholder approval of the material terms of the performance criteria of the 2006 Bonus Plan at least once every five years. By approving the amended and restated 2006 Bonus Plan, our shareholders will approve, among other things, the material terms of the performance criteria (as described below in "Description of Bonus Awards") used to determine whether bonus awards are earned.

Summary of the Amended and Restated 2006 Bonus Plan

The 2006 Bonus Plan provides for cash compensation to be paid annually when we meet or exceed minimum corporate performance amounts under one or more performance criteria approved by the Committee and other outside directors at the start of the fiscal year. The 2006 Bonus Plan is intended to meet the requirements for qualified performance-based compensation under Section 162(m) of the IRC so that annual incentive award opportunities awarded under the 2006 Bonus Plan qualify for a federal income tax deduction.

The purpose of the 2006 Bonus Plan is to advance our interests by (1) attracting, retaining and motivating employees, (2) aligning participants' interests with those of our shareholders, and (3) qualifying compensation paid to our executives as qualified performance-based compensation under Section 162(m) of the IRC.

The following summary describes the material features of the amended and restated 2006 Bonus Plan and is qualified in its entirety by reference to the complete text of the amended and restated 2006 Bonus Plan attached to this Proxy Statement as Appendix B.

Administration

The 2006 Bonus Plan is, and will be, administered by the Committee. Each member of the Committee will be an "independent director" for purposes of our Corporate Governance Guidelines, the Committee's charter and the NYSE listing requirements; a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act; and an "outside director" within the meaning of Section 162(m) of the IRC. The Committee is currently comprised of five directors, each of whom meets all of these criteria. The Committee has the authority to administer, interpret the terms of, determine the eligibility of employees to participate in, and make all other determinations and take all other actions in accordance with the terms of, the 2006 Bonus Plan. Any determination or decision by the Committee will be conclusive and binding on all persons who at any time have or claim to have any interest under the 2006 Bonus Plan. As plan administrator, the Committee is responsible for designating eligible participants and selecting the performance goals – including the applicable performance criteria, corporate performance amounts and payout percentages – used to calculate the annual incentive award, if any.

Eligibility and Participation

In the Committee's discretion, all of our and our affiliates' employees are eligible to participate in the 2006 Bonus Plan. Approximately 715 of those employees participated in the 2006 Bonus Plan in fiscal 2013. As of February 1, 2014, we and our affiliates had approximately 38,100 employees.

Description of Bonus Awards

For each performance period, which is generally a full fiscal year, the Committee may grant annual incentive award opportunities under the 2006 Bonus Plan in such amounts and on such terms as it determines in its sole discretion (subject to the limitations imposed by the Plan), including the applicable performance criteria (and any equitable adjustments made thereto), corporate performance amounts and payout percentages.

For each annual incentive award opportunity awarded under the 2006 Bonus Plan, the Committee will establish corporate performance amounts that will be applied to determine the amount of compensation payable with respect to such award. The Committee will base the corporate performance amounts on one or more of the following performance criteria listed in the 2006 Bonus Plan:

- Earnings (loss) per common share from continuing operations;
- Earnings (loss) per common share;
- Operating profit (loss), operating income (loss), or income (loss) from operations (as the case may be);
- Income (Loss) from continuing operations before unusual or infrequent items;
- Income (Loss) from continuing operations;
- Income (Loss) from continuing operations before income taxes;
- Income (Loss) from continuing operations before extraordinary item and/or cumulative effect of a change in accounting principle (as the case may be);
- Income (Loss) before extraordinary item and/or cumulative effect of a change in accounting principle (as the case may be);
- Net income (loss);
- Income (Loss) before other comprehensive income (loss);
- Comprehensive income (loss);
- Income (Loss) before interest and income taxes;
- Income (Loss) before interest, income taxes, depreciation and amortization;
- Any other objective and specific income (loss) category or non-GAAP financial measure that appears as a line item in our filings with the Securities and Exchange Commission or the annual report to shareholders;

- Any of the performance measures above (other than earnings (loss) per common share from continuing operations and earnings (loss) per common share) on a weighted average common shares outstanding basis;
- Either of earnings (loss) per common share from continuing operations and earnings (loss) per common share on a basic or diluted basis and any of the other performance measures above on a basic or diluted earnings per share basis;
- Common share price;
- Total shareholder return expressed on a dollar or percentage basis as is customarily disclosed in the proxy statement accompanying the notice of annual meetings of shareholders;
- Percentage increase in comparable store sales;
- Gross profit (loss) or gross margin (loss) (as the case may be);
- Economic value added;
- Return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue);
- Expense targets;
- Cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment);
- Productivity ratios;
- Market share;
- Customer satisfaction; or
- Working capital targets and change in working capital.

The Committee, in its sole discretion, in setting the corporate performance amounts, may provide for equitable adjustments to the performance criteria in recognition of unusual or non-recurring events, transactions and accruals for the effect of one or more of the following items:

- Asset impairments as described in Accounting Standard Codification ("ASC") 360 – Property, Plant, & Equipment, as amended, revised or superseded;
- Costs associated with exit or disposal activities as described by ASC 420 – Exit or Disposal Cost Obligations, as amended, revised or superseded;
- Impairment charges (excluding the amortization thereof) related to goodwill or other intangible assets, as described by ASC 350 – Intangibles – Goodwill and Other, as amended, revised or superseded;
- Integration costs related to all merger and acquisition activity of the Company and/or its affiliates, including, without limitation, any merger, acquisition, reverse merger, triangular merger, tender offer, consolidation, amalgamation, arrangement, security exchange, business combination or any other purchase or sale involving the Company and/or its affiliates (or foreign equivalent of any of the foregoing);
- Transaction costs related to all merger and acquisition activity of the Company and/or its affiliates, including, without limitation, any merger, acquisition, reverse merger, triangular merger, tender offer, consolidation, amalgamation, arrangement, security exchange, business combination or any other purchase or sale involving the Company and/or its affiliates (or foreign equivalent of any of the foregoing);
- Any profit or loss attributable to the business operations of a specified segment as described in ASC 280 – Segment Reporting, as amended, revised or superseded;

- Any profit or loss attributable to a specified segment as described in ASC 280 – Segment Reporting, as amended, revised or superseded, acquired during the Performance Period or an entity or entities acquired during the Performance Period to which the performance goal relates;
- Any tax settlement(s) with a tax authority;
- The relevant tax effect(s) of tax laws or regulations, or amendments thereto, that become effective after the beginning of the performance period;
- Any extraordinary item, event or transaction as described in ASC 225-20 – Income Statement – Extraordinary and Unusual Items, as amended, revised or superseded;
- Any unusual in nature, or infrequent in occurrence items, events or transactions (that are not "extraordinary" items) as described in ASC 225-20 – Income Statement – Extraordinary and Unusual Items, as amended, revised or superseded;
- Any other non-recurring items, any events or transactions that do not constitute ongoing operations, or other non-GAAP financial measures (not otherwise listed);
- Any change in accounting principle as described in ASC 250-10 Accounting Changes and Error Corrections, as amended, revised or superseded;
- Unrealized gains or losses on investments in debt and equity securities as described in ASC 320 – Investments – Debt and Equity Securities, as amended, revised or superseded;
- Any gain or loss recognized as a result of derivative instrument transactions or other hedging activities as described in ASC 815 – Derivatives and Hedging, as amended, revised or superseded;
- Shares-based compensation charges as described in ASC 718 – Compensation – Stock Compensation and ASC 505-50 Equity-Based Payments to Non-Employees, as amended, revised or superseded;
- Any gain or loss as reported as a component of other comprehensive income as described in ASC 220 – Comprehensive Income, as amended, revised or superseded;
- Any expense (or reversal thereof) as a result of incurring an obligation for a direct or indirect guarantee, as described in ASC 460 – Guarantees, as amended, revised or superseded;
- Any gain or loss as the result of the consolidation of a variable interest entity as described in ASC 810 - Consolidation, as amended, revised or superseded;
- Any expense, gain or loss (including, but not limited to, judgments, interest on judgments, settlement amounts, attorneys' fees and costs, filing fees, experts' fees, and damages sustained as a result of the imposition of injunctive relief) as a result of claims, litigation, judgments or lawsuit settlement (including collective actions or class action lawsuits); or
- Any charges associated with the early retirement of debt obligations.

The Committee defines the payout percentages at the same time it establishes the performance criteria (and any equitable adjustments made thereto) and corporate performance amounts. The minimum payout percentages for target and maximum annual incentive award opportunities for our named executive officers who are party to an employment agreement with us are set forth in their respective employment agreements, and the payout percentage for the floor annual incentive award opportunity is set annually by the Committee. For participants who are not party to an employment agreement with us, the payout percentages approved by the Committee are set by position level. Subject to the terms of the employment agreements, the Committee has the right to adjust the payout percentages.

The 2006 Bonus Plan provides for cash compensation to be paid annually when the performance goals are achieved. No right to a minimum annual incentive award exists under the 2006 Bonus Plan. For each performance period, the Committee will establish an objective formula for each participant based on the achievement of the performance goals, the outcomes of which are substantially uncertain at the time they are established. The Committee derives the corporate performance amounts from our corporate operating plan, which is approved by the Board at the start of the fiscal year.

After the end of the performance period, the Committee will determine the amount of the annual incentive award earned by each participant under the predetermined objective formula for the performance goals. Payment of the annual incentive award to the participant will be made, subject to the participant's right to defer the same, upon certification by the Committee, in writing, that the performance goals were satisfied (*i.e.*, at least the corporate performance amount for a floor annual incentive award was attained) and the annual incentive award has been calculated in accordance with the predetermined objective formula.

Maximum Bonus Awards

The 2006 Bonus Plan provides that annual incentive awards in any fiscal year may not exceed the maximum annual incentive award amount that is established annually for each participant pursuant to a predetermined objective formula, subject to the current maximum annual limit of $4,000,000.

Termination of Employment

Except to the extent otherwise determined by the Committee, in the event a participant voluntarily terminates employment with us prior to the day on which payments of annual incentive awards are determined under the 2006 Bonus Plan for a performance period, the participant forfeits all rights to receive an annual incentive award. At the discretion of the Committee, prorated annual incentive awards may be made to participants whose employment terminates by reason of retirement, disability or death during a performance period; provided, however, that at least the corporate performance amount for a floor annual incentive award must have been attained during the required service period.

Transferability

A participant in the 2006 Bonus Plan may not assign, pledge or encumber his or her interest under the 2006 Bonus Plan, except that a participant may designate a beneficiary as provided in the 2006 Bonus Plan.

Amendment, Suspension or Termination

The Committee may amend, in whole or in part, any or all of the provisions of the 2006 Bonus Plan, except as to those terms or provisions that are required by Section 162(m) of the IRC to be approved by the shareholders, or suspend or terminate the 2006 Bonus Plan entirely; provided, however, that no such amendment, suspension or termination may, without the consent of the affected participants, reduce the right of participants to any payment due under the 2006 Bonus Plan.

Section 409A

Section 409A of the IRC imposes certain restrictions on amounts deferred under non-qualified deferred compensation arrangements and a 20% additional tax on amounts that are subject to, but do not comply with, Section 409A. We intend for the awards granted under the 2006 Bonus Plan to comply with the requirements of Section 409A, and the Compensation Committee will interpret, administer and operate the 2006 Bonus Plan accordingly.

New Plan Benefits

The exact amount of the awards under the 2006 Bonus Plan, if any, that will be allocated to or received by the participants is at the discretion of the Committee and dependent upon our future performance, and therefore cannot be determined at this time. The annual bonuses paid under the 2006 Bonus Plan to the named executive officers for fiscal 2011, fiscal 2012 and fiscal 2013 are set forth in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table in this Proxy Statement.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE THE AMENDED AND RESTATED 2006 BONUS PLAN.

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 2013 ("Form 10-K").

Members of the Compensation Committee

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

Compensation Discussion and Analysis

Overview of Our Executive Compensation Program

Executive Summary

This CD&A describes our executive compensation program for fiscal 2013 and certain elements of our executive compensation program for fiscal 2014 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 2013, 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. Cooper, our Executive Vice President and President, Big Lots Canada, Inc.;
- Mr. Rodriguez, our Senior Vice President, Distribution and Transportation Services;
- Mr. Fishman, our former Chairman, CEO and President;
- Mr. Haubiel, our former Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary; and
- Mr. Martin, our former Executive Vice President, Chief Merchandising Officer.

Mr. Fishman's employment with us terminated on May 3, 2013. Mr. Haubiel's employment with us terminated on June 17, 2013. Mr. Martin's employment with us terminated on January 3, 2014.

Our executive compensation program is designed to:

- attract and retain executives by paying them compensation that is competitive with the compensation paid by the companies in our comparator groups;
- motivate our executives to contribute to our long-term success;
- reward our executives for corporate and individual performance; and
- align the interests of our executives and shareholders through performance-linked compensation.

Our financial performance in fiscal 2013 did not meet our expectations. As a result of such performance and the emphasis that our executive compensation program places on performance-linked compensation, the actual compensation realized by our named executive officers in fiscal 2013 was significantly lower than the total potential compensation awarded to our named executive officers for fiscal 2013. For example, we did not achieve the operating profit required for our named executive officers to earn annual incentive awards for fiscal 2013 under the 2006 Bonus Plan and, as a result, our named executive officers did not receive annual incentive awards for fiscal 2013.

2013 Annual Meeting Results and Shareholder Engagement

At our 2013 annual meeting of shareholders, we held an advisory vote of our shareholders regarding the fiscal 2012 compensation of our named executive officers as disclosed in our 2013 Proxy Statement (the "2013 say-on-pay vote"). Of the shares voted on our 2013 say-on-pay vote, a majority voted not to approve the fiscal 2012 compensation. This outcome was extremely disappointing to us, our Board and the Committee. In response to this outcome, the Committee directed our senior management to extend invitations to our largest shareholders to discuss our executive compensation program. We contacted 24 shareholders who beneficially owned approximately 62% of our outstanding common shares and two major proxy advisory firms. Six shareholders elected to schedule calls with us in response to our invitation and three other shareholders deferred to the proxy advisory firms, with that combined group representing approximately 27% of our outstanding common shares.

In our discussions with our shareholders we sought to:

- understand why they did not approve our fiscal 2012 compensation;
- better understand their views regarding our executive compensation generally so that we can better align our compensation programs with shareholder interests; and
- discuss any other views or concerns of our shareholders.

The shareholders who chose to participate in calls provided both criticism of the compensation paid to our executives in fiscal 2012, as well as support for changes that we made to our compensation program in fiscal 2013. The criticism of our fiscal 2012 compensation program principally related to the compensation of our former CEO, Mr. Fishman. Shareholders stated that Mr. Fishman's compensation package was too large and that the performance metric tied to the vesting of Mr. Fishman's fiscal 2012 restricted stock award was too easily achievable. At the same time, shareholders voiced support for the Committee's efforts to change the compensation mix awarded to our executives in fiscal 2013, particularly the smaller compensation package awarded to our new CEO, Mr. Campisi, compared to Mr. Fishman. Shareholders also noted our elimination of the excise tax reimbursement payments and the addition of a clawback provision in our executives' employment agreements. In addition, several shareholders were pleased that we separated our CEO and Chairman of the Board positions and that we continued to work with Exequity LLP ("Exequity"), an independent compensation consultant, to improve our compensation programs.

After considering the 2013 say-on-pay vote and the feedback we received from shareholders and proxy advisory firms, the Committee decided to make significant additional changes to our compensation program for fiscal 2014, as discussed in the "Our Executive Compensation Program for Fiscal 2014" section of this CD&A. In addition, the Committee retained Exequity to present an overview of executive compensation trends that may be important to our shareholders and to advise the Committee on all principal aspects of executive compensation for fiscal 2014.

Also at our 2013 annual meeting of shareholders, Mr. Solt, the Committee's Chairman, received less than a majority of the shareholder votes for his reelection. As a result, Mr. Solt offered to resign from the Board in accordance with our Corporate Governance Guidelines. After carefully considering the recommendation of the Nominating / Corporate Governance Committee and other relevant factors (including shareholder feedback), the Board determined not to accept Mr. Solt's resignation. The Board considered Mr. Solt's experience as the CFO of other publically traded retailers, his background in investor relations, and his knowledge of compensation best practices and comparator group policies, in determining that Mr. Solt is ideally suited to continue leading our efforts to further improve our executive compensation program. Mr. Solt did not participate in the Board or the Nominating / Corporate Governance Committee's evaluation or in its decision to reject his offer to resign. As part of the shareholder engagement effort described above, we also sought to understand the concerns that led a majority of shareholders to withhold votes from Mr. Solt in May 2013. These concerns appear not to have been directed at Mr. Solt personally, but were principally related to previous compensation practices adopted before Mr. Solt was appointed the Committee's Chairman. Under Mr. Solt's leadership as the Committee's Chairman, several key compensation practices were modified in May 2013, including, reducing the overall CEO compensation package, aligning the equity compensation awarded to our new CEO with shareholder return metrics, eliminating certain excise tax reimbursement payments and adding a clawback provision to our executive employment agreements.

Significant Executive Compensation Practices and Policies and Recent Modifications

The Committee reviews and evaluates the Company's executive compensation programs, practices and policies on a regular basis. Significant executive compensation practices and policies of the Company include:

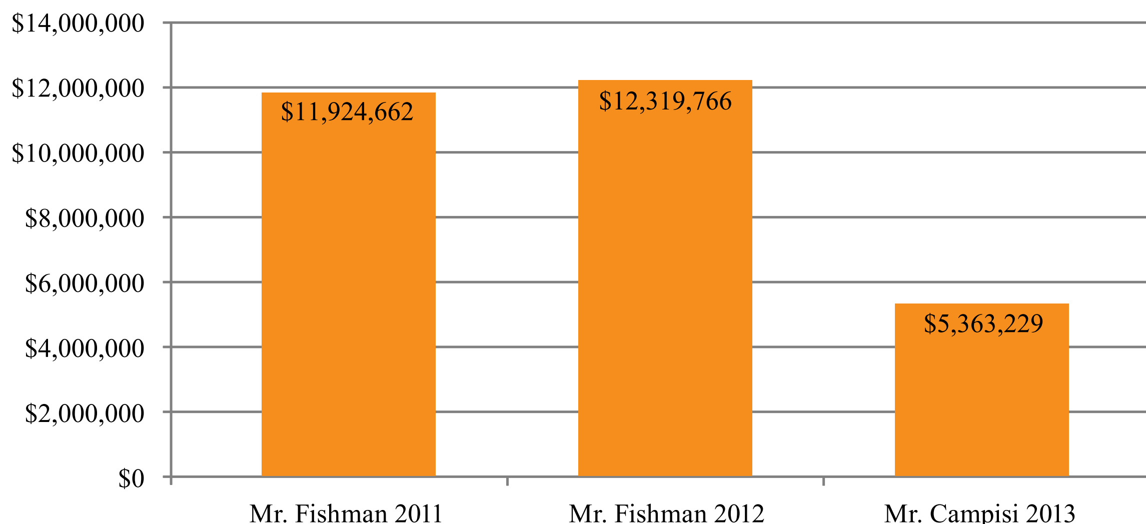
- *Performance-Linked Pay.* In accordance with the Company's pay-for-performance philosophy, performance-linked compensation comprised 31% to 63% of the compensation awarded to our named executive officers for fiscal 2013.
- *Elimination of Excise Tax Gross-ups for Change-in-Control Payments*. In fiscal 2013, we amended the employment agreements with our executives to eliminate any reimbursement for any "golden parachute" excise tax imposed under Section 4999 of the IRC.
- *Clawbacks.* In fiscal 2013, we amended the employment agreements with our executives to provide that any compensation paid to an 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 listing requirement or any policy adopted by us with respect to any such law or listing requirement.
- *Stock Ownership Requirements*. We have stock 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.
- *Hedging Policy.* We do not allow our directors or Leadership Team members to enter into any hedging or monetization transactions relating to our common shares.
- *Independent Compensation Consultant*. The Committee engaged and continues to engage Exequity to serve as its independent compensation consultant.

CEO Compensation

Mr. Fishman served as our CEO and President until Mr. Campisi assumed those positions on May 3, 2013. In response to the views expressed by our shareholders, in connection with our appointment of a new CEO, the Committee sought to reduce the total compensation of our CEO without undermining our compensation objectives. The table below compares Mr. Campisi's total compensation package in fiscal 2013 to Mr. Fishman's total compensation package in fiscal 2012.

		Mr. Campisi 2013	Mr. Fishman 2012
Salary		$900,000	$1,400,000
Bonus	Target payout percentage	100%	120%
	Maximum payout percentage	200%	240%
Equity	Value – all equity awards	$4,122,363	$10,524,000
	Shares granted – all equity awards	191,100	240,000
	- shares underlying restricted stock award	37,800	240,000
	- shares underlying stock option award	115,500	0
	- shares underlying performance share units award	37,800	0

The bar graph below compares the total compensation, as reported in the Summary Compensation Table, of Mr. Campisi in fiscal 2013 and Mr. Fishman in each of fiscal 2012 and fiscal 2011.



Pay-for-Performance

Aligning executive compensation with corporate and individual performance is a key principle of our executive compensation philosophy. We believe our executive compensation program effectively implements this principle by tying the value of bonus opportunities and equity awards under the program to our financial performance and/or the price of our common shares.

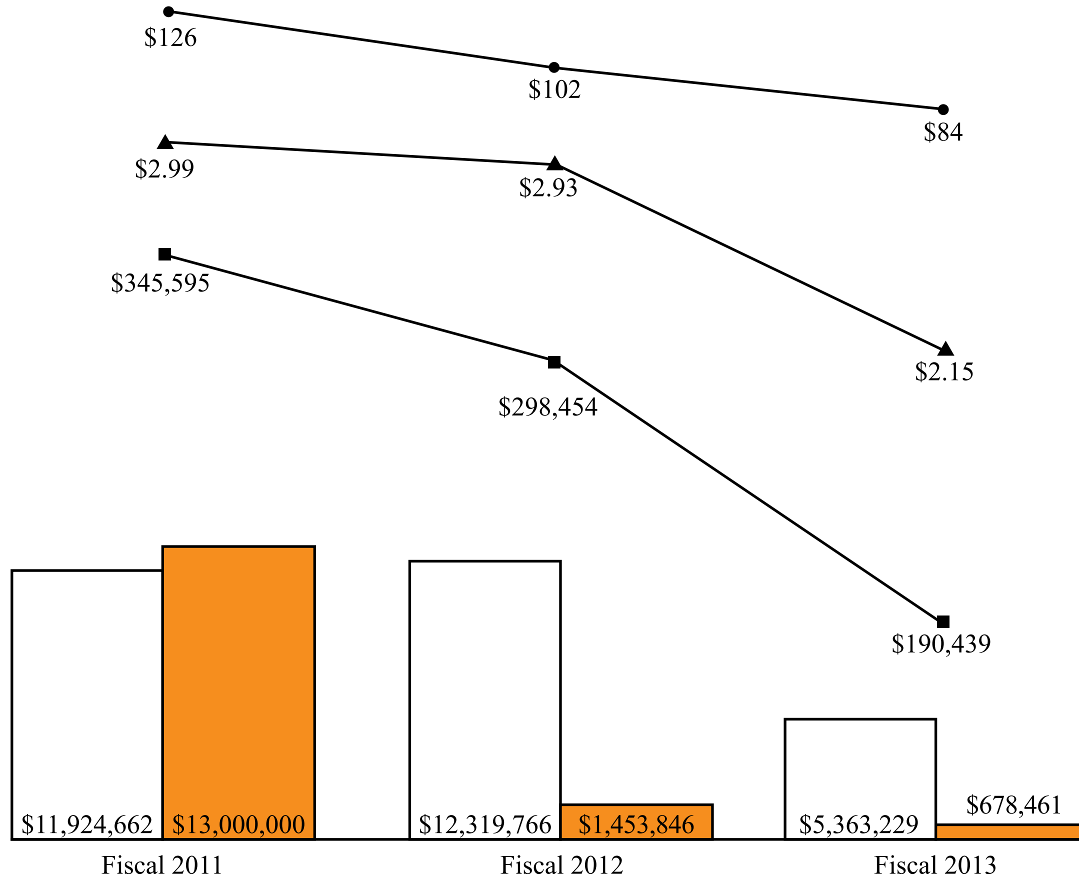
The metrics we currently use to evaluate the performance of our named executive officers are our operating profit, earnings per share and return on invested capital ("ROIC"). We believe that our operating profit is an important financial measure as it reflects our efforts to increase revenue and control our expenses. Additionally, the value of the performance-linked incentive compensation that we award in the form of equity is significantly impacted by the price of our common shares and our earnings per share.

The pay-for-performance chart that follows presents for each of fiscal 2011, fiscal 2012 and fiscal 2013: (1) our total shareholder return ("TSR") indexed to our fiscal 2010 year end stock price of $31.82; (2) our earnings per common share – diluted from continuing operations; (3) our operating profit; (4) the total compensation of our CEO as reported in our Summary Compensation Table (for Mr. Fishman in fiscal 2011 and 2012 and Mr. Campisi in fiscal 2013); and (5) the total compensation realized by Mr. Fishman in fiscal 2011 and 2012 and Mr. Campisi in fiscal 2013 ("CEO Realized Compensation") in each such fiscal year.

The CEO Realized Compensation for each fiscal year presented in the pay-for-performance chart is equal to the sum of: (1) the base salary earned by our CEO during the fiscal year; (2) the bonus earned by our CEO in the fiscal year under the award granted to him pursuant to the 2006 Bonus Plan for such fiscal year (as reported in the "Non-Equity Incentive Plan Compensation" column of our Summary Compensation Table for the fiscal year); and (3) if the restricted stock award granted to our CEO pursuant to the 2005 LTIP and 2012 LTIP for such fiscal year vested as a result of our performance during the year, the aggregate market price of the common shares underlying the restricted stock award on the vesting date (as reported in the "Stock Awards–Value Realized on Vesting" column of the Option Exercises and Stock Vested table for the subsequent fiscal year). The Committee believes total realized compensation is a more useful measure for comparing pay and performance than the information reported in the Summary Compensation Table because total realized compensation increases or decreases depending on our actual results and fluctuations in the price of our common shares. For example, while Mr. Fishman's fiscal 2012 Summary Compensation Table compensation was $12,319,766, Mr. Fishman's total realized compensation in fiscal 2012 was actually $1,453,846, based on our financial performance and share price as his fiscal 2012 restricted stock award did not vest and was forfeited.

Company Performance and CEO Total Compensation in Fiscal 2011 - 2013

- ● Indexed Total Shareholder Return *(1)*
- ▲ Earnings Per Common Share - Diluted from Continuing Operations
- ■ Operating Profit *(in thousands)*
- □ CEO Total Compensation *(as reported in the Summary Compensation Table)*
- ■ CEO Realized Compensation



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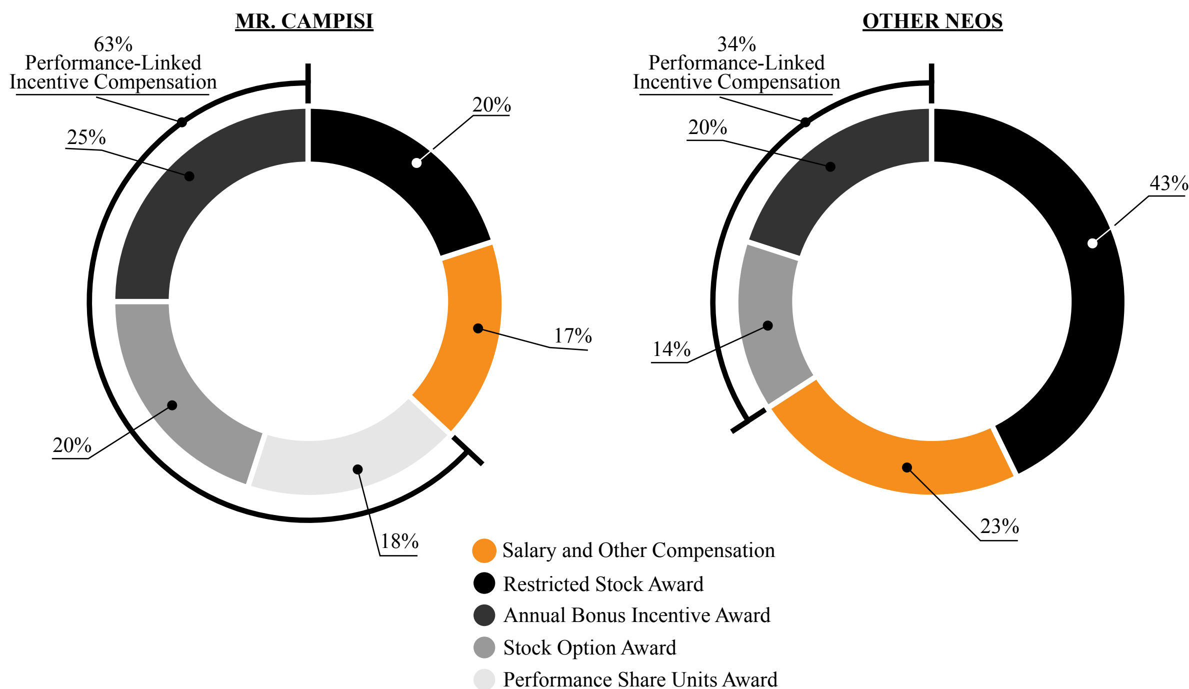
(1) "Indexed Total Shareholder Return" represents the value of a hypothetical $100 investment in our common shares at January 31, 2011 through the end of each fiscal year shown.

The ring graphs that follow show the fiscal 2013 performance-linked incentive compensation for Mr. Campisi and our other named executive officers as a percentage of their respective total compensation. Mr. Fishman announced his intention to retire in December 2012 and did not receive an equity award in 2013 and, therefore, his compensation is not included in the ring graphs below. As these ring graphs illustrate, 63% percent of Mr. Campisi's and 34% percent of our other named executive officer's compensation was dependent on our financial and/or stock performance.

2013 COMPENSATION AWARDED



Our Executive Compensation Program for Fiscal 2014

In establishing executive compensation for fiscal 2014, the Committee engaged Exequity to provide research, comparative compensation data and general executive compensation program guidance. Exequity also advised the Committee on all principal aspects of executive compensation, including the competitiveness of program design and award values. The Committee charged Exequity with assisting it to meet the following primary objectives:

- 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.

In response to the feedback received throughout our fiscal 2013 shareholder outreach efforts, the Committee, with the assistance of Exequity, analyzed our executive compensation program and adopted the following significant changes which will be reflected in our fiscal 2014 executive compensation program:

- Implemented performance share units (“PSUs”) as 60% of the long-term incentive program for our named executive officers and other Leadership Team members. PSUs are not earned unless 3-year performance targets established by the Committee are achieved. The targets the Committee established are based on our earnings per share and ROIC, each of which accounts for 50% of the PSUs. The number of common shares underlying the PSUs ultimately earned will range from 0% for below threshold performance to 150% for performance at or above the maximum performance level; and
- Implemented time-vested restricted stock units (“RSUs”) as 40% of the long-term incentive program for our named executive officers and other Leadership Team members. RSUs will vest ratably over three years from the grant date of the award. The RSUs also contain a performance component designed to preserve deductibility under Section 162(m) of the IRC.

Because we determined to use ROIC as one of the performance metrics and it is not among the performance metrics currently available under the 2012 LTIP, we have included Proposal Two in this Proxy Statement requesting that shareholders approve a modification to the 2012 LTIP through the addition of this performance metric to the 2012 LTIP.

Also at its meeting in March 2014, the Committee: (1) determined that a bonus was not payable for fiscal 2013 under the 2006 Bonus Plan; (2) reviewed the tally sheets and compensation history for all Leadership Team members; (3) reviewed internal pay equity information; (4) discussed the executive compensation review prepared by Exequity and approved the retailer-only comparator group for fiscal 2014; (5) reviewed the performance based incentive compensation as a percentage of the total executive compensation awarded for fiscal 2013 for each named executive officer; and (6) formulated its recommendations to the other outside directors for fiscal 2014 executive compensation (including the terms, performance measures and quantum of the bonus and equity awards). The Committee also reviewed drafts of this CD&A and the other compensation disclosures required by the SEC.

The Committee recommended, and the outside directors approved, the following fiscal 2014 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 2014 Salary ($)	Fiscal 2014 Target Annual Incentive Award Payout Percentage (%)	Common Shares Underlying Fiscal 2014 RSU Award (#)	Common Shares Underlying Fiscal 2014 PSU Award (#)
Mr. Campisi	950,000	110	69,616	104,424
Mr. Johnson	510,000	60	15,338	23,006
Ms. Bachmann	650,000	60	20,396	30,593
Mr. Cooper	580,000	60	0	0
Mr. Rodriguez	350,000	50	5,424	8,137

Philosophy and Objectives of our Executive Compensation Program

We believe it is important to provide competitive compensation to attract and retain talented executives to lead our business. We also believe an executive compensation program should encourage high levels of corporate and individual performance by motivating executives to continually improve our business in order to promote sustained profitability and enhanced shareholder value. The Committee implements this executive compensation philosophy by structuring our executive compensation program to achieve the following key objectives:

- *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 changing their employer expect to receive amounts and elements of compensation that are 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.

- *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 and thereby promote sustainable profitability and enhanced shareholder value. These compensation elements provide executives with meaningful incentives to meet or exceed the corporate financial goals set by our Board each year.

- *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. Stock options only have value if the market price of our common shares appreciates during the period in which the stock options may be exercised. The time-vested restricted stock awards vest after five years unless we achieve a corporate performance goal accelerating the vesting of the awards and its value is determined by the market price of our common shares. Performance shares awarded to Mr. Campisi in 2013 vest only if the market price of our common shares appreciates for 20 consecutive trading days to predetermined amounts above the grant date fair market value of our common shares. For fiscal 2014, we awarded RSUs and PSUs. The 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 3-year period. For fiscal 2014, the targets the Committee established are based on earnings per share and ROIC, each of which account for 50% of the PSUs. Accordingly, the realization and value of each of these elements of compensation is dependent upon our performance and/or the appreciation in the market value of our common shares.

Focus on Corporate Governance

Although the compensation committees of some companies make all compensation decisions with respect to their executives, we believe it is consistent with best practices in corporate governance to reach a consensus among all outside directors when establishing executive compensation. Accordingly, while the Committee takes the lead in formulating executive compensation, we also seek the approval of other outside directors before finalizing annual executive compensation to provide an additional check on the appropriateness of the amounts awarded.

Elements of In-Service Executive Compensation

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, are consistent with our compensation philosophy and advance our compensation objectives.

The Committee reviews each element at least annually. The Committee and the other outside directors also have discretion, subject to the limitations contained in our bonus and equity plans and the executives' employment agreements, in setting named executive officers' salary, bonus opportunities and equity awards.

- *Salary*

  The Committee annually reviews and establishes the salary for each named executive officer. We believe salary serves as a short-term retention tool. A minimum salary for Mr. Campisi, Ms. Bachmann and Mr. Cooper is set forth in his or her respective employment agreement, as described below in the "Elements of In-Service Executive Compensation – Employment Agreements" section of this CD&A. Salary adjustments are subjectively determined and are not formally tied to specific performance criteria.

- *Annual Incentive Awards*

  Each named executive officer has the opportunity to earn an annual incentive award under the 2006 Bonus Plan. Annual incentive award compensation is designed to retain 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 at a time when achievement of that 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 our named executive officers' 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 a 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 the 2006 Bonus Plan supports our pay-for-performance philosophy and directly links our named executive officers' interests to those of our shareholders. Annual incentive awards paid to our named executive officers under the 2006 Bonus

Plan are considered "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table. See the "Bonus and Equity Plans" disclosure that follows the Summary Compensation Table for more information regarding the 2006 Bonus Plan.

- *Equity / Long-Term Incentives*

  All equity awards granted to our named executive officers since May 23, 2012 have been issued under the 2012 LTIP. Equity awards are designed to retain executives for the duration of each equity award. Although the 2012 LTIP allow us to issue various types of equity awards, we have only granted stock options, time-vested restricted stock and performance share units under the 2012 LTIP as of the end of fiscal 2013. Stock options vest based on the passage of time or, if earlier, upon the executive's death or disability (provided the event occurs at least six months after the grant date). For fiscal 2013, the time-vested restricted stock awards are full value awards that vest in five years provided that we attain a performance component, which is designed to preserve deductibility under Section 162(m) of the IRC. The time-vested restricted stock awards may vest earlier than the five year term if we achieve a higher performance measure, which is typically based on a projected multi-year corporate operating plan, the passage of time or the executive's death or disability. 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. See the "Bonus and Equity Plans" discussion following the Summary Compensation Table for more information regarding the 2005 LTIP and 2012 LTIP and the terms under which we have granted equity awards. See the "Our Executive Compensation Program for Fiscal 2014" section of this CD&A for a summary of significant changes made to our long-term incentive program in fiscal 2014.

- *Personal Benefits and Perquisites*

  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.

  We offer all full-time employees medical and dental benefits under the Big Lots Associate Benefit Plan ("Benefit Plan"). We also offer employees at or above the vice president level, including our named executive officers, the opportunity to participate in the Executive Benefit Plan, which reimburses executives for health-related costs incurred but not covered under the 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 age 65, whichever occurs earlier. We pay the premiums for this long-term disability coverage and the amount necessary to hold our named executive officer harmless from the income taxes resulting from such premium payments.

  All employees at or above the vice president level have the option to use an automobile or accept a monthly automobile allowance. The value of the automobile and the amount of the automobile allowance are determined based on the employee's level.

  In fiscal 2013, the Committee authorized Mr. Campisi to use the corporate aircraft for up to three round trip non-business flights, including any deadhead flights associated with his non-business use of corporate aircraft, to assist with his relocation to near our corporate office in Columbus, Ohio. In

fiscal 2013, the Committee authorized Mr. Fishman to use corporate aircraft for up to 30 hours 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 the non-business use of corporate aircraft by Mr. Campisi and Mr. Fishman based on the Standard Industry Fare Level in accordance with the IRC. We did not reimburse or otherwise "gross-up" Mr. Campisi or Mr. Fishman for any income tax obligation attributed to their non-business use of corporate aircraft.

Employment Agreements

Except for Mr. Johnson and Mr. Rodriguez, each named executive officer is party to an employment agreement with us. The terms of the employment agreements are substantially similar and are described collectively herein except where their terms materially differ. We entered into the employment agreements because they provide us with several protections (including non-competition, confidentiality, non-solicitation and continuing cooperation provisions) in exchange for minimum salary levels and target and maximum bonus payout percentages, potential severance and change in control payments and other benefits.

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 and anticipated future performance of the executive;
- the compensation being paid to similarly-situated executives at comparator group companies;
- the relationship between the compensation being offered to the executive and that being paid to the other Leadership Team members;
- our perception of our bargaining power and the executive's bargaining power; and
- to the extent applicable, the elements and amounts of compensation being offered or paid to the executive by another employer.

Under the terms of their employment agreements, our named executive officers are (or were in the case of former executives Mr. Fishman, Mr. Haubiel and Mr. Martin) each entitled to receive at least the following salaries, which amounts are not subject to automatic increases: Mr. Campisi: $900,000; Ms. Bachmann: $625,000; Mr. Cooper: $580,000; Mr. Fishman: $1,400,000; Mr. Haubiel: $550,000; and Mr. Martin: $600,000. The terms of each employment agreement also establish the minimum payout percentages that may be set annually for his or her target and maximum annual incentive award levels. The minimum payout percentages set by the employment agreements for target and maximum annual incentive awards, respectively, are (or were in the case of Mr. Fishman, Mr. Haubiel and Mr. Martin) as follows (expressed as a percentage of the executive's salary): Mr. Campisi: 100% and 200%; Ms. Bachmann: 60% and 120%; Mr. Cooper: 60% and 120%; Mr. Fishman: 100% and 200%; Mr. Haubiel: 60% and 120%; and Mr. Martin: 60% and 120%. Mr. Campisi's employment agreement provides that his annual incentive award for fiscal 2013, if any, would be pro-rated based on the relative portion of the fiscal year during which he is employed with us.

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.

In fiscal 2013, we amended employment agreements with our named executive officers to include a clawback provision which provides 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 listing requirement or any policy adopted by us with respect to any such law or listing requirement.

The term of each employment agreement will remain effective as long as we employ the executive unless we and the executive mutually agree to amend or terminate his or her employment agreement, except that Mr. Campisi's employment agreement provides for an initial two-year term, with automatic renewal for additional one-year terms upon the expiration of the initial term and any renewal term, unless either party gives notice of non-renewal to the other party. In connection with Mr. Campisi's permanent relocation to the Columbus, Ohio area, his employment agreement required us to provide him with relocation benefits in accordance with our policies for senior employees, which generally include reimbursement of expenses related to visits to the Columbus area to identify a permanent residence, temporary housing in advance of moving into a permanent residence in the Columbus area, household moving and storage costs, assistance in marketing his current residence, a guaranteed buyout of his current residence if a buyer is not identified within 60 days of the initial listing, and a bonus on the sale of his current residence of up to 5% of the sales price of the current residence. If, within one year of the effective date of his employment agreement, Mr. Campisi voluntarily terminates his employment (other than as a result of a constructive termination) or is terminated for cause, he is required to reimburse us for all relocation benefits we paid to him.

Each employment agreement also imposes several restrictive covenants on the executive that survive the termination of his or her employment, including confidentiality (infinite), non-solicitation (two years), non-disparagement (infinite), non-competition (two years for Mr. Campisi and one year for the other executives, but reduced to six months for each executive following a change in control), and continuing cooperation (infinite).

The consequences of termination of employment under the employment agreements depend on the circumstances of the termination and are discussed below.

Senior Executive Severance Agreements and Severance Arrangements

We are a party to a senior executive severance agreement with Mr. Johnson, Mr. Rodriguez and several of our other key officers who are not parties to an employment agreement. Messrs. Campisi, Cooper, Fishman, Haubiel and Martin and Ms. Bachmann are not (or were not in the case of Mr. Fishman, Mr. Haubiel and Mr. Martin) a party to such a senior executive severance agreement as post-termination and change in control provisions are contained in each of their respective employment agreements (as discussed in the following section). The senior executive severance agreements expire on the anniversary of the date of execution and are automatically renewed 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 (as defined in the agreements), the executive is terminated by us, other than for cause or as a result of a constructive termination (as such terms are defined in the agreements): (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 will become 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.

Retirement and Consulting Agreement

On May 3, 2013, Mr. Fishman resigned as CEO and President, and on May 30, 2013, Mr. Fishman retired as Chairman of the Board. The Board determined that it is in our best interests for Mr. Fishman to continue to provide services to us in a consulting capacity following his retirement and to ensure that he cannot perform services for a competitor. Accordingly, on May 3, 2013, we entered into a Retirement and Consulting Agreement ("RCA") with Mr. Fishman to provide for Mr. Fishman's continued services and a smooth transition of leadership to Mr. Campisi. The term of the RCA began upon Mr. Fishman's resignation as our CEO and President, and continues for a three-year period. The RCA requires Mr. Fishman to provide such services as are reasonably requested by

the Board or Mr. Campisi, including assistance in the transition of leadership and matters relating to business strategy. The RCA imposes several restrictive covenants on Mr. Fishman, including continuing cooperation (six years), non-solicitation of employees and third parties with whom we have a business relationship (three years), confidentiality (infinite), non-disparagement (infinite) and non-competition (three years but reduced to six months following a change in control). In exchange for providing the consulting services and complying with the restrictive covenants set forth in the RCA, we will reimburse Mr. Fishman for the reasonable expenses he incurs in the performance of the consulting services, pay him a monthly consulting fee of $77,777, permit him to continue to use the automobile we furnished to him prior to his retirement and provide him with welfare benefits equivalent to the welfare benefits we provided to him immediately prior to his retirement. Mr. Fishman is also eligible to receive a special retainer equal to the amount, if any, that he would have otherwise been entitled to receive under our fiscal 2013 bonus program, without proration, pursuant to the same performance terms and conditions that were set by the Committee during its most recent annual review of executive compensation in March 2013. Based on our performance in fiscal 2013, Mr. Fishman did not receive any special retainer with respect to fiscal 2013. The consulting services constitute the continued provision of services for purposes of the nonqualified stock option award granted to Mr. Fishman on March 6, 2009 (which was exercisable into 307,510 common shares as of the effective date of his resignation), but the termination of, or his refusal to provide, the consulting services will constitute a termination of employment for purposes of that award. Upon Mr. Fishman's death or disability or our termination of the RCA without cause, Mr. Fishman (or his estate) will continue to receive the monthly consulting fee for the remainder of the consulting period. If we terminate the RCA for cause or Mr. Fishman voluntarily terminates the RCA, our obligation to pay the monthly consulting fee will immediately terminate.

Post-Termination and Change in Control Arrangements

The employment agreements described above provide for potential severance and change in control payments and other consideration. Our equity compensation plans also provide for the accelerated vesting of outstanding stock options, time-vested restricted stock, performance share units and restricted stock units in connection with a change in control.

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 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. 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. We believe that the objectives of attracting and retaining qualified executives and providing incentives for executives to continue their employment with us would not be adequately served if potential payments to a named executive officer upon termination or change in control were a determinative factor in awarding current compensation.

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. See the narrative disclosure accompanying the Nonqualified Deferred Compensation tables following this CD&A for a discussion

of the Savings Plan and Supplemental Savings Plan. 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. Our named executive officers have not been in the past and are not now eligible to participate in the Pension Plan or Supplemental Pension Plan.

Our Executive Compensation Program for Fiscal 2013

The Committee takes the lead in establishing executive compensation annually, but seeks approval of compensation decisions from the other outside directors. The Committee believes having all outside directors approve executive compensation is consistent with best practices in corporate governance. The Committee also requests performance evaluations and recommendations from our CEO regarding the compensation of the other Leadership Team members because of his direct knowledge of their respective performance and contributions. 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.

The process of evaluating our executives begins at our Board meeting in the second quarter of the fiscal year before the fiscal year in which compensation adjustments will be made (e.g., in May 2012 for adjustments made in fiscal 2013) and continues quarterly through updates that our CEO delivers to the outside directors to keep them apprised of the performance of each other Executive Officer. At our Committee and Board meetings in the first quarter of the fiscal year for which compensation is being set (e.g., in February 2013 for fiscal 2013 compensation), our CEO provides the Committee and the other outside directors with a thorough performance evaluation of each other Executive Officer and presents his recommendations for their compensation. The Committee also conducts executive sessions to evaluate our CEO's performance, with the most detailed evaluation including all outside directors during 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 February 2013 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. Fishman's performance, contributions and value to our business;
- reviewed and discussed Mr. Fishman's performance evaluations and compensation recommendations for the other Leadership Team members;
- reviewed and discussed the comparative compensation data that it received through surveys conducted by independent compensation consultants and analyzed by management;
- analyzed the total compensation earned by each Executive Officer during the immediately preceding two fiscal years;
- analyzed the potential payments to each Executive Officer upon termination of employment and change in control events;
- considered the parameters on executive compensation awards established by the terms of the shareholder-approved plans under which bonus and equity compensation may be awarded and the employment agreements between us and certain Leadership Team members;
- prepared its recommendation on the compensation of each Leadership Team member for fiscal 2013;
- determined that a bonus was not payable under the 2006 Bonus Plan as a result of corporate performance in fiscal 2012;
- determined that Mr. Fishman's fiscal 2012 restricted stock award would not vest because the required corporate performance level was not achieved; and
- determined, for the other named executive officers that the second triggers for their fiscal 2011 and fiscal 2012 time-vested restricted stock awards were not achieved and the first trigger for their fiscal 2012 time-vested restricted stock awards was achieved as a result of corporate performance in fiscal 2012.

The Committee then shared its recommendations on the compensation to be awarded to each Leadership Team member in fiscal 2013, including the underlying data and analysis, with the other outside directors for their consideration and approval. The Committee's recommendations were, with respect to the Leadership Team member other than Mr. Fishman, consistent with Mr. Fishman's recommendations. At the March 2013 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.

Except where we discuss the specifics of a named executive officer's fiscal 2013 compensation, the evaluation and establishment of our named executive officers' fiscal 2013 compensation was substantially similar. Based on their review of each element of executive compensation separately and in the aggregate, the Committee and the other outside directors determined that our named executive officers' compensation for fiscal 2013 was reasonable and not excessive and was consistent with our executive compensation philosophy and objectives.

Salary for Fiscal 2013

On May 3, 2013, Mr. Campisi was appointed as our Chief Executive Officer and President at a base salary of $900,000 for fiscal 2013. Mr. Campisi's salary and other compensation terms were established through negotiation, during which we considered the various factors discussed above in the "Employment Agreements" section of this CD&A. In reviewing the salaries of the other named executive officers, the Committee considered, among other matters, each executive's past performance, experience, scope and responsibilities, base salary in comparison to our other employees and anticipated future contributions. For fiscal 2013, the Committee approved the following salaries for the named executive officers, which (except for Mr. Campisi) became effective March 25, 2013:

Name	Fiscal 2013 Salary
Mr. Campisi	$900,000
Mr. Johnson	$440,000
Ms. Bachmann	$625,000
Mr. Cooper	$580,000
Mr. Rodriguez	$340,000
Mr. Haubiel	$550,000
Mr. Martin	$600,000

On December 4, 2012, Mr. Fishman announced his intention to retire upon the appointment of a successor. Accordingly, the Committee and other outside directors did not increase Mr. Fishman's salary of $1,400,000 for fiscal 2013. On June 17, 2013, Mr. Johnson assumed responsibility for our real estate department, and his salary was increased to $470,000.

Annual Incentive Award for Fiscal 2013

During their annual review of executive compensation in March 2013, the Committee and other outside directors approved the financial measure, corporate performance goals and payout percentages (threshold, target and maximum) for the fiscal 2013 annual incentive awards.

The Committee and the other outside directors selected operating profit as the financial measure for the fiscal 2013 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 slightly below (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 believe the selected goals provided challenging, but reasonable, levels of performance that were appropriate in light of our projected corporate operating plan for fiscal 2013, and our objective to promote sustained profitability while providing objectives 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 2013 were made at the discretion of the Committee and other outside directors, subject to the minimum payout percentages established in the named executive officers' employment agreements for those named executive officers with an employment agreement. The Committee and other outside directors elected to maintain the annual incentive award payout percentages for our named executive officers for fiscal 2013 at the same levels as in fiscal 2012. This decision was primarily driven by the belief that those annual incentive award payout percentages were appropriate for fiscal 2013 to accomplish our executive compensation objectives.

In order to calculate annual incentive awards under the 2006 Bonus Plan, we first calculate the financial measure for purposes of our financial statements. We then adjust the measure for purposes of the annual incentive award calculation to remove the effect of events, transactions or accrual items set forth in the 2006 Bonus Plan and approved by the Committee early in each fiscal year when the corporate performance amount and annual incentive award payout percentages are established. These adjustments may have the net effect of increasing or decreasing the resulting corporate performance amount. 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 within Section 162(m) of the IRC). Accordingly, the resulting corporate performance amount may differ from the financial measure (i.e., operating profit) amount reflected in the financial statements included with our Form 10-K.

After calculating the financial measure and making the adjustments described in the preceding paragraph, the Committee exercised negative discretion to reduce the resulting fiscal 2013 corporate performance amount (to the amount reflected in the table below) to exclude certain accrual items that, under the 2006 Bonus Plan and the Committee's approval in March 2013, would have otherwise increased the corporate performance amount. The Committee opted to make the downward adjustment by excluding the accrual items principally because they were anticipated as part of the annual corporate operating plan upon which the financial measure and corporate performance amounts were established for fiscal 2013, and the Committee did not believe that the accrual items should have the effect of increasing the corporate performance amount for fiscal 2013 annual incentive awards. The Committee's decision to exercise negative discretion was not based on corporate or individual performance factors.

The following table reflects the payout percentage for each annual incentive award level and the corporate performance amount required to achieve the corresponding annual incentive award level, with the results for fiscal 2013, calculated as described above (including the Committee's discretionary reduction discussed in the preceding paragraph), noted:

Annual Incentive Award Level and 2013 Results	Payout Percentage (% of salary)								Corporate Performance Amount ($)
	Mr. Campisi	Mr. Johnson	Ms. Bachmann	Mr. Cooper	Mr. Rodriguez	Mr. Fishman	Mr. Haubiel	Mr. Martin	
No Bonus	0	0	0	0	0	0	0	0	0-$299,107,999
Threshold	50	25	30	30	25	60	30	30	$299,108,000
Target	100	50	60	60	50	120	60	60	$314,828,000
Maximum	200	100	120	120	100	240	120	120	$357,098,000
2013 Results	0	0	0	0	0	0	0	0	$216,030,568

Our named executive officers did not earn an annual incentive award for fiscal 2013 under our 2006 Bonus Plan, because our fiscal 2013 performance was lower than the corporate performance amount established for the threshold annual incentive award level. The primary objectives in setting the corporate performance amounts for fiscal 2013 were to reward 2006 Bonus Plan participants while encouraging strong corporate earnings growth. As a result of not making fiscal 2013 annual incentive award payments, total cash compensation paid to our named executive officers for fiscal 2013 was generally at or below the median for our comparator groups. We believe lower than market average total cash compensation is appropriate in light of our fiscal 2013 performance and furthers our objectives to motivate our executives, reward superior performance and align pay and performance.

Equity for Fiscal 2013

All equity awards granted to our named executive officers in fiscal 2013 were made under the 2012 LTIP and are reflected in the Grants of Plan-Based Awards in Fiscal 2012 table. In February 2013, while the Committee was establishing executive compensation for fiscal 2013, our search for a new CEO was ongoing. In light of our continuing recruiting efforts, the Committee determined it was most appropriate to maintain the structure of our long-term incentive program from fiscal 2012 to fiscal 2013 in order to allow the new CEO to provide input into the program, thereby avoiding the possibility of modifying the program in consecutive years. Therefore, the equity compensation awarded to our named executive officers for fiscal 2013 consisted of time-vested restricted stock, non-qualified stock options and, with the respect to Mr. Campisi, performance share units. Mr. Fishman did not receive an equity award for fiscal 2013. The Committee believes that granting a significant amount of equity to our named executive officers further aligns their interests with the interests of our shareholders and provides us with an important retention and motivation tool. The Committee does not utilize a particular formula to determine the size of the equity awards granted to our named executive officers. The Committee instead uses its discretion to grant equity awards and may consider the various factors discussed below in connection with its determination. The Committee undertook the following process to determine the size of the equity awards granted to our named executive officers for fiscal 2013:

- The Committee reviewed an estimate prepared by management of the number of common shares to be granted through equity awards during fiscal 2013 to all recipients other than Mr. Fishman. This estimate was based on historical grant information, anticipated future events, and Mr. Fishman's evaluation of the other Leadership Team members' individual performance and his recommendations.
- In executive session, the Committee evaluated and approved Mr. Fishman's recommendations for equity awards for the other Leadership Team members. 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 earnings per share 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 introduction to the "Our Executive Compensation Program for Fiscal 2013" section and the "Performance Evaluation" section of this CD&A for a discussion regarding how our CEO and the Committee evaluate performance.

This process was used to ensure that executive equity compensation is commensurate with corporate and individual performance and remains consistent with our policy that incentive compensation should increase as a percentage of total compensation as the executive's level of responsibility and the potential impact that the particular executive could have on our operations and financial condition increases. Specifically, the items of 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 2013.

The time-vested restricted stock awarded to our named executive officers in fiscal 2013 vests in five years from the grant date provided the recipient is continuously employed and we attain the first trigger. The vesting of the award may be accelerated if we attain the first trigger and the first of the following occurs (1) we attain the second trigger or (2) the grantee dies or becomes disabled (which results in the vesting of a prorated portion of the award). The financial measure applied to the time-vested restricted stock awards granted to our named executive officers in fiscal 2013 was our earnings per diluted common share, as it appears in our Form 10-K for the applicable fiscal year. After the financial measure is calculated for purposes of our financial statements, it is adjusted, for purposes of the time-vested restricted stock award calculations, to remove the effect of any gain or loss as a result of litigation or lawsuit settlement that is specifically disclosed, reported or otherwise appears in our periodic filings with the SEC or our annual report to shareholders. This financial measure was selected because the Committee and the other outside directors believe it provides a good indication of our profitability, ongoing operating results and financial condition.

The first trigger and the second trigger for the fiscal 2013 time-vested restricted stock awards are $1.50 and $3.98 respectively, under the applicable financial measure. We structured the restricted stock awards vesting to be dependent upon achieving the first trigger to ensure their deductibility under Section 162(m) of the IRC for federal tax purposes. While the first trigger for fiscal 2013 time-vested restricted stock awards was met, the second trigger

was not met in fiscal 2013. Accordingly, such time-vested restricted stock awards will vest upon the earliest of: (1) the first trading day after we file with the SEC our Form 10-K for the year in which the second trigger is met; (2) the opening of our first trading window that is five years after the grant date of the time-vested restricted stock award; or (3) the death or disability of the named executive officer, in which case 20% of the award will vest for each consecutive year of employment completed from the grant date to the date of death or disability. The time-vested restricted stock will be forfeited if the named executive officer's employment with us terminates prior to vesting (except as described above in the case of death or disability).

The Committee and the other outside directors believe that the design of the restricted stock awards was preferable to granting purely time-vested restricted stock awards which would not qualify for the exemption for deductibility under Section 162(m) of the IRC.

The stock options awarded to our named executive officers in fiscal 2013 have an exercise price equal to the fair market value of our common shares on the grant date, vest incrementally in equal portions over four years and expire seven years after the grant date. Additionally, if a named executive officer dies or becomes disabled before the last scheduled vesting date, the then-remaining unvested portion of the stock option award will vest on the day such event occurred, provided such event occurred at least six months following the grant date.

The performance share units awarded to Mr. Campisi in fiscal 2013 may be earned in one-third increments if the market price of our common shares appreciates, for a period of 20 consecutive trading days, to at least 110%, 120% and 130% of the grant date fair market value of $37.13 (i.e., appreciate to $40.84, $44.56, and $48.27) before Mr. Campisi's employment terminates or seven years lapse.

On April 1, 2013, after consulting with the other outside directors, the Committee granted additional restricted stock awards ("Retention Awards") to Mr. Johnson, Ms. Bachmann, Mr. Cooper and Mr. Haubiel. The purpose of the Retention Awards was to incentivize these named executive officers to remain with us during the CEO transition. The number of our common shares underlying each Retention Award is 9,500 for Mr. Johnson, 21,500 for Ms. Bachmann, 13,500 for Mr. Cooper and 19,000 for Mr. Haubiel.

Each Retention Award will vest and be transferred to the executive without restriction on the earlier of: (1) the first trading day that is 18 months following the grant date; or (2) the first trading day following the executive's termination of employment if such termination of employment is the result of the executive's (A) dismissal by us without cause (as defined in the Retention Award Agreement) or (B) death or disability (provided, however, if the executive dies or suffers a disability, only 1/18th of the Retention Award will vest for each consecutive month that the executive completed with us between the grant date and his or her termination). If termination of employment is the result of any reason other than the executive's dismissal by us without cause, death or disability (including by reason of the executive's retirement, resignation or dismissal by us for cause), then the Retention Award Agreement will expire and all of the executive's rights in the Retention Award will be forfeited. Upon a change in control (as defined in the 2012 LTIP), any outstanding Retention Awards will vest. Mr. Haubiel's Retention Award vested as a result of the termination of his employment in June 2013.

Performance Evaluation

Our CEO, the Committee and the outside directors do not rely solely on predetermined formulas when they evaluate corporate performance or individual performance. Performance is generally evaluated against the following objective and subjective factors, although the factors considered may vary for each executive and as dictated by business conditions:

- 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 outside directors may consider different factors and may value the same factors differently. In selecting individual and corporate performance factors for each Executive Officer and measuring an executive's performance against those factors, our CEO, the Committee and the other outside directors also consider the performance of our competitors and general economic and market conditions. None of the factors are assigned a specific weight. Instead, our CEO, the Committee and the other outside directors recognize that the relative importance of these factors may change as a result of specific business challenges and changing economic and marketplace conditions. 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.

The following items of corporate and individual performance were most significant in making base salary and adjustments to equity awards to our named executive officers and former executives for fiscal 2013.

- Mr. Johnson:
  - (1) Fiscal 2012 SG&A expenses were $1.8 billion – approximately $90.2 million below our fiscal 2012 corporate operating plan;
  - (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) Assumption of additional responsibility associated with overseeing our store operation group;
  - (2) Successful implementation of enhancements and upgrades to current information technology infrastructure supporting our business needs; and
  - (3) Continued the multi-year implementation of the SAP for Retail information technology system that will replace our core merchandising and financial systems.
- Mr. Cooper:
  - (1) Continued leadership responsibilities associated with overseeing our Canadian operations.
- Mr. Rodriguez:
  - (1) Successfully reduced transportation and distribution center costs leading to a positive impact in our SG&A expenses.
- Mr. Fishman:
  - (1) Fiscal 2012 net sales were $5.4 billion – approximately 3.8% above our fiscal 2011 results; and
  - (2) Fiscal 2012 SG&A expenses were $1.8 billion – approximately $90.2 million below our fiscal 2012 corporate operating plan.
- Mr. Haubiel:
  - (1) Executive leadership support for the effective and efficient management of legal affairs and the development of risk-weighted solutions to complex business and legal issues; and
  - (2) Management's interface with the Nominating / Corporate Governance Committee and the Compensation Committee.
- Mr. Martin:
  - (1) Fiscal 2012 net sales were $5.4 billion – approximately 3.8% above our fiscal 2011 results.

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.

Role of Management

As discussed in this CD&A, our CEO plays a significant role in determining executive compensation of the Leadership Team members. 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 competitive nature 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 may also act pursuant to delegated authority to fulfill various functions in administering our employee benefit and compensation plans. Such delegation is permitted by the Committee’s charter and our compensation plans. Those groups to whom the Committee has delegated certain responsibilities are each required to periodically report their activities to the Committee.

Our CEO and some of these 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. However, 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

Pursuant to the authority granted to the Committee by its charter, the Committee may retain independent compensation consultants as it deems necessary. In establishing executive compensation for fiscal 2013, the Committee retained independent compensation consultant Exequity to provide retailer-only comparator group compensation and financial information from the public filings of those companies. The Committee also reviewed (as discussed below) non-customized compensation surveys provided by multiple independent compensation consultants at the request of our human resources department.

Comparative Compensation Data

The Committee uses data regarding the compensation paid to executives at other companies in its annual review of the compensation paid to the Leadership Team members. For fiscal 2013, the Committee evaluated a group of retailers that we believe is similarly situated to us and with whom we compete for talent. When considering the composition of the retailer-only comparator group, the Committee selected retail companies that developed a comparator group with median financial measures were similar to our own. Among the factors considered in selecting companies for inclusion in the comparator group were 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 given to 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. Exequity provided the Committee with comparative executive compensation data it obtained from the proxy statements and other reports made public by the companies in the retailer-only comparator group. The companies included in the retailer-only comparator group for fiscal 2013 were:

Abercrombie & Fitch	Dollar Tree	Limited 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

Additionally, the Committee reviewed executive compensation data from a broader base of companies that was aggregated in one or more of the non-customized compensation surveys obtained from Mercer, TowersWatson and Hay. This broader comparator group consisted of the Standard & Poor’s Retail Stores Index companies and

other companies, including non-retailers, with whom we believe we also compete for talent and whose revenues or operations are similar to ours. We believe it was prudent to consult both sets of information, because the compensation surveys for the broader group include compensation information on more executives, including executives who are not included in publicly-available documents. The broader comparator group also provides a more extensive basis on which to compare the compensation of the Leadership Team members, particularly Leadership Team members whose responsibilities, experience and other factors are not directly comparable to those executives included in the publicly-available reports of the retailer-only group. These comparator groups vary from year to year based on the Committee's assessment of which companies it believes compete with us for talent and are similar to us in terms of operations or revenues and the continued availability of compensation information from companies previously included in either comparator group.

The Committee and our human resources department reviewed each Leadership Team member's responsibilities and compared, where possible, the compensation of each executive to the compensation awarded to similarly-situated executives at comparator group companies. The Committee compared 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 the targeted level and equity awards.

While we evaluate total target direct compensation awarded to Leadership Team members against the total target 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 this approach to the use of compensation data enables us to retain the flexibility necessary to make adjustments for performance and experience, to attract, retain and motivate top talent, and to reward executives who we believe excel or take on greater responsibility than executives at peer comparator companies.

Tally Sheets and Wealth Accumulation

The Committee reviewed tally sheets that set forth the total and each element of compensation awarded to each Executive Officer for the immediately preceding two fiscal years, as well as estimated post-employment and change in control compensation that may be payable to such executives. The tally sheets consolidate all elements of actual and projected compensation of our executives to enable the Committee to analyze the individual elements of compensation, the mix of compensation and the total amount of actual and projected compensation. With this information, the Committee determined that the compensation awarded to our executives is reasonable and consistent with our executive compensation philosophy and objectives.

The tally sheets also included an estimate of the amount of total value accumulated, and total value that will be accumulated, by each Executive Officer through prior equity awards (assuming employment continues, awards vest and the market price of our common shares fluctuates through the life of the awards). While the Committee considered the accumulated total value as a factor in setting fiscal 2013 compensation, this information was not a primary consideration. The Committee believes that the objectives of our executive compensation program would not be adequately served if the accumulated total value of an Executive Officer's equity awards was a determinative factor in awarding future compensation.

Internal Pay Equity

In the process of reviewing each element of executive compensation separately and in the aggregate, the Committee considered information comparing the relative compensation of our CEO to the other Leadership Team members. This information was considered to ensure that our executive compensation program is internally equitable, which we believe promotes executive retention and motivation. The comparison included all elements of compensation. The relative difference between the compensation of our new CEO Mr. Campisi and the compensation of our other named executive officers significantly decreased in fiscal 2013, as the compensation package awarded to Mr. Campisi in fiscal 2013 was materially smaller than the compensation package awarded to Mr. Fishman in fiscal 2012. The Committee believes that the disparity between Mr. Campisi's compensation and the compensation for the other Leadership Team members is appropriate in light of their experience, responsibilities, duties and contributions.

Minimum Share Ownership Requirements and Hedging 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, at a minimum, own common shares having an aggregate value equal to 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, 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 was required to meet the requirements on the date of the 2013 annual meeting of shareholders and thereafter at each subsequent annual meeting. Each Executive Officer that was an Executive Officer when these requirements were adopted was required to meet the requirements on the date that adjustments to annual executive compensation were made in 2013 and thereafter 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 21, 2014, each outside director and executive who has been on the Board or a Leadership Team member for at least five years complied with 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 or monetization transactions involving our common shares.

Equity Grant Timing

Pursuant to the terms of the 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 2013, the outside directors, after consultation with the Committee, specified that the grant date of the equity awards made in connection with the annual performance reviews of the Leadership Team members was the second trading day following our release of fiscal 2012 results. 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 date of the related event (i.e., the first day of employment or effective date of promotion). We have no policy of timing the grant date of these mid-year 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) of the IRC. 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 2013, the Committee believes it has taken the necessary actions to preserve the deductibility of all payments made under our executive compensation program. For example, the restricted stock awards granted in fiscal 2013 continued our practice of requiring a first performance trigger to be satisfied before the award could subsequently vest upon the earlier of the attainment of a second performance trigger or a date five years after the date of grant to preserve their deductibility. 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 2013

The following table sets forth the compensation earned by or paid to our current and former named executive officers for each of the last three fiscal years.

Name and Principal Position ***(1)***	**Year**	**Salary ($)*(2)***	**Bonus ($)**	**Stock Awards ($)*(3)***	**Option Awards ($)*(4)***	**Non-Equity Incentive Plan Compensation ($)*(5)***	**Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)**	**All Other Compensation ($)*(6)(7)***	**Total ($)*(8)***
(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**	**(h)**	**(i)**	**(j)**
David J. Campisi, *Chief Executive Officer and President (9)(10)*	2013	678,461	—	2,714,418	1,407,945	—	—	562,405	5,363,229
Timothy A. Johnson, *Executive Vice President, Chief Financial Officer (9)*	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*	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
	2011	529,615	—	1,233,600	582,000	—	—	33,887	2,379,102
Joe R. Cooper, *Executive Vice President, President, Big Lots Canada*	2013	577,693	—	1,540,725	485,600	—	—	30,870	2,634,888
	2012	581,538	—	1,315,500	571,200	—	—	31,418	2,499,656
	2011	529,615	—	1,233,600	582,000	—	—	32,884	2,378,099
Carlos V. Rodriguez, *Senior Vice President, Distribution and Transportation Services (9)*	2013	337,692	—	357,200	242,800	—	—	108,286	1,045,978
Steven S. Fishman, *Former Chairman, Chief Executive Officer and President (11)*	2013	350,000	—	—	—	—	—	795,075	1,145,075
	2012	1,453,846	—	10,524,000	—	—	—	341,920	12,319,766
	2011	1,400,000	—	10,280,000	—	—	—	244,662	11,924,662
Charles W. Haubiel II, *Former Executive Vice President, Chief Administrative Officer and Corporate Secretary (12)*	2013	195,385	—	1,731,850	485,600	—	—	619,721	3,032,556
	2012	494,308	—	1,315,500	571,200	—	—	28,306	2,409,314
	2011	436,154	—	1,233,600	582,000	—	—	26,156	2,277,910
John C. Martin, *Former Executive Vice President, Chief Merchandising Officer (13)*	2013	552,308	—	1,071,600	485,600	—	—	669,919	2,779,427
	2012	610,096	—	1,315,500	571,200	—	—	51,926	2,548,722
	2011	571,154	—	1,028,000	509,250	—	—	64,273	2,172,677

(1) We are a party to an employment agreement with Mr. Campisi, Ms. Bachman and Mr. Cooper and were a party to an employment agreement with Mr. Fishman, Mr. Haubiel and Mr. Martin, the material terms of which are described in the "Overview of our Executive Compensation Program - Employment Agreements" section of the CD&A. We are a party to a senior executive severance agreement with Mr. Johnson and Mr. Rodriguez, the material terms of which are described in the "Overview of Executive Compensation Program – Senior Executive Severance Agreements" section of the CD&A We are a party to a retirement and consulting agreement with Mr. Fishman, the material terms of which are described in the "Overview of Executive Compensation Program – Retirement and Consulting Agreement" section of the CD&A.

(2) The amounts in this column reflect the salary earned by each named executive officer during fiscal 2013.

(3) The amounts in this column reflect the aggregate grant date fair value of the restricted stock awards, and in the case of Mr. Campisi, a performance share units award, granted under the 2005 LTIP and 2012 LTIP to the executives in the fiscal years reported as computed in accordance with ASC 718, excluding the effect of any estimated forfeiture. The aggregate grant date fair value reflected in this column is based on the number of shares of restricted stock and performance share units granted and the fair value of the restricted stock and performance share units on the grant date (i.e., for restricted stock granted in on March 8, 2013, $35.72 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 2005 LTIP and 2012 LTIP to the executives in the fiscal years reported as computed in accordance with ASC 718, excluding the effect of any estimated forfeiture. 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 2013, 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. Big Lots matching contributions made 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. Big Lots paid healthcare costs covered by the Executive Benefit Plan, which is described in the "Overview of our Executive Compensation Program – Elements of In-Service Compensation – Personal Benefits/Perquisites" section of the CD&A;

iv. Big Lots paid premiums for life insurance, which is generally available to all full-time employees;

v. Big Lots paid premiums for long-term disability insurance, which is described in the "Overview of our Executive Compensation Program – Elements of In-Service Compensation – Personal Benefits/Perquisites" section of the CD&A;

vi. The cost to Big Lots associated with the use of an automobile or the 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, Mr. Fishman and Mr. Haubiel. For Mr. Campisi, $55,811 included in this column relates to Board approved use of the corporate aircraft for relocation purposes;

viii. Relocation expenses;

ix. Severance payments made to Mr. Haubiel and Mr. Martin, which included a lump sum payment equal to their respective salary at the time of their termination, continued health care coverage for 12 months and the continued use of their automobiles for 12 months;

x. Big Lots Matching charitable contributions; and

xi. The amounts earned by Mr. Campisi include payments of healthcare premiums prior to his becoming eligible to participate in our Executive Benefit Plan. The amounts earned by Mr. Fishman pursuant to the RCA described in the "Overview of Executive Compensation Program – Retirement and Consulting Agreement" section of the CD&A.

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, Mr. Fishman or Mr. Haubiel 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 2013 as part of Mr. Campisi's and Mr. Fishman's overall compensation packages, is described in the "Overview of our Executive Compensation Program – Elements of In-Service Compensation – Personal Benefits/Perquisites" section of the CD&A.

Name	Mr. Campisi	Mr. Johnson	Ms. Bachmann	Mr. Cooper	Mr. Rodriguez	Mr. Fishman	Mr. Haubiel	Mr. Martin
Reimbursement of Taxes ($)	225,714	4,418	3,301	152	9,122	4,079	1,040	4,348
Big Lots Contributions to Defined Contribution Plans ($)	—	10,200	10,200	10,200	5,492	—	—	10,200
Big Lots Paid Health Care under Executive Benefits Plans ($)	1,487	7,926	5,656	5,393	7,855	7,289	1,529	7,749
Big Lots Paid Life Insurance Premiums ($)	851	774	1,056	984	578	284	377	934
Big Lots Paid Long-Term Disability Insurance Premiums ($)	627	904	941	941	706	314	549	941
Use of Automobile or Automobile Allowance ($)	11,880	15,007	13,200	13,200	13,200	8,724	13,200	13,200
Non-Business Aircraft Usage ($)	77,114	—	—	—	—	147,034	22,962	—
Relocation Expenses ($)	228,381	—	—	—	71,058	1,974	—	—
Severance and Change-in-Control Payments ($)	—	—	—	—	—	—	580,064	632,547
Matching Charitable Contributions ($)	10,000	15,000	5,000	—	275	—	—	—
Other Compensation or Benefits Not Included ($)	6,351	—	—	—	—	625,377	—	—

(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 included in this column.

(8) As a percentage of their total compensation in fiscal 2013, fiscal 2012 and fiscal 2011, the salary and non-equity incentive plan compensation (i.e., annual incentive awards earned under the 2006 Bonus Plan) for each executive was as follows:

	Fiscal 2013		Fiscal 2012		Fiscal 2011	
Name	Salary (%)	Non-Equity Incentive Plan Compensation (%)	Salary (%)	Non-Equity Incentive Plan Compensation (%)	Salary (%)	Non-Equity Incentive Plan Compensation (%)
Mr. Campisi	12.7	—	—	—	—	—
Mr. Johnson	18.9	—	17.4	—	—	—
Ms. Bachmann	20.9	—	23.6	—	22.3	—
Mr. Cooper	21.9	—	23.3	—	22.3	—
Mr. Rodriguez	32.3	—	—	—	—	—
Mr. Fishman	30.6	—	11.8	—	11.7	—
Mr. Haubiel	6.9	—	20.5	—	19.1	—
Mr. Martin	19.9		23.9	—	26.3	—

(9) Mr. Campisi and Mr. Rodriguez were not named executive officers in fiscal 2012 or fiscal 2011. and Mr. Johnson was not a named executive officer in fiscal 2011.

(10) Mr. Campisi assumed the position of CEO and President on May 3, 2013.

(11) Mr. Fishman served as our CEO and President until May 3, 2013 and as Chairman until May 30, 2013.

(12) Mr. Haubiel served as our Executive Vice President, Chief Administration Officer, Legal and Real Estate, General Counsel and Corporate Secretary until June 17, 2013.

(13) Mr. Martin served as our Executive Vice President, Chief Merchandising Officer until November 25, 2013.

Bonus and Equity Plans

The amounts reported in the Summary Compensation Table above include amounts earned under the 2006 Bonus Plan, the 2005 LTIP 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 Grants of Plan-Based Awards in Fiscal 2013 table that follows.

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 outside 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 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 outside 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 outside 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 "Overview of our Executive Compensation Program – Elements of In-Service Compensation – Annual Incentive Award," "Overview of our Executive Compensation Program – Employment Agreements" and "Our Executive Compensation Program for Fiscal 2013 – Annual Incentive Award for Fiscal 2013" sections of the CD&A for more information regarding the 2006 Bonus Plan and the awards made under that plan for fiscal 2013.

Big Lots 2005 Long-Term Incentive Plan

From January 1, 2006 through May 23, 2012, all employee equity awards, including those made to our named executive officers, were granted under the 2005 LTIP. We granted only stock options and restricted stock under the 2005 LTIP. Awards under the 2005 LTIP could have been granted to any salaried employee, consultant or advisor of Big Lots or its affiliates. A participant could have received multiple awards under the 2005 LTIP.

Each stock option granted under the 2005 LTIP allowed 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 2005 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 2005 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 2005 LTIP (other than those made to the outside directors, which are discussed in the "Director Compensation" section of this Proxy Statement, and those made to Mr. Fishman pursuant to his retention agreement, which are discussed in the "Overview of Our Executive Compensation Program – Retention Agreement" section of the CD&A), 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 after we meet the first trigger but before the fifth anniversary of the grant date. The restricted stock will be forfeited, in whole or in part, as applicable, if the recipient's employment with us terminates prior to vesting.

Upon a change in control (as defined in the 2005 LTIP), all awards outstanding under the 2005 LTIP automatically become fully vested. For a discussion of the change in control provisions in our named executive officers' employment agreements, senior executive severance agreements and the 2005 LTIP, see the "Potential Payments Upon Termination or Change in Control – Rights Under Post-Termination and Change in Control Arrangements" section below.

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, outside 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 outside 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 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's employment with us terminates prior to vesting. See the "Our Executive Compensation Program for Fiscal 2013 – Equity for Fiscal 2013" 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 2013.

The Retention Awards granted pursuant to the 2012 LTIP, will vest and be transferred to the recipient without restriction on the earlier of: (1) the first trading day that is 18 months following the grant date; or (2) the first trading day following the recipient's termination of employment if such termination of employment is the result of the recipient's (A) dismissal by us without cause (as defined in the Retention Award Agreement) or (B) death or disability (provided, however, if the recipient dies or suffers a disability, only 1/18th of the Retention Award will vest for each consecutive month that the recipient completed with us between the recipient's termination). If termination of employment is the result of any reason other than the recipient's dismissal by us without cause, death or disability (including by reason of the recipient's retirement, resignation or dismissal by us for cause), then the Retention Award Agreement will expire and all of the recipient's rights in the Retention Award will be forfeited. Upon a change in control (as defined in the 2012 LTIP), any outstanding Retention Awards will vest.

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.

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.

Grants of Plan-Based Awards in Fiscal 2013

The following table sets forth each award made to our named executive officers in fiscal 2013 under the 2006 Bonus Plan and the 2012 LTIP.

Name (a)	Grant Date *(1)* (b)	Award Date *(2)* -	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 (#) (i)	All Other Option Awards: Number of Securities Underlying Options (#)*(5)* (j)	Exercise or Base Price of Option Awards ($/Sh.)*(6)* (k)	Closing Market Price of Option Awards on Grant Date ($/Shr.) -	Grant Date Fair Value of Stock and Option Awards ($) (l)
			Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)					
Mr. Campisi	—	—	450,000	900,000	1,800,000	—	—	—	—	—	—	—	—
	5/6/13	5/4/13	—	—	—	—	37,800	—	—	—	—	—	1,403,514
	5/6/13	5/4/13					37,800						1,310,904
	5/6/13	5/4/13	—	—	—	—	—	—	—	115,500	37.13	37.33	1,407,945
Mr. Johnson	—	—	117,500	235,000	470,000	—	—	—	—	—	—	—	—
	3/8/13	3/6/13	—	—	—	—	30,000	—	—	—	—	—	1,071,600
	3/8/13	3/6/13	—	—	—	—	—	—	—	40,000	35.72	35.87	485,600
	4/1/13	4/1/13	—	—	—	—	9,500	—	—	—	—	—	330,125
Ms. Bachmann	—	—	187,500	375,000	750,000	—	—	—	—	—	—	—	—
	3/8/13	3/6/13	—	—	—	—	30,000	—	—	—	—	—	1,071,600
	3/8/13	3/6/13	—	—	—	—	—	—	—	40,000	35.72	35.87	485,600
	4/1/13	4/1/13	—	—	—	—	21,500	—	—	—	—	—	747,125
Mr. Cooper	—	—	174,000	348,000	696,000	—	—	—	—	—	—	—	—
	3/8/13	3/6/13	—	—	—	—	30,000	—	—	—	—	—	1,071,600
	3/8/13	3/6/13	—	—	—	—	—	—	—	40,000	35.72	35.87	485,600
	4/1/13	4/1/13	—	—	—	—	13,500	—	—	—	—	—	469,125
Mr. Rodriguez	—	—	85,000	170,000	340,000	—	—	—	—	—	—	—	—
	3/8/13	3/6/13	—	—	—	—	10,000	—	—	—	—	—	357,200
	3/8/13	3/6/13	—	—	—	—	—	—	—	20,000	35.72	35.87	242,800
Mr. Fishman	—	—	840,000	1,680,000	3,360,000	—	—	—	—	—	—	—	—
Mr. Haubiel	—	—	165,000	330,000	660,000	—	—	—	—	—	—	—	—
	3/8/13	3/6/13	—	—	—	—	30,000	—	—	—	—	—	1,071,600
	3/8/13	3/6/13	—	—	—	—	—	—	—	40,000	35.72	35.87	485,600
	4/1/13	4/1/13	—	—	—	—	19,000	—	—	—	—	—	660,250
Mr. Martin	—	—	180,000	360,000	720,000	—	—	—	—	—	—	—	—
	3/8/13	3/6/13	—	—	—	—	30,000	—	—	—	—	—	1,071,600
	3/8/13	3/6/13	—	—	—	—	—	—	—	40,000	35.72	35.87	485,600

(*1*) As discussed in the "Our Executive Compensation Program for Fiscal 2013 – Equity Grant Timing" section of the CD&A, in fiscal 2013, except for the Retention Awards granted to Mr. Johnson, Ms. Bachmann, Mr. Cooper and Mr. Haubiel on April 1, 2013 and Mr. Campisi's equity awards granted on May 6, 2013, the Board set as the grant date of these equity awards 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 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 2013 pursuant to the 2006 Bonus Plan, which annual incentive award levels are further described in the "Our Executive Compensation Program for Fiscal 2013 – Annual Incentive Award for Fiscal 2013" section of the CD&A. For fiscal 2013, our named executive officers did not earn an annual incentive award under the 2006 Bonus Plan, as reflected in column (g) of the Summary Compensation Table.

(*4*) The amounts in column (g) represent restricted stock awarded pursuant to the 2012 LTIP, and in the case of Mr. Campisi, a performance share units award awarded pursuant to the 2012 LTIP, which awards are described in the narrative preceding this table and the “Our Executive Compensation Program for Fiscal 2013 – Equity for Fiscal 2013” section of the CD&A. As a result of Mr. Haubiel’s termination of employment in fiscal 2013, Mr. Haubiel’s Retention Award granted on April 1, 2013 vested. Mr. Haubiel’s and Mr. Martin’s employment with us terminated during fiscal 2013, therefore both of their restricted stock awards granted on March 8, 2013 were forfeited. None of the other restricted stock awards granted to our named executive officers in fiscal 2013 vested. There are no minimum or maximum “estimated future payouts” applicable to the restricted stock awards and performance share units awards included in column (g).

(*5*) The amounts in column (j) represent NQSOs awarded pursuant to the 2012 LTIP, which awards are described in the narrative preceding this table and the “Our Executive Compensation Program for Fiscal 2013 – Equity for Fiscal 2013” section of the CD&A.

(*6*) Pursuant to the terms of the 2012 LTIP, the exercise price of the NQSOs awarded in fiscal 2013 is equal to the fair market value of our common shares on the grant date. The fair market value is determined by calculating the average of the opening and closing prices for our common shares on the NYSE. We believe this method is preferable to using only the closing market price, as it is less vulnerable to market activity that may have only an instantaneous effect, positively or negatively, on the price of our common shares.

Outstanding Equity Awards at 2013 Fiscal Year-End

The following table sets forth, as of the end of fiscal 2013, all equity awards outstanding under our equity compensation plans for each named executive officer.

	Option Awards					Stock Awards			
Name (a)	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 Unearned Options (#) (d)	Option Exercise Price ($)*(1)* (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)*(2)* (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)
Mr. Campisi	—	115,500	—	37.13	5/6/2020	—	—	—	—
	—	—	—	—	—	—	—	75,600	2,025,324
Mr. Johnson	7,500	—	—	28.73	3/13/2014	—	—	—	—
	7,500	—	—	21.06	3/7/2015	—	—	—	—
	1,875	—	—	17.47	3/6/2016	—	—	—	—
	11,250	3,750	—	35.92	3/5/2017	—	—	—	—
	6,000	6,000	—	41.12	3/7/2018	—	—	—	—
	4,000	4,000	—	33.67	7/18/2018	—	—	—	—
	8,750	26,250	—	43.85	3/6/2019	—	—	—	—
	1,250	3,750	—	30.82	8/28/2019	—	—	—	—
	—	40,000	—	35.72	3/8/2020	—	—	—	—
	—	—	—	—	—	—	—	79,500	2,129,805
Ms. Bachmann	48,750	—	—	21.06	3/7/2015	—	—	—	—
	36,563	—	—	17.47	3/6/2016	—	—	—	—
	37,500	12,500	—	35.92	3/5/2017	—	—	—	—
	20,000	20,000	—	41.12	3/7/2018	—	—	—	—
	10,000	30,000	—	43.85	3/6/2019	—	—	—	—
	—	40,000	—	35.72	3/8/2020	—	—	—	—
	—	—	—	—	—	—	—	111,500	2,987,085
Mr. Cooper	12,188	—	—	21.06	3/7/2015	—	—	—	—
	24,375	—	—	17.47	3/6/2016	—	—	—	—
	37,500	12,500	—	35.92	3/5/2017	—	—	—	—
	20,000	20,000	—	41.12	3/7/2018	—	—	—	—
	10,000	30,000	—	43.85	3/6/2019	—	—	—	—
	—	40,000		35.72	3/8/2020	—	—	—	—
	—	—	—	—	—	—	—	103,500	2,772,765
Mr. Rodriguez	5,000	15,000	—	36.90	6/4/2019	—	—	—	—
	—	20,000	—	35.72	3/8/2020	—	—	—	—
	—	—	—	—	—	—	—	20,000	535,800
Mr. Fishman	307,500	—	—	17.47	3/6/2016	—	—	—	—
Mr. Haubiel	33,750	—	—	35.92	6/18/2014	—	—	—	—
	20,000	—	—	41.12	6/18/2014	—	—	—	—
	10,000	—	—	43.85	6/18/2014	—	—	—	—
Mr. Martin	9,375	—	—	17.47	1/4/2015	—	—	—	—
	10,000	—	—	35.92	1/4/2015	—	—	—	—
	8,750	—	—	41.12	1/4/2015	—	—	—	—
	10,000	—	—	43.85	1/4/2015	—	—	—	—

(*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 (i) reflect the following: (1) for Mr. Campisi, a restricted stock award and performance share units award in fiscal 2013; (2) for Mr. Rodriguez, restricted stock awards in fiscal 2013 and fiscal 2012; and (3) for Mr. Johnson, Mr. Bachmann and Mr. Cooper, restricted stock awards in fiscal 2013, fiscal 2012, fiscal 2011 and a Retention Award granted in fiscal 2013. 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. Based on our performance in fiscal 2013, we achieved the first trigger but not the second trigger applicable to the fiscal 2013 restricted stock awards. The performance share units 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 Retention Awards will vest and be transferred to the recipient without restriction on the earlier of: (1) the first trading day that is 18 months following the grant date; or (2) the first trading day following the recipient's termination of employment if such termination of employment is the result of the recipient's (A) dismissal by us without cause (as defined in the Retention Award Agreement) or (B) death or disability (provided, however, if the recipient dies or suffers a disability, only 1/18th of the Retention Award will vest for each consecutive month that the recipient completed with us between the recipient's termination). If termination of employment is the result of any reason other than the recipient's dismissal by us without cause, death or disability (including by reason of the recipient's retirement, resignation or dismissal by us for cause), then the Retention Award Agreement will expire and all of the recipient's rights in the Retention Award will be forfeited. Upon a change in control (as defined in the 2012 LTIP), any outstanding Retention Awards will vest. For additional information regarding the fiscal 2013 restricted stock awards, performance share units award and the Retention Awards, including the vesting terms, see the narrative discussion preceding the Grants of Plan-Based Awards in Fiscal 2013 table and the "Our Executive Compensation Program for Fiscal 2013 – Equity for Fiscal 2013" section of the CD&A.

Option Exercises and Stock Vested in Fiscal 2013

The following table reflects all stock option exercises and the vesting of restricted stock held by each of our named executive officers during fiscal 2013.

	Option Awards		Stock Awards	
Name (a)	**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	—	—	—	—
Mr. Johnson	—	—	—	—
Ms. Bachmann	37,500	310,256	—	—
Mr. Cooper	—	—	—	—
Mr. Rodriguez	—	—	—	—
Mr. Fishman	—	—	—	—
Mr. Haubiel	9,375	184,267	19,000 *(1)*	642,770
Mr. Martin	—	—	25,000 *(1)*	803,250

(1) Mr. Haubiel's Retention Award and Mr. Martin's restricted stock award granted in fiscal 2011 each vested in fiscal 2013.

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 ($255,000 for calendar year 2013). Accordingly, the maximum aggregate Registrant Contribution that could be made to a named executive officer participating in the Savings and Supplemental Savings Plans was $10,200 for fiscal 2013.

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 2013

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

Name (a)	Executive Contributions in Last FY ($)*(1)* (b)	Registrant Contributions in Last FY ($)*(2)* (c)	Aggregate Earnings in Last FY ($)*(3)* (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at Last FYE ($) (f)
Mr. Campisi	3,462	—	(6)	—	3,456
Mr. Johnson	55,831	5,875	61,277	—	530,349
Ms. Bachmann	18,577	5,875	35,663	—	306,144
Mr. Cooper	11,908	5,875	1,870	—	586,268
Mr. Rodriguez	785	—	(3)	—	782
Mr. Fishman	—	—	—	—	—
Mr. Haubiel	36,485	5,875	210,467	1,477,102	—
Mr. Martin	22,846	5,875	194,188	112,834	1,017,311

(1) The amounts in this column are included in the "Salary" column of the Summary Compensation Table for fiscal 2013.

(2) The amounts in this column are included in the "All Other Compensation" column of the Summary Compensation Table for fiscal 2013.

(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 2013 (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.

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 executive's 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 2013 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; (2) in connection with the executive's disability; (3) upon the executive's death; or (4) in connection with a change in control. Having terminated prior to the end of fiscal 2013, Mr. Fishman, Mr. Haubiel and Mr. Martin are not eligible for any payments in connection with a change in control and the amounts shown in the tables in this section reflect the actual amounts paid in connection with their termination.

Rights Under Post-Termination and Change in Control Arrangements

If a named executive officer who is a party to an employment agreement with us (Mr. Campisi, Ms. Bachmann and Mr. Cooper) 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. Generally, under the terms of these employment agreements, cause for termination would exist upon the executive's:

- failure to comply with our policies and procedures which we reasonably determine has had or is likely to have a material adverse effect on us or our affiliates;
- willful or illegal misconduct or grossly negligent conduct that is materially injurious to us or our affiliates;
- violation of laws or regulations governing us or our affiliates or a violation of our codes of ethics;
- breach of any fiduciary duty owed to us or our affiliates;
- misrepresentation or dishonesty which we reasonably determine has had or is likely to have a material adverse effect on us or our affiliates;
- breach of any provision of the executive's obligations under his or her employment agreement with us;
- involvement in any act of moral turpitude that has a materially injurious effect on us or our affiliates; or
- breach of the terms of any non-solicitation or confidentiality clauses contained in an employment agreement with a former employer.

If terminated without cause, except for Mr. Johnson and Mr. Rodriguez, who would continue to receive their salary for six months, each of the other named executive officers would continue to receive his or her respective salary for one year. Each named executive officer would receive a lump sum payment equal to two times his or her respective salary if terminated in connection with a change in control (as discussed below). Additionally, each named executive officer (1) is eligible (based on our achievement of at least the corporate performance amount corresponding to the threshold annual incentive award level) to receive a prorated annual incentive award for the fiscal year in which his or her termination is effective if he or she is terminated without cause or in connection with his or her death or disability, and (2) will receive two times his or her maximum annual incentive award if terminated following a change in control.

Upon a change in control, all outstanding stock options become exercisable to the full extent of the original grant and all unvested restricted stock vests. Upon the named executive officer's termination of employment, all exercisable stock options then held may be exercised until the earlier of the stock option award expiration date or one year after termination of employment. Additionally, if termination of employment results from death or disability, then (1) unvested stock options awarded in fiscal 2009 and after will vest on the day such event occurred, provided such event occurred at least six months following the grant date, and (2) unvested restricted stock awards 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. Any restricted stock awards not vested at termination of employment, for reasons other than death or disability, will be forfeited.

Mr. Campisi, Ms. Bachmann and Mr. Cooper are entitled to receive continued healthcare coverage for up to two years following a termination without cause or if terminated in connection with a change in control, 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 ("Tax Gross-Up Amount"). Mr. Johnson and Mr. Rodriguez are entitled to receive continued healthcare coverage for up to six months following a termination without cause and up to one year following a termination in connection with a change in control, plus the Tax Gross-Up Amount. Upon a change in control, each participating named executive officer will receive a lump sum payment of all amounts (vested and unvested) 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 2013.) Additionally, if terminated without cause, Mr. Campisi, Ms. Bachmann and Mr. Cooper are entitled to continue to receive an automobile or an automobile allowance for one year.

For Mr. Campisi, Ms. Bachmann and Mr. Cooper, their employment agreements do not require us to reimburse them for the amount of any golden parachute excise tax imposed under Section 4999 of the IRC. Each of their employment agreements provide that if the payments to be received by the them in connection with a change in control constitute "excess parachute payments," their 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 they would be in a better net after-tax position without any such reduction, in which case payments and benefits will not be reduced.

For Mr. Johnson and Mr. Rodriguez, 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.

Mr. Fishman's employment agreement terminated with us on May 3, 2013. On May 3, 2013, we entered into the RCA with Mr. Fishman. Pursuant to the RCA, in exchange for providing consulting services and complying with the restrictive covenants set forth in the RCA, we will reimburse Mr. Fishman for the reasonable expenses he incurs in the performance of the consulting services, pay him a monthly consulting fee of $77,777, permit him to continue to use the automobile we furnished to him prior to his retirement and provide him with welfare benefits equivalent to the welfare benefits we provided to him immediately prior to his retirement.

Change in Control Described

Generally, pursuant to the 1996 LTIP, 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), 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, 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, and the 2006 Bonus 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.

Pursuant to the employment agreements and senior executive severance agreements, a named executive officer's termination in connection with a change in control is generally deemed to occur if, during the applicable protection period (as discussed in the next paragraph), we or any other party to the change in control (e.g., the unrelated acquirer or successor company):

- terminate the executive without cause;
- breach a term of the employment agreement, as applicable; or
- constructively terminate the executive (i.e., the executive resigns due to the imposition of a material adverse change in the executive's duties, compensation or reporting relationships after our failure to cure such condition).

The protection period afforded to Mr. Campisi, Ms. Bachmann and Mr. Cooper consists of the three months preceding a change in control and the two years following a change in control and the protection period afforded to Mr. Johnson's and Mr. Rodriguez consists of the two years following a change in control.

Estimated Payments if Triggering Event Occurred at 2013 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 February 1, 2014, the last day of fiscal 2013.

- As noted in the "Non-Equity Incentive Plan Compensation" row in the tables below, the amounts payable under the 2006 Bonus Plan upon termination: (1) without cause or due to death or disability are based on the annual incentive award actually earned by the applicable named executive officer for fiscal 2013 performance (which amounts would be prorated if the executive was terminated prior to the end of the fiscal year for which the annual incentive award was earned); and (2) in connection with a change in control are equal to two times the named executive officer's maximum annual incentive award.
- 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 if terminated involuntarily without cause or in connection with a change in control. 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 2013) of (1) 40% of the unvested restricted stock awarded to each named executive officer in March of 2011, (2) 20% of the unvested restricted stock awarded to each named executive officer in March of 2012, (3) the Retention Awards and (4) all of the unvested stock options awarded to our named executive officers in fiscal 2009 and after. 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 of 2011 and March of 2012 was met as a result of our performance in fiscal 2011 and fiscal 2012. Accordingly, 40% of the March 2011 restricted stock award and 20% of the March 2012 restricted stock award awarded to each those named executive officers would have vested at the end of fiscal 2013 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 Retention Award for Mr. Haubiel's and Mr. Martin's restricted stock award granted in fiscal 2011 vested in fiscal 2013.
- 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 2013 (minus the aggregate stock option exercise prices) and all unvested restricted stock that would have vested on an accelerated basis had a change in control occurred as of the end of fiscal 2013. These amounts do not reflect any equity awards that have vested or have been granted in fiscal 2013.
- The closing market price of our common shares on the final trading day on the NYSE during fiscal 2013 was $26.79 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 February 1, 2014.

	Event Occurring at February 1, 2014						
	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 ($)	—	900,000	—	—	—	1,800,000	—
Non-Equity Incentive Plan Compensation ($)	—	0	—	0	0	3,600,000	—
Healthcare Coverage ($)	—	82,213	—	—	—	82,213	—
Long-Term Disability Benefit ($)	—	—	—	25,000	—	—	—
Use of Automobile/Automobile Allowance ($)	—	101,760	—	—	—	—	—
Accelerated Equity Awards ($)	—	—	—	—	—	2,025,324	2,025,324
Excise Tax Benefit ($)	—	—	—	—	—	0	0
Total ($)	—	1,083,973	—	25,000	0	7,507,537	2,025,324

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 February 1, 2014.

	Event Occurring at February 1, 2014						
	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 ($)	—	235,000	—	—	—	940,000	—
Non-Equity Incentive Plan Compensation ($)	—	0	—	0	0	940,000	—
Healthcare Coverage ($)	—	21,223	—	—	—	42,445	—
Long-Term Disability Benefit ($)	—	—	—	25,000	—	—	—
Use of Automobile/Automobile Allowance ($)	—	—	—	—	—	—	—
Accelerated Equity Awards ($)	—	254,505	—	407,877	407,877	2,129,805	2,129,805
Excise Tax Benefit ($)	—	—	—	—	—	1,940,312	0
Total ($)	—	510,728	—	432,877	407,877	5,992,562	2,129,805

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 February 1, 2014.

	Event Occurring at February 1, 2014						
	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 ($)	—	625,000	—	—	—	1,250,000	—
Non-Equity Incentive Plan Compensation ($)	—	0	—	0	0	1,500,000	—
Healthcare Coverage ($)	—	82,213	—	—	—	82,213	—
Long-Term Disability Benefit ($)	—	—	—	25,000	—	—	—
Use of Automobile/Automobile Allowance ($)	—	13,200	—	—	—	—	—
Accelerated Equity Awards ($)	—	575,985	—	799,012	799,012	2,987,085	2,987,085
Excise Tax Benefit ($)	—	—	—	—	—	0	0
Total ($)	—	1,296,398	—	824,012	799,012	5,819,298	2,987,085

Joe R. Cooper

The following table reflects the payments that would have been due to Mr. Cooper in the event of a change in control and/or the termination of his employment with us on February 1, 2014.

	Event Occurring at February 1, 2014						
	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 ($)	—	580,000	—	—	—	1,160,000	—
Non-Equity Incentive Plan Compensation ($)	—	0	—	0	0	1,392,000	—
Healthcare Coverage ($)	—	82,213	—	—	—	82,213	—
Long-Term Disability Benefit ($)	—	—	—	25,000	—	—	—
Use of Automobile/Automobile Allowance ($)	—	13,200	—	—	—	—	—
Accelerated Equity Awards ($)	—	361,665	—	681,136	681,136	2,772,765	2,772,765
Excise Tax Benefit ($)	—	—	—	—	—	0	0
Total ($)	—	1,037,078	—	706,136	681,136	5,406,978	2,772,765

Carlos V. Rodriguez

The following table reflects the payments that would have been due to Mr. Rodriguez in the event of a change in control and/or the termination of his employment with us on February 1, 2014.

	Event Occurring at February 1, 2014						
	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 ($)	—	170,000	—	—	—	680,000	—
Non-Equity Incentive Plan Compensation ($)	—	0	—	0	0	680,000	—
Healthcare Coverage ($)	—	21,223	—	—	—	42,445	—
Long-Term Disability Benefit ($)	—	—	—	18,983	—	—	—
Use of Automobile/Automobile Allowance ($)	—	—	—	—	—	—	—
Accelerated Equity Awards ($)	—	—	—	53,580	53,580	535,800	535,800
Excise Tax Benefit ($)	—	—	—	—	—	971,387	0
Total ($)	—	191,223	—	72,563	53,580	2,909,632	535,800

Charles W. Haubiel II

The following table reflects the payments that were due to Mr. Haubiel following his termination of employment on June 17, 2013.

	Event Occurred at June 17, 2013						
	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 ($)	—	550,000	—	—	—	—	—
Non-Equity Incentive Plan Compensation ($)	—	—	—	—	—	—	—
Healthcare Coverage ($)	—	30,064	—	—	—	—	—
Long-Term Disability Benefit ($)	—	—	—	—	—	—	—
Use of Automobile/Automobile Allowance ($)	—	13,200	—	—	—	—	—
Accelerated Equity Awards ($)	—	642,770	—	—	—	—	—
Excise Tax Benefit ($)	—	—	—	—	—	—	—
Total ($)	—	1,236,034	—	—	—	—	—

John M. Martin

The following table reflects the payments that were due to Mr. Martin following his termination of employment on January 3, 2014.

	Event Occurred at January 3, 2014						
	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 ($)	—	600,000	—	—	—	—	—
Non-Equity Incentive Plan Compensation ($)	—	—	—	—	—	—	—
Healthcare Coverage ($)	—	32,547	—	—	—	—	—
Long-Term Disability Benefit ($)	—	—	—	—	—	—	—
Use of Automobile/Automobile Allowance ($)	—	13,200	—	—	—	—	—
Accelerated Equity Awards ($)	—	803,250	—	—	—	—	—
Excise Tax Benefit ($)	—	—	—	—	—	—	—
Total ($)	—	1,448,997	—	—	—	—	—

PROPOSAL FOUR: 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.

We believe it is important to provide competitive compensation to attract and retain talented executives to lead our business. We also believe an executive compensation program should encourage high levels of corporate and individual performance by motivating executives to continually improve our business in order to promote sustained profitability and enhanced shareholder value. Consistent with this philosophy, the Compensation Committee has identified the following key objectives that drive the design of the policies and practices of our executive compensation program:

- *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 changing their employer expect to receive amounts and elements of compensation that are 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.
- *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 as the primary tools to motivate our executives to continually improve our business in order to promote sustainable profitability and enhanced shareholder value. These compensation elements provide executives with meaningful incentives to meet or exceed the corporate financial goals set by our Board each year. We believe that our operating profit is an important financial measure, as it is a reflection of both top line sales and expense control, and when used year-over-year, it has the effect of promoting our long-term financial health. Our financial performance in fiscal 2013 did not meet our expectations. As a result of such performance and the emphasis that our executive compensation program places on pay for performance, the actual compensation realized by our named executive officers in fiscal 2013 was significantly

lower than the total potential compensation awarded to our named executive officers for fiscal 2013. For example, we did not achieve the operating profit required for our named executive officers to earn annual incentive awards for fiscal 2013 under the 2006 Bonus Plan. Accordingly, the named executive officers did not receive annual incentive awards for fiscal 2013.

- *Align the interests of executives and shareholders through incentive-based executive compensation.* The realization and value of annual incentive award opportunities under the 2006 Bonus Plan and equity awarded under the 2005 LTIP and 2012 LTIP are dependent upon our performance and/or the appreciation in the value of our common shares. In some years, as was the case in fiscal 2013, our named executive officers may not realize a significant portion of the at-risk incentive compensation awarded to them, as our named executive officers did not receive an annual incentive award in fiscal 2013. We believe this shows that our pay practices are designed to effectively incentivize our executives to dedicate themselves fully to creating value for our shareholders.
- *Focus on corporate governance.* We seek the approval of the five additional outside directors who do not serve on the Compensation Committee before finalizing annual executive compensation to provide an additional check on the appropriateness of the amounts awarded.

For a more detailed discussion of how our executive compensation program reflects these objectives and our executive compensation philosophy, including information about the 2013 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.

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 2014 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 outside directors of the Board. Our common shares are listed on the NYSE. 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 the listing standards of the NYSE.

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) 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 2013.

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 and the internal audit service provider, in each case without the presence of management, and discussions with our Chief Financial Officer and internal auditor in separate sessions, in each case without the presence of additional members of management. The Audit Committee also meets in executive session without the presence of anyone else, whenever appropriate.

During fiscal 2013, 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 consolidated 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 2014. 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 2013. 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 2013, 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:

($ in thousands)	Fiscal 2012 ($)	Fiscal 2013 ($)
Audit Fees	1,278	1,320
Audit-Related Fees *(1)*	33	10
Tax Fees *(2)*	102	175
All Other Fees *(3)*	2	2
Total Fees	1,415	1,507

(*1*) For fiscal 2012 and fiscal 2013, the audit-related fees principally related to accounting consultation.

(*2*) For fiscal 2012 and fiscal 2013, $58 of the tax fees and $150 of the tax fees principally related to tax compliance services for our Canadian operations.

(*3*) For fiscal 2012 and fiscal 2013, the other fees principally related to online subscription fees for technical accounting support.

Audit Committee Report

The Audit Committee has reviewed and discussed the audited financial statements for fiscal 2013 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 disclosures and the letter 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 2013 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 Solt

PROPOSAL FIVE: RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2014

At its March 4, 2014 meeting, the Audit Committee appointed Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2014, 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 2014.

PROPOSAL SIX: SHAREHOLDER PROPOSAL

The Company expects the following shareholder proposal to be presented for consideration at the Annual Meeting. The proposal and supporting statement quoted below were submitted by the Comptroller of the City of New York (as custodian and trustee of the New York City Employees' Retirement System, the New York City Fire Department Pension Fund, the New York City Teachers' Retirement System, and the New York City Police Pension Fund, and custodian of the New York City Board of Education Retirement System) and The City of Philadelphia Public Employees Retirement System, as co-filers (the "proponents"). The address and common share ownership of the proponents will be furnished by our Corporate Secretary to any person orally or in writing as requested promptly upon receipt of any oral or written request. The proposal will be voted on at the Annual Meeting only if it is properly presented by or on behalf of the proponents. The Company accepts no responsibility for the accuracy of the proposal or the supporting statement of the proponents, in which the word "we" refers to the proponents and not to Big Lots or its Board.

RESOLVED: Shareholders of Big Lots, Inc. ask the board of directors (the "Board") to adopt, and present for shareholder approval, a "proxy access" bylaw. Such a bylaw shall require Big Lots to include in proxy materials prepared for a shareholder meeting at which directors are to be elected the name, Disclosure and Statement (as defined herein) of any person nominated for election to the board by a shareholder or group (the "Nominator") that meets the criteria established below. Big Lots shall allow shareholders to vote on such nominee on Big Lots' proxy card.

The number of shareholder-nominated candidates appearing in proxy materials shall not exceed one quarter of the number of directors then serving. This bylaw, which shall supplement existing rights under Big Lots' bylaws, should provide that a Nominator must:

a) have beneficially owned 3% or more of Big Lots' outstanding common stock continuously for at least three years before the nomination is submitted;

b) give Big Lots written notice within the time period identified in its bylaws of the information required by the bylaws and any rules of the Securities and Exchange Commission about (i) the nominee, including consent to being named in proxy materials and to serving as a director if elected; and (ii) the Nominator, including proof it owns the required shares (the "Disclosure"); and

c) certify that (i) it will assume liability stemming from any legal and regulatory violation arising out of the Nominator's communications with Big Lots shareholders, including the Disclosure and Statement; (ii) it will comply with all applicable laws and regulations if it uses soliciting material other than Big Lots' proxy materials; and (c) to the best of its knowledge, the required shares were acquired in the ordinary course of business and not to change or influence control at Big Lots.

The Nominator may submit with the Disclosure a statement not exceeding 500 words in support of the nominee (the "Statement"). The board shall adopt procedures for promptly resolving disputes over whether notice of a nomination was timely, whether the Disclosure and Statement satisfy the bylaw and any applicable federal regulations, and the priority to be given to multiple nominations exceeding the one-quarter limit.

SUPPORTING STATEMENT

We believe long-term shareholders should have a meaningful voice in electing directors. The case for Big Lots is compelling: the Board has repeatedly awarded excessive CEO compensation despite poor performance and been unresponsive to shareholder concerns. Among our specific concerns with the Board's independence, responsiveness and accountability:

- *Big Lots shareowners have cast 69% of their votes against management's say-on-pay (SOP) proposal in each of the last two years.*

- *In 2013, shareholders not only overwhelmingly rejected management's SOP proposal, but also withheld the majority of votes cast from director Russell Solt, chair of the compensation committee; the board subsequently rejected Mr. Holt's resignation.*
- *The average tenure of Big Lot's eight non-executive directors will reach 11 years in 2014.*

We urge shareholders to vote FOR this proposal.

BOARD OF DIRECTORS' STATEMENT IN OPPOSITION TO SHAREHOLDER PROPOSAL

The Board recommends that shareholders vote AGAINST this "proxy access" proposal because it believes that (1) proxy access interferes with effective corporate governance and has adverse consequences, (2) our corporate governance structure and applicable laws already provide the means for significant shareholder input, (3) our implementation of numerous corporate governance and executive compensation measures demonstrates our responsiveness to shareholders and provides several mechanisms that protect shareholder rights and (4) we regularly engage in dialogue with our shareholders and are committed to ensuring their views are represented in the boardroom.

Proxy access is a flawed procedure designed to facilitate company-financed proxy contests in director elections, pitting the Board's nominees against one or more shareholder-nominated candidates who may represent narrowly-focused special interests rather than the interests of all of the company's shareholders. For the reasons set forth below, we believe proxy access is unnecessary, would adversely affect Big Lots and is not in the best interests of our shareholders.

Proxy Access Interferes with Effective Corporate Governance

The Board believes that proxy access interferes with effective corporate governance and has the following adverse consequences:

Promotes the Influence of Special Interests. The proponents desire to allow a shareholder (such as a labor union or public pension fund) with a narrowly-focused special interest to use the proxy process to promote a specific agenda rather than the interests of all shareholders and thereby create the very real risk of politicizing the Board election process at virtually no cost to the proponent. The nomination of a candidate through the proponent's proxy access proposal would convert each such Board election into a contested election in which the proposed director nominee would only need to win a plurality of votes to be elected. The nomination and election of a director who represents a shareholder focused on a narrow special interest risks disrupting the Board and favoring the short-term interests of a few rather than the long-term interests of all shareholders.

Bypasses and Undermines our Current Director Nominating Process. The proponents' proxy access proposal seeks to bypass and undermine the Board's current process for identifying, screening and selecting director nominees. An effective board is comprised of individuals with diverse and complementary skills, experiences and perspectives. Our independent Nominating / Corporate Governance Committee and our Board are best situated to assess the particular qualifications of potential director nominees and determine whether they will contribute to an effective and well-rounded Board that operates openly and collaboratively and represents the interests of all shareholders, not just those with special interests.

The Nominating / Corporate Governance Committee has developed criteria and a process for identifying and recommending director nominees for election by our shareholders (which are described above in the "Governance — Selection of Nominees by the Board" section of this Proxy Statement). This process is carefully designed to identify director nominees who possess a combination of skills, professional experiences and diversity of backgrounds necessary to oversee our business and who can contribute to the overall effectiveness of our Board. The Committee also carefully reviews and considers the independence of potential nominees. As part of this process, the Committee considers and evaluates potential nominees recommended by our shareholders using the same criteria as nominees recommended by a Board member, management, search firm or other source. As a result, shareholders already have a voice in this process and the ability to recommend prospective nominees for consideration by the Committee. Proxy access bypasses and undermines our current director nominating process by placing directly into nomination candidates who may fail to satisfy the independence or other qualifications established by the Nominating / Corporate Governance Committee and the Board or who may fail to contribute to the mix of needed experiences and perspectives.

Results in an Inexperienced, Fragmented and Unstable Board. Proxy access may lead to an inexperienced, fragmented and unstable Board that is less efficient and less focused on creating long-term value for our shareholders. With proxy access, contested director elections may become an annual event. The Board believes that the divisive proxy contests that may result from contested director elections (1) would distract the Board and management from their duties and responsibilities, (2) may encourage management to employ a more short-term focus and (3) would cause high annual turnover on the Board. High turnover on the Board could produce an inexperienced Board that lacks the sufficient knowledge and understanding of our current and past business necessary to provide meaningful and effective oversight of our operations and long-term strategies. Similarly, our management and directors would be required to divert their attention from managing and overseeing our business to focusing on proxy contests in the election of directors. Moreover, a director elected by one shareholder group in one year may face successful opposition from a director nominated by another shareholder group in a subsequent year, which would further destabilize the Board. Any disruption in the cohesiveness of the Board could result in additional director turnover and discourage highly qualified individuals from serving on the Board.

Increases and Inequitably Allocates Proxy Expenses. The proponents' proxy access proposal would create an uneven playing field by facilitating expensive and disruptive proxy contests in which we would bear substantial additional expense while shareholders would need to expend little resources to promote their nominee(s). Big Lots already bears the significant expense of filing and distributing its own proxy materials. Proxy access would require Big Lots to also include shareholder nominee(s) in its proxy materials. This requirement would enable shareholders to impose on Big Lots a substantial portion (if not all) of the expenses associated with soliciting proxies for their nominee(s). Additionally, in a proxy contest, the Board would likely undertake an additional and expensive campaign to support its nominees and inform shareholders why the shareholder nominee(s) should not be elected. The United States Court of Appeals for the District of Columbia invalidated the SEC's proxy access rule precisely because the Court determined that the SEC did not adequately assess the expenses and distractions resulting from proxy contests.

In the absence of proxy access, the playing field is level, as shareholders also need to undertake the expense of soliciting proxies for their nominee(s). The Board believes that the current SEC proxy rules more equitably allocate proxy solicitation expenses. Furthermore, the Board does not believe there is any legitimate reason why shareholders holding three percent (3%) of our outstanding Common Shares (which would constitute more than $66,067,089 in value as of the record date for the Annual Meeting) should not bear the expense of soliciting proxies for their nominee(s).

Our Corporate Governance Structure Provides a Means for Significant Shareholder Input

The Board believes that our existing corporate governance structure and applicable laws provide the means for significant shareholder input, and thus eliminate the need for the proponents' proxy access proposal. The various means by which shareholders may provide input include:

- the procedures that allow our shareholders to propose to our Nominating / Corporate Governance Committee nominees for election as directors (see the "Governance — Selection of Nominees by the Board" section of this Proxy Statement for a description of these procedures);
- a process that enables our shareholders to communicate directly with the Board and individual directors and requires the Board to review correspondence it receives from our shareholders (see the "Governance — Communications with the Board" section of this Proxy Statement for a description of this process);
- the SEC's proxy rules provide shareholders with the opportunity to solicit proxies for their own nominees for election as directors;
- the SEC's proxy rules provide shareholders with the ability to present proposals at our annual meeting of shareholders and include shareholder proposals in the proxy materials for our annual meeting of shareholders (see the "Shareholder Proposals" section of this Proxy Statement for a description of the requirements of these rules);
- the annual election of all of our directors; and
- an annual advisory vote on executive compensation, which provides our shareholders with the opportunity each year to express their views regarding our executive compensation program.

We Have Implemented Numerous Corporate Governance and Executive Compensation Measures

The Board believes that its implementation of the following governance and executive compensation measures demonstrates its responsiveness to shareholders and provides several mechanisms that protect shareholder rights. As a result, the adoption of proxy access is unnecessary at this time:

- we significantly reduced the compensation of our current CEO (hired in 2013) compared to the compensation of our prior CEO – for example:
  - the grant date value of the equity awards made to our current CEO in 2013 was approximately $6,400,000 less than the grant date value of the equity awards made to our prior CEO in 2012,
  - the base salary of our current CEO was $900,000 for 2013 compared to our prior CEO's base salary of $1,400,000 for 2012, and
  - the target and maximum bonus payout percentages for our current CEO were 100% and 200% of base salary, respectively, for 2013 compared to target and maximum bonus payout percentages for our prior CEO of 120% and 240% of base salary, respectively, for 2012;
- the Board appointed an independent, non-executive chairman in May 2013;
- all of our directors are independent, other than our CEO;
- in 2013, we added a claw-back provision that enables us in certain circumstances to recover compensation paid to the named executive officers with employment agreements;
- in 2013, we eliminated certain excise tax reimbursements previously provided to those named executive officers with employment agreements;
- we employ a majority voting standard in uncontested elections (see the "Governance — Majority Vote Policy and Standard" section of this Proxy Statement); and
- we have not adopted a "poison pill."

We Regularly Engage in Dialogue with our Shareholders

In addition to regular communication with major shareholders, the Board has responded to the results of our recent "say-on-pay" votes with extensive shareholder engagement efforts, including extending invitations to discuss our executive compensation program to shareholders who beneficially owned in the aggregate nearly half of our outstanding common shares (See the "Overview of Our Executive Compensation Program — 2013 Annual Meeting Results and Shareholder Engagement" section of this Proxy Statement for a description of our shareholder engagement efforts).

* * * * *

The Board believes that its current process for identifying, screening and selecting candidates for election as directors has developed an effective and well-rounded Board that operates openly and collaboratively and represents the interests of all our shareholders. We believe that replacing our current process with proxy access could be disruptive and harmful to the operations of the Board and, as a result, our shareholders. In summary, we believe proxy access is unnecessary, would adversely affect Big Lots and is not in the best interests of our shareholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THE SHAREHOLDER PROPOSAL REGARDING PROXY ACCESS.

SHAREHOLDER PROPOSALS

Any proposals of shareholders which are intended to be presented at our 2015 annual meeting of shareholders must be received by our Corporate Secretary at our corporate offices on or before December 16, 2014 to be eligible for inclusion in our 2015 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 2015 annual meeting of shareholders without inclusion of that proposal in our 2015 proxy materials and written notice of the proposal is

not received by our Corporate Secretary at our corporate offices on or before March 1, 2015, or if we meet other requirements of the SEC rules, proxies solicited by the Board for our 2015 annual meeting of shareholders will confer discretionary authority on the proxy holders named therein to vote on the proposal at the meeting.

ANNUAL REPORT ON FORM 10-K

Our Form 10-K is included with this Proxy Statement in our 2013 Annual Report to Shareholders. Shareholders may also receive a copy of our Form 10-K without charge by writing to: Investor Relations, Big Lots, Inc., 300 Phillipi Road, Columbus, Ohio 43228-5311. Our Form 10-K may also be accessed in the Investor Relations section of our website (www.biglots.com) under the "SEC Filings" caption.

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, Proposal Four, Proposal Five, and Proposal Six 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,

RONALD D. PARISOTTO
Senior Vice President, General Counsel
and Corporate Secretary

April 15, 2014
Columbus, Ohio

APPENDIX A

BIG LOTS
2012 LONG-TERM INCENTIVE PLAN

AMENDED AND RESTATED
EFFECTIVE MAY 29~~3~~, 2014~~2~~

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Big Lots 2012 Long-Term Incentive Plan

ARTICLE 1. ESTABLISHMENT, PURPOSE, AND DURATION

1.1 Establishment. Big Lots, Inc., an Ohio corporation (hereinafter referred to as the "Company"), establishes an incentive compensation plan to be known as the Big Lots 2012 Long-Term Incentive Plan (hereinafter referred to as the "Plan"), as set forth in this document.

This Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Deferred Stock Units, Performance Shares, Performance Share Units, Performance Units, Cash-Based Awards, and Other Stock-Based Awards.

This Plan became effective on May 23, 2012 (the "Effective Date") and this restatement shall become effective upon shareholder approval (the "Restatement Effective Date") and shall remain in effect as provided in Section 1.3 (*Establishment, Purposes, and Duration/Duration of this Plan*) hereof.

1.2 Purpose of this Plan. This Plan is intended to promote the Company's long-term financial success by motivating performance through incentive compensation and to encourage Participants to acquire ownership interests in the Company. This Plan is also intended to provide a means whereby Employees, Directors, and Third Party Service Providers of the Company develop a sense of proprietorship and personal involvement in the development and financial success of the Company, and to encourage them to devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its shareholders. A further purpose of this Plan is to provide a means through which the Company and its Affiliates may attract able individuals to become Employees or serve as Directors or Third Party Service Providers of the Company and its Affiliates and to provide a means whereby those individuals upon whom the responsibilities of the successful administration and management of the Company are of importance, can acquire and maintain stock ownership, thereby strengthening their concern for the welfare of the Company.

1.3 Duration of this Plan. Unless sooner terminated as provided herein, this Plan shall terminate ten (10) years from the Effective Date. After this Plan is terminated, no Awards may be granted but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and this Plan's terms and conditions. Notwithstanding the foregoing, no Incentive Stock Options may be granted more than ten (10) years after the earlier of (a) adoption of this Plan by the Board, or (b) the Effective Date.

1.4 No More Grants Under Prior Plan. After the Effective Date, no more grants will be made under the Prior Plan.

ARTICLE 2. DEFINITIONS

Whenever used in this Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized.

2.1 "Affiliate" shall mean (a) in the case of an ISO, a "parent corporation" or a "subsidiary corporation" of the Company, as those terms are defined in Code Sections 424(e) and (f), respectively; and (b) in all other cases, any other entity regardless of its form (including, but not limited to, a partnership or a limited liability company) that directly or indirectly controls, is controlled by or is under common control with, the Company within the meaning of Code Section 414(b), as modified by Code Section 409A.

2.2 "Annual Award Limit" or **"Annual Award Limits"** have the meaning set forth in Section 4.3 (*Shares Subject to this Plan and Award Limitations/Annual Award Limits*).

2.3 "Award" means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Deferred Stock Units, Performance Shares, Performance Share Units, Performance Units, Cash-Based Awards, or Other Stock-Based Awards, in each case subject to the terms of this Plan. At the Committee's discretion, an Award may be granted as a Qualified Performance-Based Award.

2.4 **"Award Agreement"** means either (a) a written agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under this Plan, or (b) a written or electronic statement issued by the Company to a Participant describing the terms and provisions of such Award, including any amendment or modification thereof. The Committee may provide for the use of electronic, internet or other non-paper Award Agreements, and the use of electronic, internet or other non-paper means for the acceptance thereof and actions thereunder by a Participant.

2.5 **"Beneficial Owner"** or **"Beneficial Ownership"** shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

2.6 **"Board"** or **"Board of Directors"** means the Board of Directors of the Company.

2.7 **"Cash-Based Award"** means an Award, denominated in cash, granted to a Participant as described in Article 11 (*Cash-Based Awards and Other Stock-Based Awards*).

2.8 **"Change in Control"** means any one or more of the following events:

(a) Any person or group (as defined for purposes of Section 13(d) of the Exchange Act) becomes the beneficial owner, directly or indirectly, of 20 percent or more of the outstanding equity securities of the Company entitled to vote for the election of directors;

(b) A majority of the members of the Board of Directors then in office is replaced within any period of two years or less 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 of Directors at any date consists of persons not so nominated and approved; or

(c) The consummation of a merger or consolidation with another entity or the sale or other disposition of all or substantially all of the Company's assets (including, without limitation, a plan of liquidation), which has been approved by shareholders of the Company.

Provided, however, the other provisions of this Section 2.8 (*Definitions/Change in Control*) notwithstanding, the term "Change in Control" shall not mean any merger, consolidation, reorganization, or other transaction in which the Company exchanges or offers to exchange newly-issued or treasury Common Shares representing 20 percent or more, but less than 50 percent, of the outstanding equity securities of the Company entitled to vote for the election of directors, for 51 percent or more of the outstanding equity securities entitled to vote for the election of at least the majority of the directors of a corporation other than the Company or an Affiliate (the "Acquired Corporation"), or for all or substantially all of the assets of the Acquired Corporation.

Provided further, if a Change in Control constitutes a payment event with respect to any Award that provides for the deferral of compensation and is subject to Code Section 409A, payments to be made upon a Change in Control shall only be made upon a "change in control event" within the meaning of Code Section 409A.

2.9 **"Code"** means the U.S. Internal Revenue Code of 1986, as amended from time to time. For purposes of this Plan, references to sections of the Code shall be deemed to include references to any applicable rules, regulations, and authoritative interpretations thereunder and any successor or similar provision.

2.10 **"Committee"** means the Compensation Committee of the Board or such other committee to which the Board assigns the responsibility of administering this Plan. The Committee shall consist of at least three members of the Board, each of whom may serve on the Committee only if the Board determines that he or she (a) is a "Non-employee Director" for purposes of Rule 16b-3 under the Exchange Act, (b) satisfies the requirements of an "outside director" for purposes of Code Section 162(m), and (c) qualifies as "independent" in accordance with applicable stock exchange listing standards. The members of the Committee shall be appointed from time to time by and shall serve at the discretion of the Board. If the Committee does not exist or cannot function for any reason, the members of the Board that each satisfy the requirements of an "outside director" for purposes of Code Section 162(m) may take any action under the Plan that would otherwise be the responsibility of the Committee.

2.11 **"Company"** means Big Lots, Inc., an Ohio corporation, and any successor thereto as provided in Article 23 (*Successors*) herein.

2.12 "Covered Employee" means any key Employee who is or may become a "Covered Employee," as defined in Code Section 162(m), and who is designated, either as an individual Employee or class of Employees, by the Committee as a "Covered Employee" under this Plan on or before the Final Pre-Establishment Date.

2.13 "Deferred Annual Amount" has the meaning set forth in Section 9.1 (*Deferred Stock Units/In General*).

2.14 "Deferred Stock Unit" means a Participant's contractual right to receive a stated number of Shares or, if provided by the Committee on the Grant Date, cash equal to the Fair Market Value of such Shares, under the Plan at the end of a specified period of time or upon the occurrence of a specified event, as further described in Section 9.1 (*Deferred Stock Units/In General*).

2.15 "Deferral Election Form" has the meaning set forth in Section 9.1 (*Deferred Stock Units/In General*).

2.16 "Director" means any individual who is a member of the Board of Directors of the Company or the board of directors of any Affiliate of the Company.

2.17 "Disability" means:

(a) With respect to ISOs, as that term is defined in Code Section 22(e)(3);

(b) If Disability constitutes a payment event with respect to any Award that is subject to Code Section 409A, Disability shall mean, unless the Committee determines otherwise in accordance with Code Section 409A, that the Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, (ii) by reason of any readily determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of at least three (3) months under an accident and health plan covering employees of the Participant's employer, or (iii) determined to be totally disabled by the Social Security Administration or the Railroad Retirement Board; and

(c) Unless the Committee determines otherwise, with respect to any other Award, a physical or mental condition that, for more than six (6) consecutive months, renders the Participant incapable, with reasonable accommodation, of performing his or her assigned duties on a full-time basis.

2.18 "Dividend-Equivalent Right" means the right to receive an amount, calculated with respect to a Full Value Award, which is determined by multiplying the number of Shares subject to the applicable Award by the per-Share cash dividend, or the per-Share Fair Market Value (as determined by the Committee) of any dividend in consideration other than cash, paid by the Company on Shares.

2.19 "Effective Date" has the meaning set forth in Section 1.1 (*Establishment, Purpose, and Duration/Establishment*).

2.20 "Elective Deferred Stock Units" has the meaning set forth in Section 9.1 (*Deferred Stock Units/In General*).

2.21 "Eligible Individual" means an individual who is an Employee, Director, and/or Third Party Service Provider.

2.22 "Employee" means any employee of the Company or any of its Affiliates.

2.23 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.24 "Exercise Price" means the price at which a Share may be purchased by a Participant pursuant to an Option.

2.25 "Fair Market Value" or **"FMV"** means a price that is equal to the opening, closing, actual, high, low, or average selling prices of a Share reported on the New York Stock Exchange ("NYSE") or other established stock exchange (or exchanges) on the applicable date, the preceding trading day, the next succeeding trading day, or an average of trading days, as determined by the Committee and, to the extent applicable, in a manner consistent

with Code Section 409A. Unless the Committee determines otherwise, Fair Market Value shall be deemed to be equal to the average of the reported opening and closing prices of a Share on the most recent date on which Shares were publicly traded. In the event Shares are not publicly traded at the time a determination of their value is required to be made hereunder, the determination of their Fair Market Value shall be made by the Committee in such manner as it deems appropriate taking into account all information material to the value of the Company within the meaning of Code Section 409A.

2.26 **"Final Pre-Establishment Date"** means the last day a performance goal is considered pre-established under Code Section 162(m). As of the Effective Date, a performance goal shall be considered pre-established under Code Section 162(m) if the Committee establishes the performance goal within ninety (90) days after the commencement of the period of service to which the performance goal relates, or, in any event, no later than twenty-five percent (25%) of the period of service to which the performance goal relates has elapsed; provided that the outcome of the performance goal is substantially uncertain at the time the Committee establishes the performance goal.

2.27 **"Full Value Award"** means an Award other than an ISO, NQSO, or SAR, which is settled by the issuance of Shares.

2.28 **"Grant Date"** means the later of (a) the date the Committee establishes the terms of an Award, or (b) any later date specified in the Award Agreement. In no event may the Grant Date be earlier than the Effective Date.

2.29 **"Grant Price"** means the price established at the time of grant of an SAR pursuant to Article 7 (*Stock Appreciation Rights*), used to determine whether there is any payment due upon exercise of the SAR.

2.30 **"Incentive Stock Option"** or **"ISO"** means an Option to purchase Shares granted under Article 6 (*Options*) to an Employee and that is designated as an Incentive Stock Option and that meets the rules and requirements of Code Section 422, or any successor provision.

2.31 **"Insider"** shall mean an individual who is, on the relevant date, an officer, or Director of the Company or an Affiliate, or a more than ten percent (10%) Beneficial Owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Board in accordance with Section 16 of the Exchange Act.

2.32 **"Nonemployee Director"** means a Director who is not an Employee.

2.33 **"Nonemployee Director Award"** means any Award granted to a Nonemployee Director as described in Article 12 (*Nonemployee Director Awards*).

2.34 **"Nonqualified Stock Option"** or **"NQSO"** means an Option that is not intended to meet the requirements of Code Section 422, or that otherwise does not meet such requirements.

2.35 **"Option"** means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 6 (*Options*).

2.36 **"Other Stock-Based Award"** means an equity-based or equity-related Award not otherwise described by the terms of this Plan, granted pursuant to Article 11 (*Cash-Based Awards and Other Stock-Based Awards*).

2.37 **"Participant"** means any Eligible Individual as set forth in Article 5 (*Eligibility and Participation*) to whom an Award is granted.

2.38 **"Performance Measures"** means business criteria or measures as described in Article 13 (*Qualified Performance-Based Awards and Performance Measures*) on which the performance goals are based and which are approved by the Company's shareholders pursuant to this Plan in order to qualify Awards for the exception for qualified performance-based compensation of Code Section 162(m).

2.39 **"Performance Period"** means the period of time during which the performance goals must be met in order to determine the degree of payout and/or vesting with respect to an Award.

2.40 "Performance Share" means a grant of a stated number of Shares to a Participant under the Plan that is forfeitable by the Participant until the attainment of specified performance goals, or until otherwise determined by the Committee or in accordance with the Plan, subject to the continuous employment of the Participant through the applicable Performance Period.

2.41 "Performance Share Unit" means a Participant's contractual right to receive a stated number of Shares or, if provided by the Committee on or after the Grant Date, cash equal to the Fair Market Value of such Shares, under the Plan at a specified time that is forfeitable by the Participant until the attainment of specified performance goals, or until otherwise determined by the Committee or in accordance with the Plan, subject to the continuous employment of the Participant through the applicable Performance Period.

2.42 "Performance Unit" means a Participant's contractual right to receive a cash-denominated award, payable in cash or Shares, under the Plan at a specified time that is forfeitable by the Participant until the attainment of specified performance goals, or until otherwise determined by the Committee or in accordance with the Plan, subject to the continuous employment of the Participant through the applicable Performance Period.

2.43 "Person" shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

2.44 "Plan" means the Big Lots 2012 Long-Term Incentive Plan.

2.45 "Plan Year" means the Company's fiscal year**.**

2.46 "Prior Plan" means the Big Lots 2005 Long-Term Incentive Plan, as amended and restated, effective May 27, 2010.

2.47 "Qualified Performance-Based Awards" means compensation under an Award that is intended to satisfy the requirements of Code Section 162(m) for certain performance-based compensation paid to Covered Employees. Notwithstanding the foregoing, nothing in this Plan shall be construed to mean that an Award which does not satisfy the requirements for performance-based compensation under Code Section 162(m) does not constitute performance-based compensation for other purposes.

~~2.47~~2.48 "Restatement Effective Date" has the meaning set forth in Section 1.1 (Establishment, Purpose, and Duration/Establishment).

~~2.48~~2.49 "Restricted Stock" means an Award granted to a Participant pursuant to Article 8 (*Restricted Stock and Restricted Stock Units*).

~~2.49~~2.50 "Restricted Stock Unit" means an Award granted to a Participant pursuant to Article 8 (*Restricted Stock and Restricted Stock Units*), except no Shares are actually awarded to the Participant on the Grant Date.

~~2.50~~2.51 "Restriction Period" means the period when Restricted Stock, Restricted Stock Units, Deferred Stock Units and/or Other Stock-Based Awards are subject to a substantial risk of forfeiture (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, in its discretion).

~~2.51~~2.52 "Share" means a common share of the Company, par value $.01 per share (as such par value may be amended from time to time), whether presently or hereafter issued, and any other stock or security resulting from adjustment thereof as described hereinafter, or a share of common stock of any successor pursuant to Article 23 (*Successors*).

~~2.52~~2.53 "Share Authorization" has the meaning set forth in Section 4.1(a) (*Shares Subject to this Plan and Award Limitations/Share Authorization*).

~~2.53~~2.54 "Stock Appreciation Right" or "**SAR**" means an Award, designated as an SAR, pursuant to the terms of Article 7 (*Stock Appreciation* Rights) herein.

~~2.54~~2.55 "Termination of Employment or Service" means the occurrence of any act or event that causes a Participant to cease being an employee of the Company and any Affiliate, including, without limitation, death, Disability, dismissal, severance at the election of the Participant, or severance as a result of the discontinuance, liquidation, sale, or transfer by the Company or its Affiliates of a business owned or operated by the Company or

any Affiliate. With respect to any Participant who is not an employee of the Company or any Affiliate, the Award Agreement shall establish what act or event shall constitute a Termination of Employment or Service for purposes of this Plan. A Termination of Employment or Service shall occur with respect to a Participant who is employed by an Affiliate if the Affiliate shall cease to be an Affiliate and the Participant shall not immediately thereafter become an employee of the Company or an Affiliate. Notwithstanding the foregoing, as described in Section 15.4 (*Impact of Termination of Employment or Service on Awards/Change in Participant Status*), no Termination of Employment or Service shall occur if the Participant continues to be an Employee, Director, or Third Party Service Provider after such termination. Provided, however, if a Termination of Employment or Service constitutes a payment event with respect to any Award that provides for the deferral of compensation and is subject to Code Section 409A, payments to be made upon a Termination of Employment or Service shall only be made upon a "separation from service" within the meaning of Code Section 409A.

~~2.55~~2.56 **"Third Party Service Provider"** means any consultant, agent, advisor, or independent contractor who renders services to the Company or an Affiliate pursuant to a written agreement that (a) are not in connection with the offer and sale of the Company's securities in a capital raising transaction, and (b) do not directly or indirectly promote or maintain a market for the Company's securities.

ARTICLE 3. ADMINISTRATION

3.1 General. The Committee shall be responsible for administering this Plan, subject to this Article 3 (*Administration*) and the other provisions of this Plan. The Committee may employ attorneys, consultants, accountants, agents, and other individuals, any of whom may be an Employee, and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions, or valuations of any such individuals. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participants, the Company, and all other interested individuals.

3.2 Authority of the Committee. The Committee shall have full and exclusive discretionary power to interpret the terms and the intent of this Plan and any Award Agreement or other agreement or document ancillary to or in connection with this Plan, to determine eligibility for Awards and to adopt such rules, regulations, forms, instruments, and guidelines for administering this Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, (a) selecting Participants, (b) establishing all Award terms and conditions, including the terms and conditions set forth in Award Agreements and any ancillary document or materials, (c) granting Awards as an alternative to or as the form of payment for grants or rights earned or due under compensation plans or arrangements of the Company, (d) construing any ambiguous provision of the Plan or any Award Agreement, (e) establishing performance goals, and for Qualified Performance-Based Awards, establishing and certifying satisfaction of performance goals in accordance with the requirements of Code Section 162(m), (f) subject to Article 21 (*Amendment, Modification, Suspension, and Termination*), adopting modifications and amendments to this Plan or any Award Agreement, including without limitation, any that are necessary to comply with the laws of the countries and other jurisdictions in which the Company or its Affiliates operate, and (g) making any other determination and taking any other action that it deems necessary or desirable for the administration or operation of the Plan and/or any Award Agreement.

3.3 Delegation. The Committee may delegate to one or more of its members or to one or more officers of the Company or its Affiliates or to one or more agents or advisors such administrative duties or powers as it may deem advisable, and the Committee or any individuals to whom it has delegated duties or powers as aforesaid may employ one or more individuals to render advice with respect to any responsibility the Committee or such individuals may have under this Plan. Subject to applicable law, the Committee may authorize one or more officers of the Company to do one or more of the following on the same basis as can the Committee: (a) designate Employees to be recipients of Awards; (b) designate Third Party Service Providers to be recipients of Awards; and (c) determine the size of and make any such Awards; provided, however, (i) the Committee shall not delegate such responsibilities to any such officer for Awards granted to a Nonemployee Director or an Employee who is considered an Insider; (ii) the Committee shall not delegate any duties required to be taken by the Committee to comply with Code Section 162(m); and (iii) the officer(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated.

ARTICLE 4. SHARES SUBJECT TO THIS PLAN AND AWARD LIMITATIONS

4.1 Number of Shares Available for Awards.

(a) **Share Authorization**. Subject to adjustment as provided in Section 4.4 (*Shares Subject to this Plan and Award Limitations/Adjustments in Authorized* Shares) herein, the maximum number of Shares available for grant to Participants under this Plan (the "Share Authorization") shall be:

(i) seven million seven hundred fifty thousand (7,750,000) Shares, plus

(ii) any Shares subject to the 4,702,362 outstanding awards as of March 15, 2012 under the Prior Plan 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 Shares).

(b) **Limit on Full Value Awards**. To the extent that a Share is issued pursuant to the grant or exercise of a Full Value Award, it shall reduce the Share Authorization by two and fifteen one-hundredths (2.15) Shares; and, to the extent that a Share is issued pursuant to the grant or exercise of an Award other than a Full Value Award, it shall reduce the Share Authorization by one (1) Share.

(c) **Limits on ISOs**. The maximum number of Shares of the Share Authorization that may be issued pursuant to the exercise of ISOs granted under this Plan shall be seven million seven hundred fifty thousand (7,750,000) Shares.

(d) **Minimum Vesting Requirements for Awards**. Except with respect to a maximum of five percent (5%) of the Share Authorization, any Full Value Awards which vest on the basis of the Participant's continued employment with or provision of service to the Company shall not provide for vesting which is any more rapid than annual pro rata vesting over a three (3) year period, and any Full Value Awards which vest upon the attainment of performance goals shall provide for a performance period of at least twelve (12) months. Notwithstanding the foregoing, the Committee may permit acceleration of vesting of such Full Value Awards in the event of the Participant's death, Disability, or retirement, or a Change in Control. The Committee shall, in its sole discretion, determine the vesting schedule, if any, that will apply to Awards that are not Full Value Awards.

4.2 Share Usage. Subject to the terms of this Plan, Shares covered by an Award shall only be counted as used to the extent they are actually issued. Any Shares related to Awards which (a) terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such Shares, (b) are settled in cash in lieu of Shares, or (c) are exchanged with the Committee's permission prior to the issuance of Shares for Awards not involving Shares, shall be available again for grant under this Plan. Shares which are (i) not issued or delivered as a result of the net settlement of an Option or Share-settled SAR, (ii) withheld to satisfy tax withholding obligations on an Option or SAR issued under the Plan, (iii) tendered to pay the Exercise Price of an Option or the Grant Price of a Stock Appreciation Right under the Plan, or (iv) repurchased on the open market with the proceeds of an Option exercise will no longer be eligible to be again available for grant under this Plan. To the extent permitted by applicable law or stock exchange rule, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or any Affiliate shall not be counted against Shares available for grant pursuant to the Plan. The Shares available for issuance under this Plan may be authorized and unissued Shares or treasury Shares.

4.3 Annual Award Limits. The following limits (each an "Annual Award Limit" and, collectively, "Annual Award Limits"), as adjusted pursuant to Section 4.4 (*Shares Subject to this Plan and Award Limitations/ Adjustments in Authorized* Shares) and/or Section 21.2 (*Amendment, Modification, Suspension, and Termination/ Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events*), shall apply to grants of such Awards under this Plan:

(a) **Options**: The maximum aggregate number of Shares subject to Options granted in any one Plan Year to any one Participant shall be two million (2,000,000).

(b) **SARs**: The maximum number of Shares subject to Stock Appreciation Rights granted in any one Plan Year to any one Participant shall be two million (2,000,000).

(c) **Restricted Stock**: The maximum aggregate grant with respect to Awards of Restricted Stock in any one Plan Year to any one Participant shall be one million (1,000,000).

(d) **Restricted Stock Units**: The maximum aggregate grant with respect to Awards of Restricted Stock Units in any one Plan Year to any one Participant shall be one million (1,000,000).

(e) **Deferred Stock Units**: The maximum aggregate grant with respect to Awards of Deferred Stock Units in any one Plan Year to any one Participant shall be one million (1,000,000).

(f) **Performance Shares, Performance Share Units, or Performance Units**: The maximum aggregate Award of Performance Shares, Performance Share Units or Performance Units that a Participant may receive in any one Plan Year shall be one million (1,000,000) Shares, or equal to the value of one million (1,000,000) Shares, determined as of the Grant Date.

(g) **Cash-Based Awards**: The maximum aggregate amount awarded or credited with respect to Cash-Based Awards to any one Participant in any one Plan Year may not exceed the greater of seven million dollars ($7,000,000) or the value of one million (1,000,000) Shares, determined as of the Grant Date.

(h) **Other Stock-Based Awards**: The maximum aggregate grant with respect to Other Stock-Based Awards pursuant to Section 11.2 (*Cash-Based Awards and Other Stock-Based Awards/ Other Stock-Based Awards*) in any one Plan Year to any one Participant shall be one million (1,000,000) Shares.

4.4 Adjustments in Authorized Shares. In the event of any corporate event or transaction (including, but not limited to, a change in the Shares of the Company or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, special cash dividend, stock split, reverse stock split, split up, spin-off, or other distribution of stock or property of the Company, combination of Shares, exchange of Shares, dividend in kind, or other like change in capital structure, number of outstanding Shares or distribution (other than normal cash dividends) to shareholders of the Company, or any similar corporate event or transaction, the Committee, in order to prevent dilution or enlargement of Participants' rights under this Plan, shall substitute or adjust, as applicable, the number and kind of Shares that may be issued under this Plan or under particular forms of Awards, the number and kind of Shares subject to outstanding Awards, the Exercise Price or Grant Price applicable to outstanding Awards, the Annual Award Limits, and other value determinations applicable to outstanding Awards. Any such adjustment shall be done in a manner consistent with Code Section 409A and, where applicable, Code Section 424. The Committee may also make appropriate adjustments in the terms of any Awards under this Plan to reflect such changes or distributions, including modifications of performance goals and changes in the length of Performance Periods as permitted by Code Section 162(m), or as the Committee otherwise determines. The determination of the Committee as to the foregoing adjustments, if any, shall be at the discretion of the Committee and shall be conclusive and binding on Participants under this Plan.

Subject to the provisions of Article 21 (*Amendment, Modification, Suspension, and Termination*) and notwithstanding anything else herein to the contrary, without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate (including, but not limited to, a conversion of equity awards into Awards under this Plan), subject to compliance with the rules under Code Sections 409A, 422 and 424, to the extent applicable.

ARTICLE 5. ELIGIBILITY AND PARTICIPATION

5.1 Eligibility. Individuals eligible to participate in this Plan include all Employees, Directors, and Third Party Service Providers.

5.2 Actual Participation. Subject to the provisions of this Plan, the Committee may, from time to time, select from the Eligible Individuals, those individuals to whom Awards shall be granted. Awards~~Grants~~ need not be uniform as among Participants.

5.3 Conditions of Participation. By accepting an Award, each Participant agrees in his or her own behalf and in behalf of his or her beneficiaries (1) to be bound by the terms of the Award Agreement and the Plan and (2) that the Committee (or the Board) may amend the Plan and the Award Agreement without any additional consideration to the extent necessary to avoid penalties arising under Code Section 409A, even if those amendments reduce, restrict or eliminate rights or Awards granted under the Plan or an Award Agreement (or both) before those amendments; provided, however, that the Company or the Committee may (but neither is required to) reimburse an affected Participant or his or her beneficiary for any diminution in the value of an Award associated with any such change.

ARTICLE 6. OPTIONS

6.1 Grant of Options. Subject to the terms and provisions of this Plan, Options may be granted to Eligible Individuals in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee; provided that ISOs may be granted only to Employees of the Company or of any parent or subsidiary corporation (as permitted under Code Sections 422 and 424). However, unless legitimate business criteria exist (within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(iii)(E)(1)), an Eligible Individual may only be granted Options to the extent that such individual provides services to the Company or an Affiliate of the Company that is part of the Company's controlled group for purposes of Code Section 409A.

6.2 Option Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Exercise Price, the term of the Option, the number of Shares to which the Option pertains, the conditions upon which an Option shall become vested and exercisable, and such other provisions as the Committee shall determine which are not inconsistent with the terms of this Plan. The Award Agreement also shall specify whether the Option is intended to be an ISO or a NQSO.

6.3 Exercise Price. The Exercise Price for each grant of an Option shall be determined by the Committee and shall be specified in the Award Agreement; provided, however, the Exercise Price must be at least equal to (a) one hundred percent (100%) of the FMV of the Shares as determined on the Grant Date, or (b) one hundred ten percent (110%) of the FMV of the Shares as determined on the Grant Date in the case of an ISO granted to an individual who owns or who is deemed to own shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company or any Affiliate, as determined under Code Section 422.

6.4 Term of Options. Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no Option shall be exercisable earlier than six (6) months after the Grant Date or later than the seventh (7th) anniversary date of the Grant Date.

6.5 Exercise of Options. Options granted under this Article 6 (*Options*) shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which terms and restrictions need not be the same for each grant or for each Participant.

Options granted under this Article 6 (*Options*) shall be exercised by the delivery of a notice of exercise to the Company or an agent designated by the Company in a form specified or accepted by the Committee (setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares), or by complying with any alternative exercise procedure(s) the Committee may authorize.

6.6 Payment. A condition of the issuance of the Shares as to which an Option shall be exercised shall be the payment of the Exercise Price. The Exercise Price of any Option shall be payable to the Company in full either: (a) in cash; (b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the Exercise Price (provided that except as otherwise determined by the Committee, the Shares that are tendered must have been held by the Participant for at least six (6) months (or such other longer period, if any, as the Committee may permit) prior to their tender to satisfy the Exercise Price if acquired under this Plan or any other compensation plan maintained by the Company or have been purchased on the open market); (c) by a cashless (broker-assisted) exercise; (d) by a combination of (a), (b) and/or (c); or (e) any other method approved or accepted by the Committee in its sole discretion.

Subject to any governing rules or regulations, as soon as practicable after receipt of written notification of exercise and full payment (including satisfaction of any applicable tax withholding), the Company shall deliver to the Participant evidence of book entry Shares or Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in United States dollars.

6.7 Other Conditions and Restrictions. The Committee may impose such other conditions and/or restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 (*Options*) as it may deem advisable or desirable. Such conditions and restrictions may include, but shall not be limited to, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, or under any blue sky or state securities laws applicable to such Shares.

6.8 Notification of Disqualifying Disposition. If any Participant shall make any disposition of Shares issued pursuant to the exercise of an ISO under the circumstances described in Code Section 421(b) (relating to certain disqualifying dispositions), such Participant shall notify the Company of such disposition within ten (10) days thereof.

ARTICLE 7. STOCK APPRECIATION RIGHTS

7.1 Grant of SARs. Subject to the terms and conditions of this Plan, SARs may be granted to Eligible Individuals in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee. However, unless legitimate business criteria exist (within the meaning of Treas. Reg. Section 1.409A-1(b)(5)(iii)(E)(1)), an Eligible Individual may only be granted SARs to the extent that such individual provides services to the Company or an Affiliate of the Company that is part of the Company's controlled group for purposes of Code Section 409A.

7.2 SAR Award Agreement. Each SAR Award shall be evidenced by an Award Agreement that shall specify the Grant Price, the term of the SAR, and such other provisions as the Committee shall determine which are not inconsistent with the terms of this Plan.

7.3 Grant Price. The Grant Price for each grant of an SAR shall be determined by the Committee and shall be specified in the Award Agreement; provided, however, the Grant Price must be at least equal to one hundred percent (100%) of the FMV of the Shares as determined on the Grant Date.

7.4 Term of SAR. Each SAR granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no SAR shall be exercisable earlier than six (6) months after the Grant Date or later than the seventh (7th) anniversary date of the Grant Date.

7.5 Exercise of SARs. SARs may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes.

7.6 Settlement of SARs. Upon the exercise of a SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

(a) The excess of the Fair Market Value of a Share on the date of exercise over the Grant Price;

by

(b) The number of Shares with respect to which the SAR is exercised.

At the discretion of the Committee, the payment upon SAR exercise may be in cash, Shares, or any combination thereof, or in any other manner approved by the Committee in its sole discretion. The Committee's determination regarding the form of SAR payout shall be set forth in the Award Agreement pertaining to the grant of the SAR.

7.7 Other Conditions and Restrictions. The Committee may impose such other conditions and/or restrictions on any Shares received upon exercise of an SAR granted pursuant to this Plan as it may deem advisable or desirable. Such conditions and restrictions may include, but shall not be limited to, a requirement that the Participant hold the Shares received upon exercise of an SAR for a specified period of time.

ARTICLE 8. RESTRICTED STOCK AND RESTRICTED STOCK UNITS

8.1 Grant of Restricted Stock or Restricted Stock Units. Subject to the terms and provisions of this Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock and/or Restricted Stock Units to Eligible Individuals in such amounts as the Committee shall determine. Restricted Stock Units shall be similar to Restricted Stock except that no Shares are actually awarded to the Eligible Individual on the Grant Date.

8.2 Restricted Stock or Restricted Stock Unit Award Agreement. Each Award of Restricted Stock and/or Restricted Stock Unit shall be evidenced by an Award Agreement that shall specify the Restriction Period, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, and such other provisions as the Committee shall determine which are not inconsistent with the terms of this Plan.

8.3 Other Conditions and Restrictions. The Committee may impose such other conditions and/or restrictions on any Shares of Restricted Stock or Restricted Stock Units granted pursuant to this Plan as it may deem advisable or desirable. Such conditions and restrictions may include, but shall not be limited to, without limitation, a requirement that the Participant pay a stipulated purchase price for each Share of Restricted Stock or each Restricted Stock Unit, restrictions based upon the achievement of specific performance goals, acceleration of a Restriction Period based on the achievement of performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions, and/or restrictions under applicable laws or under the requirements of any stock exchange or market upon which such Shares are listed or traded, or holding requirements or sale restrictions placed on the Shares by the Company upon vesting of such Restricted Stock or Restricted Stock Units.

To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied or lapse. Except as otherwise provided in this Article 8 (*Restricted Stock and Restricted Stock Units*), Shares of Restricted Stock covered by each Restricted Stock Award shall become freely transferable by the Participant after all conditions and restrictions applicable to such Shares have been satisfied or lapse (including satisfaction of any applicable tax withholding obligations), and Restricted Stock Units shall be settled in cash, Shares, or a combination of cash and Shares as the Committee, in its sole discretion shall determine.

8.4 Certificate Legend. In addition to any legends placed on certificates pursuant to Section 8.3 (*Restricted Stock and Restricted Stock Units/Other Conditions and Restrictions*), each certificate representing Shares of Restricted Stock granted pursuant to this Plan may bear a legend such as the following or as otherwise determined by the Committee in its sole discretion:

"The sale or transfer of Shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in the Big Lots 2012 Long-Term Incentive Plan, and in the associated Award Agreement. A copy of this Plan and such Award Agreement may be obtained from Big Lots, Inc."

8.5 Rights. Unless otherwise determined by the Committee and set forth in a Participant's Award Agreement, to the extent permitted or required by law, as determined by the Committee, Participants holding Shares of Restricted Stock granted hereunder shall have the right to exercise full voting rights with respect to those Shares during the Period of Restriction. Unless otherwise determined by the Committee and set forth in a Participant's Award Agreement, a Participant receiving a Restricted Stock Award will have, with respect to the Restricted Stock, all of the rights of a shareholder of the Company holding the class of Shares that is the subject of the Restricted Stock, including, if applicable, the right to vote the shares and the right to receive any Dividend-Equivalent Rights pursuant to Article 17 (*Dividend-Equivalent Rights*) of this Plan. Any dividends paid on Restricted Stock will be subject to the same restrictions that affect the Restricted Stock with respect to which the dividend was paid. Dividends paid out of escrow will be treated as remuneration for employment unless an election has been made under Section 8.6 (*Restricted Stock and Restricted Stock Units/Section 83(b) Election*). A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder. A Participant shall have no dividend rights with respect to any Restricted Stock Units granted hereunder unless the Participant is also granted Dividend-Equivalent Rights.

8.6 Section 83(b) Election. The Committee may provide in an Award Agreement that the Award of Restricted Stock is conditioned upon the Participant making or refraining from making an election with respect to the Award under Code Section 83(b). If a Participant makes an election pursuant to Code Section 83(b) concerning a Restricted Stock Award, the Participant shall be required to file promptly a copy of such election with the Company.

ARTICLE 9. DEFERRED STOCK UNITS

9.1 In General. The Committee may, in accordance with the requirements of Code Section 409A, permit an Employee or Director to elect to defer receipt of all or a portion of his annual compensation, annual incentive bonus and/or long-term compensation (other than Options or SARs) ("Deferred Annual Amount") payable by the Company or an Affiliate and receive in lieu thereof an Award of elective Deferred Stock Units equal to the number which may be obtained by dividing (a) the amount of the Deferred Annual Amount, by (b) the Fair Market Value of a Share on the date such compensation and/or annual bonus would otherwise have been paid ("Deferred Stock Units"). Deferred Stock Units shall be evidenced by a deferral election form ("Deferral Election Form") containing such terms and conditions not inconsistent with this Plan or Code Section 409A as the Committee shall determine, including customary representations, warranties and covenants with respect to securities law matters. The Deferral Election Form shall serve as the Award Agreement for the Deferred Stock Units. Upon receipt of a Deferral Election Form, the Company shall establish a notional account for the Participant and will record in such account the number of Shares underlying the Deferred Stock Units awarded to the Participant. No Shares will be issued to the Participant at the time Deferred Stock Units are credited in connection with a Deferral Election Form.

9.2 Rights as a Stockholder. The Committee may, in its discretion, provide in the Deferral Election Form related to a Deferred Stock Unit, that Dividend Equivalent Rights shall be granted with respect to such Deferred Stock Unit, and if Dividend Equivalent Rights are granted, whether such Dividend Equivalent Rights shall be currently paid to, or credited to the account of, a Participant credited with Deferred Stock Units. Unless otherwise provided by the Committee in the Deferral Election Form, (a) any cash dividends or distributions credited to the Participant's account shall be deemed to have been invested in additional Deferred Stock Units on the record date established for the related dividend or distribution in an amount equal to the number which may be obtained by dividing (i) the value of such dividend or distribution on the record date by (ii) the Fair Market Value of a Share on such date, and such additional Deferred Stock Units shall be subject to the same terms and conditions as are applicable in respect of the Deferred Stock Units with respect to which such dividends or distributions were payable, and (b) if any such dividends or distributions are paid in Shares or other securities, such shares and other securities shall be subject to the same Restriction Period and other restrictions, if any, as apply to the Deferred Stock Units with respect to which they were paid. A Participant shall not have any rights as a shareholder in respect of Deferred Stock Units awarded pursuant to the Plan (including, without limitation, the right to vote on any matter submitted to the Company's shareholders) until such time as the Shares attributable to such Deferred Stock Units have been issued to such Participant or his beneficiary.

9.3 Vesting. Unless otherwise provided in the Deferral Election Form related to a Deferred Stock Unit, each Deferred Stock Unit, together with any Dividend–Equivalent Rights credited with respect thereto, shall not be subject to any Restriction Period and shall be non-forfeitable at all times.

9.4 Settlement. Subject to Article 24 (*General Provisions*), and the last sentence of Section 9.1 (*Deferred Stock Units/In General*), unless otherwise provided in the Deferral Election Form related to a Deferred Stock Unit, the Company shall issue the Shares underlying any of a Participant's Deferred Stock Units (and any related Dividend-Equivalent Rights) credited to such Participant's account under this Plan within ninety (90) days following the date of such Participant's Termination of Employment or Service (or such other Code Section 409A-compliant distribution event as may be elected by the Participant in the initial Deferral Election Form in accordance with the rules and procedures of the Committee and Code Section 409A). The Committee may provide, or the Participant may elect, in the Deferral Election Form applicable to any Deferred Stock Unit that, in lieu of issuing Shares in settlement of that Deferred Stock Units, the Fair Market Value of the Shares corresponding to such Deferred Stock Units shall be paid in cash. For each Share received in settlement of Deferred Stock Units, the Company shall deliver to the Participant a certificate representing such Share, bearing appropriate legends, if

applicable. Notwithstanding any other provision of the Plan to the contrary, any distribution that complies with Code Section 409A shall be deemed for all purposes to comply with the Plan requirements regarding the time and form of distributions.

9.5 Further Deferral Elections. If permitted by the Committee in the Deferral Election Form, a Participant may, elect to further defer receipt of Shares issuable in respect of Deferred Stock Units in accordance with the requirements of Code Section 409A. Any such redeferral election shall be valid only if : (a) such election does not take effect until at least twelve (12) months after the date on which it is made; (b) in the case of an election not related to a payment on account of Disability, death, or an unforeseeable emergency (within the meaning of Code Section 409A), the distribution is deferred for at least five (5) years from the date such distribution would otherwise have been paid; and (c) any election related to a distribution at a specified time or pursuant to a fixed schedule (within the meaning of Code Section 409A) is made at least twelve (12) months prior to the date on which distributions are otherwise scheduled to be paid. Any redeferral election in accordance with this paragraph shall be irrevocable on the date it is filed with the Committee unless subsequently changed pursuant to this paragraph.

ARTICLE 10. PERFORMANCE SHARES, PERFORMANCE SHARE UNITS, AND PERFORMANCE UNITS

10.1 Grant of Performance Shares, Performance Share Units, and Performance Units. Subject to the terms and provisions of this Plan, the Committee, at any time and from time to time, may grant Performance Shares, Performance Share Units, and/or Performance Units to Eligible Individuals in such amounts and upon such terms as the Committee shall determine.

10.2 Value of Performance Shares, Performance Share Units, and Performance Units. Each Performance Share and each Performance Share Unit shall have an initial value equal to the Fair Market Value of a Share on the Grant Date. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the value and/or number of Performance Shares, Performance Share Units, and/or Performance Units that will be paid out to the Participant.

10.3 Earning of Performance Shares, Performance Share Units, and Performance Units. Subject to the terms of this Plan, after the applicable Performance Period has ended, the holder of Performance Shares, Performance Share Units, and/or Performance Units shall be entitled to receive payout on the value and number of Performance Shares, Performance Share Units, and/or Performance Units earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved. Performance goals may include minimum, maximum and target levels of performance, with the size of the Award or payout of Performance Shares, Performance Share Units or Performance Units or the vesting or lapse of restrictions with respect thereto, based on the level attained. The Committee may also provide in any such Award that any evaluation of performance against a performance goal may include or exclude events that occur during a Performance Period (including the income tax effects attributable thereto), singularly or in combination.

10.4 Form and Timing of Payment of Performance Shares, Performance Share Units, and Performance Units. Payment of earned Performance Shares, Performance Share Units, and/or Performance Units shall be as determined by the Committee and as evidenced in the Award Agreement. Subject to the terms of this Plan, the Committee, in its sole discretion, may pay earned Performance Shares, Performance Share Units, and/or Performance Units in the form of cash or in Shares (or in a combination thereof) equal to the value of the earned Performance Shares, Performance Share Units, and/or Performance Units at the close of the applicable Performance Period, but no later than the fifteenth (15th) day of the third month after the year in which the Performance Period ended. Any Shares may be granted subject to any restrictions deemed appropriate by the Committee. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award.

ARTICLE 11. CASH-BASED AWARDS AND OTHER STOCK-BASED AWARDS

11.1 Grant of Cash-Based Awards. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Cash-Based Awards to Eligible Individuals in such amounts and upon such terms as the Committee may determine.

11.2 Other Stock-Based Awards. The Committee, at any time and from time to time, may grant to Eligible Individuals other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted Shares) in such amounts and subject to such terms and conditions, as the Committee shall determine. Such Awards may involve the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

11.3 Value of Cash-Based and Other Stock-Based Awards. Each Cash-Based Award shall specify a payment amount or payment range as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of Shares or units based on Shares, as determined by the Committee. The Committee may establish performance goals in its discretion. If the Committee exercises its discretion to establish performance goals, the number and/or value of Cash-Based Awards or Other Stock-Based Awards that will be paid out to the Participant will depend on the extent to which the performance goals are met.

11.4 Payment of Cash-Based Awards and Other Stock-Based Awards. Payment, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash or Shares as the Committee determines. The Company may pay earned Cash-Based Awards and Other Stock-Based Awards in the form of cash or in Shares (or in a combination thereof) equal to the value of the earned Award at the close of the applicable Performance Period, if any, but no later than the fifteenth (15th) day of the third month after the year in which the Performance Period ended, the award vests (unless a valid deferral election has been made), or the date the payment was otherwise scheduled to be made.

ARTICLE 12. NONEMPLOYEE DIRECTOR AWARDS

The Board or a committee of the Board shall determine all Awards to Nonemployee Directors. The terms and conditions of any grant to any such Nonemployee Director shall be set forth in an Award Agreement. Nonemployee Directors, pursuant to this Article 12 (*Nonemployee Director Awards*), may be awarded, or may be permitted to elect to receive, pursuant to the procedures established by the Board or a committee of the Board, all or any portion of their annual retainer, meeting fees or other fees in Shares, Restricted Stock, Restricted Stock Units, Deferred Stock Units or other Awards as contemplated by this Plan in lieu of cash.

ARTICLE 13. QUALIFIED PERFORMANCE-BASED AWARDS AND PERFORMANCE MEAS~~AS~~URES

13.1 In General. The Committee shall have the discretionary authority, consistent with Code Section 162(m), to structure any Awards granted to Covered Employees under this Plan to qualify as Qualified Performance-Based Awards. Only the Committee may grant Awards intended to be Qualified Performance-Based Awards. With respect to any Award intended to be a Qualified Performance-Based Award, this Plan and the applicable Award Agreement shall be interpreted and operated consistent with that intention.

13.2 Options and SARs. Compensation attributable to an Option or SAR is deemed to be a Qualified Performance-Based Award as long as (a) the Committee grants the Option and the SAR, (b) the Exercise Price and Grant Price, respectively, are not less than the Fair Market Value, and (c) such Option or SAR complies with the limitations imposed by Section 4.3 (*Shares Subject to this Plan and Award Limitations/Annual Award Limits*).

13.3 Qualified Performance-Based Awards Other Than Options or SARS. With respect to Qualified Performance-Based Awards that are not intended to be Options or SARs within the scope of Section 13.2 (*Qualified Performance-Based Awards and Performance Measures/Options and SARs)*, the vesting, exercisability, lapse of restrictions, payment or grant, as applicable, must be contingent upon the (a) attainment of a pre-established performance goal or measure (or combination thereof) as specified in this Article 13 (*Qualified Performance-Based Awards and Performance Measures*), and (b) certification described in Section 13.9 (*Qualified Performance-Based Awards and Performance Measures/Certification of Performance*).

13.4 Pre-Establishment Prerequisite for Qualified Performance-Based Awards Other Than Options or SARs. With respect to Qualified Performance-Based Awards that are not intended to be Options or SARs within the scope of Section 13.2 (*Qualified Performance-Based Awards and Performance Measures/Options and SARs)*, the Committee shall establish in writing on or before the Final Pre-Establishment Date (a) the Covered Employees to which objective performance goals or measures applicable to a given Performance Period will apply, (b) the objective performance goals or measures (as described in Article 13 (*Qualified Performance-Based Awards and Performance Measures*)) applicable to a given Performance Period, and (c) such performance goals shall state, in terms of an objective formula or standard, the method for computing the amount of compensation payable to the Covered Employee Participant if such performance goals are obtained. A formula or standard is objective if a third party having knowledge of the relevant performance results could calculate the amount to be paid to the Covered Employee.

13.5 Qualified Performance-Based Awards that have Base Pay or Salary-Based Formula Terms. With respect to any Qualified Performance-Based Award compensation formula that is based, in whole or in part, on a percentage of salary or base pay, such salary or base pay must be fixed on or before the Final Pre-Establishment Date for the service period to which the Qualified Performance-Based Award relates.

13.6 Prohibited Discretion. The terms of the objective formula or standard of a Qualified Performance-Based Award must preclude discretion to increase the amount of compensation payable that would otherwise be due upon attainment of the goal. However, the Committee shall retain the discretion to reduce or eliminate the amount of any Award payable to any Participant either on a formula or discretionary basis or any combination, as the Committee determines in its sole discretion.

13.7 Performance Goals for Qualified Performance-Based Awards. Effective as of the Restatement Effective Date, t~~T~~he performance goals upon which the payment or vesting of an Award to a Covered Employee that is intended to qualify as Qualified Performance-Based Awards shall be limited to the following Performance Measures, which will be derived using the accounting principles generally accepted in the United States of America, to the extent applicable, and will be reported or appear in the Company's filings with the Securities and Exchange Commission (including, but not limited to, Forms 8-K, 10-Q and 10-K) or the Company's annual report to shareholders and will be derived from one or more (or any combination of one or more) of the following:

(a) Earnings (loss) per common share from continuing operations; or

(b) Earnings (loss) per common share; or

(c) Operating profit (loss), ~~or~~ o~~O~~perating income (loss), or income (loss) from operations (as the case may be); or

(d) Income (Loss) from continuing operations before unusual or infrequent items; or

(e) Income (Loss) from continuing operations; or

(f) Income (Loss) from continuing operations before income taxes; or

(g) Income (Loss) from continuing operations before extraordinary item and/or cumulative effect of a change in accounting principle (as the case may be); or

(h) Income (Loss) before extraordinary item and/or cumulative effect of a change in accounting principle (as the case may be); or

(i) Net income (loss); or

(j) Income (Loss) before other comprehensive income (loss); or

(k) Comprehensive income (loss); or

(l) Income (Loss) before interest and income taxes (sometimes referred to as “EBIT”); or

(m) Income (Loss) before interest, income taxes, depreciation and amortization (sometimes referred to as “EBITDA”); or

(n) Any other objective and specific income (loss) category or non-GAAP financial measure that appears as a line item in the Company’s filings with the Securities and Exchange Commission or the annual report to shareholders; or

~~(n)~~(o) Any of items (c) through (n) on a weighted average common shares outstanding basis; or

~~(o)~~(p) Either of items (a) or (b) on a basic basis and any of items (c) through (n) on a basic earnings per share basis, as basic earnings per share is defined in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 260, Earnings Per Share (formerly Statement of Financial Accounting Standards (“SFAS”) No. 128), including authoritative interpretations or amendments thereof which may be issued from time to time as long as such interpretations or amendments are utilized on the consolidated statements of operations or statement of operations, as applicable, or in the notes to the consolidated financial statements; or

~~(p)~~(q) Either of items (a) or (b) on a diluted basis and any of items (c) through (n) on a diluted earnings per share basis, as diluted earnings per share is defined in ASC 260, Earnings Per Share (formerly SFAS No. 128), including authoritative interpretations or amendments thereof which may be issued from time to time as long as such interpretations or amendments are utilized on the consolidated statements of operations or statement of operations, as applicable, or in the notes to the consolidated financial statements; or

~~(q)~~(r) Common stock price; or

~~(r)~~(s) Total shareholder return expressed on a dollar or percentage basis as is customarily disclosed in the proxy statement accompanying the notice of annual meetings of shareholders; or

~~(s)~~(t) Percentage increase in comparable store sales; or

~~(t)~~(u) Gross profit (loss) or gross margin (loss) (as the case may be); or

(v) Economic value added; or

(w) Return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue); or

(x) Expense targets; or

(y) Cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment); or

(z) Productivity ratios; or

(aa) Market share; or

(bb) Customer satisfaction; or

(cc) Working capital targets and change in working capital; or

~~(u)~~(dd) Any of items (a) through (cc~~u~~) with respect to any subsidiary, Affiliate, business unit, business group, business venture or legal entity, including any combination thereof, or controlled directly or indirectly by the Company whether or not such information is included in the Company’s annual report to shareholders, proxy statement or notice of annual meeting of shareholders; or

~~(v)~~(ee) Any of items (a) through (cc~~u~~) above may be determined before or after a minority interest’s share as designated by the Committee; or

~~(w)~~(ff) Any of items (a) through (cc~~u~~) above with respect to the period of service to which the performance goal relates whether or not such information is included in the Company’s SEC filings, annual report to shareholders, proxy statement or notice of annual meetings of shareholders; or

~~(x)~~(gg) Total shareholder return ranking position meaning the relative placement of the Company's total shareholder return (as determined in (s~~r~~) above) compared to those publicly held companies in the Company's peer group as established by the Committee prior to the beginning of a vesting period or such later date as permitted under the Code. The peer group shall be comprised of not less than eight and not more than sixteen companies, including the Company; or

(hh) With respect to items (a), (b), (o), ~~and~~ (p) and (q) above, other terminology may be used for each such performance criteria (including, but not limited to, "Basic EPS," "income (loss) per common share," "diluted EPS," or "earnings per common share-assuming dilution") as contemplated in ASC 260, Earnings Per Share (formerly SFAS No. 128), as amended, revised or superseded.

13.8 Evaluation of Performance. Effective as of the Restatement Effective Date, t~~T~~he Committee may provide in any Award that any evaluation of performance may include or exclude any of the following events that occur during a Performance Period (including the income tax effects attributable thereto), singularly or in combination, to the goals/targets in recognition of the following categories (or any particular item(s) within the following categories or portion(s) thereof):

(a) Asset impairments as described in ASC 360, Property, Plant and Equipment (formerly SFAS No. 144), as amended, revised or superseded; or

(b) Costs associated with exit or disposal activities as described in ASC 420, Exit or Disposal Cost Obligations (formerly SFAS No. 146), as amended, revised or superseded; or

(c) Impairment charges (excluding the amortization thereof) related to goodwill or other intangible assets, as described in ASC 350, Intangibles – Goodwill and Other (formerly SFAS No. 142), as amended, revised or superseded; or

(d) Integration costs related to all merger and acquisition activity of the Company and/or its Affiliates, including, without limitation, any merger, acquisition, reverse merger, triangular merger, tender offer, consolidation, amalgamation, arrangement, security exchange, business combination or any other purchase or sale involving the Company and/or its Affiliates (or foreign equivalent of any of the foregoing); or

(e) Transaction costs related to all merger and acquisition activity of the Company and/or its Affiliates, including, without limitation, any merger, acquisition, reverse merger, triangular merger, tender offer, consolidation, amalgamation, arrangement, security exchange, business combination or any other purchase or sale involving the Company and/or its Affiliates (or foreign equivalent of any of the foregoing); or

(f) Any profit or loss attributable to the business operations of a specified segment as described in ASC 280, Segment Reporting (formerly SFAS No. 131), as amended, revised or superseded; or

(g) Any profit or loss attributable to a specified segment as described in ASC 280, Segment Reporting (formerly SFAS No. 131), as amended, revised or superseded acquired during the Performance Period or an entity or entities acquired during the Performance Period to which the performance goal relates; or

(h) Any tax settlement(s) with a tax authority; or

(i) Any extraordinary item, event or transaction as described in ASC 225-20, Income Statement – Extraordinary and Unusual Items (formerly Accounting Principles Board Opinion ("APB") No. 30), as amended, revised or superseded; or

(j) Any unusual in nature, or infrequent in occurrence items, events or transactions (that are not "extraordinary" items) as described in ASC 225-2~~1~~0, Income Statement – Extraordinary and Unusual Items (formerly APB No. 30), as amended, revised or superseded; or

(k) Any other non-recurring items, any events or transactions that do not constitute ongoing operations, or other non-GAAP financial measures (not otherwise listed); or

(l) Any change in accounting principle as described in ASC 250-10, Accounting Changes and Error Corrections (formerly SFAS No. 154), as amended, revised or superseded; or

(m) Unrealized gains or losses on investments in debt and equity securities as described in ASC 320, Investments – Debt and Equity Securities (formerly SFAS No. 115), as amended, revised or superseded; or

(n) Any gain or loss recognized as a result of derivative instrument transactions or other hedging activities as described in ASC 815, Derivatives and Hedging (formerly SFAS No. 133), as amended, revised or superseded; or

(o) Stock-based compensation charges as described in ASC 718, Compensation – Stock Compensation and ASC 505-50, Equity Based Payments to Non Employees (formerly SFAS No. 123R), as amended, revised or superseded; or

(p) Any gain or loss as reported as a component of other comprehensive income as described in ASC 220, Comprehensive Income (formerly SFAS No. 130), as amended, revised or superseded; or

(q) Any expense (or reversal thereof) as a result of incurring an obligation for a direct or indirect guarantee, as described in ASC 460, Guarantees (formerly FASB Interpretations ("FIN") No. 45), as amended, revised or superseded; or

(r) Any gain~~profit~~ or loss as the result of the consolidation of a variable interest entity as described in ASC 810, Consolidation (formerly FIN No. 46R), as amended, revised or superseded; or

(s) Any expense, gain or loss (including, but not limited to, judgments, interest on judgments, settlement amounts, attorneys' fees and costs, filing fees, experts' fees, and damages sustained as a result of the imposition of injunctive relief) as a result of claims, litigation or lawsuit settlement (including collective actions or class action lawsuits); or

(t) Any charges associated with the early retirement of debt; or

(u) The relevant tax effect(s) of tax laws or regulations, or amendments thereto, that become effective after the beginning of the applicable Performance Period.

To the extent such inclusions or exclusions affect Awards to Covered Employees, they shall be prescribed in a form that meets the requirements of Code Section 162(m) for deductibility.

13.9 Certification of Performance. No Qualified Performance-Based Award shall vest, have restrictions lapse, be payable or granted, as the case may be, any earlier than the Committee certifies in writing (in any manner allowable under Code Section 162(m)) the extent or level of achievement (if at all) to which the objective performance goals (and other material terms) applicable to the Performance Period were satisfied. As provided in Section 13.6 (*Qualified Performance-Based Awards and Performance Measures/Prohibited Discretion*), the Committee may reduce or eliminate (but not increase) the amount of any Award otherwise payable to a Participant.

13.10 Death, Disability or Other Circumstances. The Committee may provide in the Award Agreement that an Award intended to qualify as a Qualified Performance-Based Award under this Article 13 (*Qualified Performance-Based Awards and Performance Measures*) shall be payable, in whole or in part, in the event of the Participant's death or Disability, a Change in Control, or under other circumstances consistent with the requirements of Code Section 162(m).

13.11 Committee Discretion. In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards that shall not qualify as Qualified Performance-Based Awards, the Committee may make such grants without satisfying the requirements of Code Section 162(m) and base vesting on Performance Measures other than those set forth in Section 13.1 (*Qualified Performance-Based Awards and Performance Measures/In General*).

13.12 Shareholder Approval for Qualified Performance-Based Awards. The material terms of the performance goals with respect to Qualified Performance-Based Awards must be reapproved by the Company's shareholders no later than the first shareholders meeting that occurs in the fifth (5th) year following the year in which the shareholders previously approved the provisions of this Article 13 (*Qualified Performance-Based Awards and Performance Measures*), if Qualified Performance-Based Awards are to be made under Article 13 (*Qualified Performance-Based Awards and Performance Measures*) after the date of such shareholders meeting and if required by Code Section 162(m). The material terms include the employees eligible to receive Qualified

Performance-Based Awards, a description of the business criteria on which the performance goal is based, and either the maximum amount of compensation that could be paid to any employee or the formula used to calculate the amount of compensation to be paid to the employee if the performance goal is attained.

ARTICLE 14. TRANSFERABILITY OF AWARDS

During a Participant's lifetime, his or her Awards shall be exercisable only by the Participant (or by the Participant's legal representative in the event of the Participant's incapacity). Awards shall not be transferable other than by will or the laws of descent and distribution; no Awards shall be subject, in whole or in part, to attachment, execution, or levy of any kind; and any purported transfer in violation hereof shall be null and void.

ARTICLE 15. IMPACT OF TERMINATION OF EMPLOYMENT OR SERVICE ON AWARDS

15.1 In General. Unless otherwise determined by the Committee and set forth in the Award Agreement, upon a Participant's Termination of Employment or Service with or to the Company or an Affiliate, for any reason whatsoever, except as otherwise set forth in this Article 15 (*Impact of Termination of Employment or Service on Awards*), in an Award Agreement or, with the consent of such individual, as determined by the Committee at any time prior to or after such termination, Awards granted to such Participant will be treated as follows:

(a) Any Options and SARs will (i) to the extent not vested and exercisable as of the date of such Termination of Employment or Service with or to the Company or an Affiliate, terminate on the date of such termination, and (ii) to the extent vested and exercisable as of the date of such Termination of Employment or Service with or to the Company or an Affiliate, remain exercisable for a period of one (1) year following the date of such termination (but in no event beyond the maximum term of such Award); provided, however, that a Participant may not exercise an ISO more than three (3) months following the date of such termination for any reason other than death or Disability (but in no event beyond the maximum term of such Award).

(b) Any unvested portion of any Restricted Stock, Restricted Stock Units, or Deferred Stock Units will be immediately forfeited.

(c) Any Performance Shares, Performance Share Units, or Performance Units will be immediately forfeited and terminate.

(d) Any other Awards, including, but not limited to, Cash-Based Awards and Other Stock-Based Awards, to the extent not vested will be immediately forfeited and terminate.

15.2 Upon Termination of Employment or Service in Connection with a Change in Control. Except as otherwise provided in an Award Agreement, upon a Termination of Employment or Service in connection with a change in control, Awards granted to a Participant will be treated as set forth in Article 20 (*Change in Control*).

15.3 Bona Fide Leave. Notwithstanding the fact that a Participant's employment ostensibly terminates and except as otherwise provided in an Award Agreement, if the Participant is on a bona fide leave of absence, as defined in Treas. Reg. Section 1.409A-1(h)(1), then the Participant will be treated as having a continuing employment relationship (and not as having terminated employment for purposes of this Plan) so long as the period of the leave does not exceed six (6) months, or if longer, so long as the Participant retains a right to reemployment with the Company or an Affiliate under an applicable statute or by contract.

15.4 Change in Participant Status. If a Participant changes status from an Employee, Director, or Third Party Service Provider to an Employee, Director, and/or Third Party Service Provider, without interruption, the Committee, in its sole discretion, may permit any Award held by such Participant at the time of such change in status to be unaffected by such status change; provided, however, that an ISO held by an Employee shall be treated as a NQSO on the first (1st) day that is three (3) months after the date that the Participant ceases to be an Employee.

ARTICLE 16. SUBSTITUTION AWARDS

Awards may be granted under the Plan from time to time in substitution for stock options and other awards held by employees or directors of other entities who are about to become Employees, whose employer is about to become an Affiliate as the result of a merger or consolidation of the Company or its Affiliate with another corporation, or the acquisition by the Company or its Affiliate of substantially all the assets of another corporation, or the acquisition by the Company or its Affiliate of at least fifty percent (50%) of the issued and outstanding stock of another corporation as the result of which such other corporation will become a subsidiary. The terms and conditions of the substitute Awards so granted may vary from the terms and conditions set forth in the Plan to such extent as the Board at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the award in substitution for which they are granted to ensure that the requirements imposed under Code Section 409A and 424, to the extent applicable, are satisfied.

ARTICLE 17. DIVIDEND-EQUIVALENT RIGHTS

Any Participant selected by the Committee may be granted Dividend-Equivalent Rights (in connection with any Award other than an Option of SAR) based on the dividends declared on Shares that are subject to the Award to which they relate, to be credited as of dividend payment dates, during the period between the date the Award is granted and the date the Award is exercised, vests or expires, as determined by the Committee. Such Dividend-Equivalent Rights shall be converted to cash or additional Shares by such formula and at such time and subject to such limitations as may be determined by the Committee. Notwithstanding the foregoing, if any Award for which Dividend-Equivalent Rights have been granted has its vesting or grant dependent upon the achievement of one or more performance goals, then the Dividend-Equivalent Rights shall accrue and only be paid to the extent the Award becomes vested. Under no circumstances may Dividend-Equivalent Rights be granted for any Option or SAR.

ARTICLE 18. BENEFICIARY DESIGNATION

Each Participant under this Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Plan is to be paid in case of his death before he receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Company during the Participant’s lifetime. In the absence of any such beneficiary designation, benefits remaining unpaid or rights remaining unexercised at the Participant’s death shall be paid to or exercised by the Participant’s executor, administrator, or legal representative.

ARTICLE 19. RIGHTS OF PARTICIPANTS

19.1 Employment/Service. Nothing in this Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or its Affiliates to terminate any Participant’s employment or service on the Board or to the Company or its Affiliates at any time or for any reason, nor confer upon any Participant any right to continue his employment or service as a Director or Third Party Service Provider for any specified period of time. Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company or any of its Affiliates and, accordingly, subject to Article 3 (*Administration*) and Article 21 (*Amendment, Modification, Suspension, and Termination*), this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to any liability on the part of the Company or its Affiliates. Nothing contained herein shall be deemed to alter the relationship between the Company or an Affiliate and a Participant, or the contractual relationship between a Participant and the Company or an Affiliate if there is a written contract regarding such relationship.

19.2 Participation. No individual shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

19.3 Rights as a Shareholder. Except as otherwise provided herein, a Participant shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Participant becomes the record holder of such Shares.

ARTICLE 20. CHANGE IN CONTROL

20.1 Impact of Event. Notwithstanding any other provision of the Plan to the contrary and unless otherwise specifically provided in an Award Agreement, but subject to Section 4.4 (*Shares Subject to this Plan and Award Limitations/Adjustments in Authorized Shares*) in the event of a Change in Control:

(a) Any Options and SARs outstanding as of the date of such Change in Control and not then exercisable shall become fully exercisable to the full extent of the original grant;

(b) All remaining Restriction Periods shall be accelerated and any remaining restrictions applicable to any Restricted Stock Awards shall lapse and such Restricted Stock shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant;

(c) All remaining Restriction Periods shall be accelerated and any remaining restrictions applicable to any Restricted Stock Units shall lapse and such Restricted Stock Units shall become free of all restrictions and become fully vested and redeemed to the full extent of the original grant (i.e., the Restriction Period shall lapse);

(d) Any performance goal or other condition with respect to any Performance Units, Performance Shares, and Performance Share Units shall be deemed to have been satisfied in full, and the Common Shares or cash subject to such Award shall be fully distributable;

(e) Any remaining restrictions, performance goals or other conditions with respect to any Deferred Stock Units shall lapse and such Deferred Stock Unit shall be deemed to have been satisfied in full, and the Common Shares or cash subject to such Award shall be fully distributable; and

(f) Any Cash-Based Awards and Other Stock-Based Awards outstanding as of the date of such Change in Control and not then vested shall vest to the full extent of the original grant.

Notwithstanding the foregoing, with respect to any Award that provides for the deferral of compensation and is subject to Code Section 409A, unless the Committee determines otherwise in the Award Agreement, such Award shall be paid, distributed or settled, as applicable: (i) on the occurrence of a Change in Control if that Change in Control constitutes a "change in control event" within the meaning of Code Section 409A; or (ii) in accordance with the terms provided in the Award Agreement if that Change in Control does not constitute a "change in control event" within the meaning of Code Section 409A.

20.2 Effect of Code Section 280G. Except as otherwise provided in the Award Agreement or any other written agreement between the Participant and the Company or any Affiliate in effect on the date of the Change in Control, if the sum (or value) due under Section 20.1 (*Change in Control/Impact of Event*) that are characterizable as parachute payments, when combined with other parachute payments attributable to the same Change in Control, constitute "excess parachute payments" as defined in Code Section 280G(b)(1), the entity responsible for making those payments or its successor or successors (collectively, "Payor") will reduce the Participant's benefits under the Plan by the smaller of (a) the value of the sum or the value of the payments due under Section 20.1 (*Change in Control/Effect of Code Section 280G*), or (b) the amount necessary to ensure that the Participant's total "parachute payment" as defined in Code Section 280G(b)(2)(A) under the Plan and all other agreements will be $1.00 less than the amount that would generate an excise tax under Code Section 4999. Any reduction pursuant to this Section 20.2 (*Change in Control/Effect of Code Section 280G*) shall be first applied against parachute payments (as determined above) that are not subject to Code Section 409A and, thereafter, shall be applied against all remaining parachute payments (as determined above) subject to Code Section 409A on a pro rata basis.

ARTICLE 21. AMENDMENT, MODIFICATION, SUSPENSION, AND TERMINATION

21.1 Amendment, Modification, Suspension, and Termination. Subject to Section 21.3 (*Amendment, Modification, Suspension, and Termination/Awards Previously Granted*) and Section 21.5 (*Amendment, Modification, Suspension, and Termination/Repricing Prohibition*), the Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate this Plan and/or any Award Agreement in whole or in part; provided, however, that no material amendment of this Plan shall be made without shareholder approval if shareholder approval is required by law, regulation, or stock exchange rule.

21.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. Except to the extent prohibited under Code Sections 409A and 424, to the extent applicable, the Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (other than those described in Section 4.4 (*Shares Subject to this Plan and Award Limitations/ Adjustments in Authorized Shares*) hereof), affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under this Plan.

21.3 Awards Previously Granted. Notwithstanding any other provision of this Plan to the contrary (other than Section 21.4 (*Amendment, Modification, Suspension, and Termination/Amendment to Conform to Law*)), no termination, amendment, suspension, or modification of this Plan or an Award Agreement shall adversely affect in any material way any Award previously granted under this Plan, without the written consent of the Participant holding such Award.

21.4 Amendment to Conform to Law. Notwithstanding any other provision of this Plan to the contrary, the Board of Directors may amend the Plan or an Award Agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of (a) conforming the Plan or an Award Agreement to any present or future law relating to plans of this or similar nature (including, but not limited to, Code Section 409A to the extent applicable), and to the administrative regulations and rulings promulgated thereunder; (b) permitting the Company or its Affiliates to receive a tax deduction under applicable law; or (c) avoiding an expense charge to the Company or its Affiliates. By accepting an Award under this Plan, a Participant consents to any amendment made pursuant to this Section 21.4 (*Amendment, Modification, Suspension, and Termination/Amendment to Conform to* Law) to any Award granted under the Plan without further consideration or action.

21.5 Repricing Prohibition. Except to the extent (a) approved by the Company's shareholders, or (b) provided in Section 4.4 (*Shares Subject to this Plan and Award Limitations/Adjustments in Authorized Shares*), the Committee shall not have the power or authority to reduce, whether through amendment or otherwise, the Exercise Price or the Grant Price of any outstanding Option or SAR or to grant any new Award, or make any cash payment, in substitution for or upon the cancellation of Options or SARs previously granted.

21.6 Reload Prohibition. Regardless of any other provision of the Plan, no Participant will be entitled to (and no Committee discretion may be exercised to extend to any Participant) an automatic grant of additional Awards in connection with the exercise of an Option or otherwise.

ARTICLE 22. WITHHOLDING

22.1 Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, the minimum statutory amount to satisfy federal, state, provincial, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan. As soon as practicable after the date as of which the amount first becomes includible in the gross income of the Participant (but no later than the last business day of the calendar quarter during which the amount first becomes includible in gross income), the Participant shall pay to the Company or an Affiliate (or other entity identified by the Committee), or make arrangements satisfactory to the Company or other entity identified by the Committee regarding the payment of any federal, state, provincial, or local taxes of any kind (including any employment taxes) required by law to be withheld with respect to such income. The obligations of the Company

under this Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant.

22.2 Share Withholding. With respect to withholding required upon the exercise of Options or SARs, upon the lapse of restrictions on Restricted Stock and Restricted Stock Units, or upon the achievement of performance goals related to Performance Shares, or any other taxable event arising as a result of an Award granted hereunder, unless the Participant has elected, with the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by paying the taxes in cash or transferring to the Company Shares owned by the Participant that would satisfy the minimum statutory total tax (but no more than such minimum) with respect to the Company's withholding obligation, the Participant shall be deemed to have elected to have the Company withhold a number of Shares that would satisfy the minimum statutory total tax (but no more than the such minimum) that could be imposed on the transaction. All such elections shall be irrevocable, made by the Participant in a manner approved by the Committee, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

ARTICLE 23. SUCCESSORS

All obligations of the Company under this Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company. All obligations imposed upon a Participant, and all rights granted to the Company hereunder, shall be binding upon each Participant's heirs, legal representatives, and successors.

ARTICLE 24. GENERAL PROVISIONS

24.1 Recovery of Compensation. Any Award issued under this Plan will be subject to any clawback policy developed by the Board of Directors or the Committee that is consistent with applicable law, whether such Award was granted before or after the effective date of any such clawback policy.

24.2 Legend. The certificates for Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer of such Shares.

24.3 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the singular shall include the plural, and the plural shall include the singular.

24.4 Severability. In the event that any one or more of the provisions of this Plan shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

24.5 Compliance with Legal and Exchange Requirements. The Plan, the granting and exercising of Awards thereunder, and any obligations of the Company under the Plan, shall be subject to all applicable federal and state laws, rules, and regulations, and to such approvals by any regulatory or governmental agency as may be required, and to any rules or regulations of any stock exchange on which the Shares are listed. The Company, in its discretion, may postpone the granting and exercising of Awards, the issuance or delivery of Shares under any Award or any other action permitted under the Plan to permit the Company, with reasonable diligence, to complete such stock exchange listing or registration or qualification of such Shares or other required action under any federal or state law, rule, or regulation and may require any Participant to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Shares in compliance with applicable laws, rules, and regulations. The Company shall not be obligated by virtue of any provision of the Plan to recognize the exercise of any Award or to otherwise sell or issue Shares in violation of any such laws, rules, or regulations, and any postponement of the exercise or settlement of any Award under this provision shall not extend the term of such Awards. Neither the Company nor its Affiliates, or the directors or officers of any such entities, shall have any obligation or liability to a Participant with respect to any Award (or Shares issuable thereunder) that shall lapse because of such postponement.

24.6 No Limitation on Compensation. Nothing in the Plan shall be construed to limit the right of the Company to establish other plans or to pay compensation to its employees, in cash or property, in a manner which is not expressly authorized under the Plan.

24.7 Investment Representations. The Committee may require any individual receiving Shares pursuant to an Award under this Plan to represent and warrant in writing that the individual is acquiring the Shares for investment and without any present intention to sell or distribute such Shares.

24.8 Employees Based Outside of the United States. Notwithstanding any provision of this Plan to the contrary, in order to comply with the laws in other countries in which the Company or its Affiliates operate or have Employees, Directors or Third Party Service Providers, the Committee, in its sole discretion, shall have the power and authority to:

(a) Determine which Affiliates shall be covered by this Plan;

(b) Determine which Employees, Directors and/or Third Party Service Providers outside the United States are eligible to participate in this Plan;

(c) Modify the terms and conditions of any Award granted to Employees, Directors and/or Third Party Service Providers outside the United States to comply with applicable foreign laws;

(d) Establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 24.8 (*General Provisions/Employees Based Outside of the United* States) by the Committee shall be attached to this Plan document as appendices; and

(e) Take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals.

Notwithstanding the above, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate applicable law.

24.9 Uncertificated Shares. To the extent that this Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

24.10 Unfunded Plan. It is intended that this Plan be an "unfunded" plan for incentive compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under this Plan to deliver Shares or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of this Plan and Participants shall have no right, title, or interest whatsoever in or to any investments that the Company or its Affiliates may make to aid it in meeting its obligations under this Plan.

24.11 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to this Plan or any Award. The Committee shall determine whether cash, Awards, or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated (i.e., rounded down to the nearest whole Share).

24.12 No Impact on Benefits. Except as may otherwise be specifically stated under any employee benefit plan, policy or program, no amount payable in respect of any Award shall be treated as compensation for purposes of calculating a Participant's right under any such plan, policy or program.

24.13 Compliance with Code Section 409A.

(a) **In General**. The Plan is intended to be administered in a manner consistent with the requirements, where applicable, of Code Section 409A. All Award Agreements shall be construed and administered such that the Award either (i) qualifies for an exemption from the requirements of Code Section 409A or (ii) satisfies the requirements of Code Section 409A. To the extent that any provision of the Plan or an Award Agreement would cause a conflict with the requirements of Code Section 409A, or would cause the administration of the Plan or an Award to fail to satisfy the requirements of Code Section 409A, such provision shall be deemed amended to the extent practicable to avoid adverse tax consequences under Code Section 409A for the Participant (including his or her beneficiaries). In no event shall a Participant, directly or indirectly, designate the calendar

year in which payment, distribution or settlement, as applicable, of an Award subject to Code Section 409A is made, except in accordance with Code Section 409A. Notwithstanding any provision in this Plan to the contrary, neither the Company nor the Committee shall have any liability to any person in the event such Code Section 409A applies to any Award in a manner that results in adverse tax consequences for the Participant or any of his or her beneficiaries.

(b) **Six-Month Delay for Specified Employees**. Notwithstanding anything in this Plan or an Award Agreement to the contrary, if a Participant is a "specified employee," within the meaning of Code Section 409A and as determined under the Company's policy for determining specified employees, on the date of his "separation from service", within the meaning of Code Section 409A, the distribution, payment or settlement, as applicable, of all of Participant's Awards that are both (i) subject to Code Section 409A and (ii) distributable, payable or settleable, as appropriate, on account of a separation from service, shall be postponed for six (6) months following the date of the Participant's separation from service. If a distribution, payment or settlement, as applicable, is delayed pursuant to this paragraph, the distribution, payment or settlement, as applicable, shall be made within the thirty (30)-day period following the first (1st) business day of the seventh (7th) month following the Participant's separation from service; provided that if the Participant dies during such six (6)-month period, any postponed amounts shall be paid within ninety (90) days of the Participant's death. This distribution, payment or settlement, as applicable, shall include the cumulative amount of any amount that could not be paid or provided during such period.

(c) **Elective Deferrals**. No Participant elective deferrals or re-deferrals of compensation (as defined under Code Section 409A and/or guidance thereto) other than in regard to Deferred Stock Units are permitted under this Plan. Instead, any such elective deferrals of compensation shall only be permitted pursuant to the Company's nonqualified deferred compensation plan. To the extent elective deferrals or re-deferrals are permitted under this Plan, such elections shall be made in accordance with the requirements of Code Section 409A and the rules, procedures and forms specified from time to time by the Committee.

(d) **Mandatory Deferrals**. If, at the grant of an Award under this Plan, the Committee decides that the payment of compensation with respect to such Award shall be deferred compensation within the meaning of Code Section 409A, then, the Committee shall set forth the time and form of payment in the Award Agreement in a manner consistent with Code Section 409A.

(e) **Timing of Payments**. Payment(s) of compensation that is subject to Code Section 409A shall only be made in the form and upon an event or at a time permitted under Code Section 409A.

24.14 Nonexclusivity of this Plan. The adoption of this Plan shall not be construed as creating any limitations on the power of the Board or Committee to adopt such other compensation arrangements as it may deem desirable for any Participant.

24.15 No Constraint on Corporate Action. Nothing in this Plan shall be construed to: (a) limit, impair, or otherwise affect the Company's or an Affiliate's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or (b) limit the right or power of the Company or an Affiliate to take any action which such entity deems to be necessary or appropriate.

24.16 Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of this Plan, and shall not be employed in the construction of this Plan.

24.17 Offset. Subject to the requirements of Code Section 409A, if applicable, (a) any amounts owed to the Company or an Affiliate by a Participant of whatever nature up to the fullest extent permitted by applicable law may be offset by the Company from the value of any Award to be transferred to the Participant, and (b) no Shares, cash or other thing of value under the Plan or an Award Agreement shall be transferred unless and until all disputes between the Company and the Participant have been fully and finally resolved and the Participant has waived all claims to such against the Company and its Affiliates. However, no waiver of any liability (or the right to apply the offset described in this Section 24.17 (*General Provisions/Offset*) may be inferred because the Company pays an Award to a Participant with an outstanding liability owed to the Company or an Affiliate.

24.18 Governing Law. The Plan and each Award Agreement shall be governed by the laws of the State of Ohio, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan to the substantive law of another jurisdiction. The Plan shall be construed to comply with all applicable law and to avoid liability (other than a liability expressly assumed under the Plan or an Award Agreement) to the Company, an Affiliate or a Participant. Recipients of an Award under this Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts located in Franklin County, Ohio, to resolve any and all issues that may arise out of or relate to this Plan or any related Award Agreement.

24.19 Delivery and Execution of Electronic Documents. To the extent permitted by applicable law, the Company may (a) deliver by email or other electronic means (including posting on a web site maintained by the Company or an Affiliate or by a third party under contract with the Company or an Affiliate) all documents relating to the Plan or any Award thereunder (including without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including without limitation, annual reports and proxy statements), and (b) permit Participants to electronically execute applicable Plan documents (including, but not limited to, Award Agreements) in a manner prescribed by the Committee.

24.20 No Representations or Warranties Regarding Tax Affect. Notwithstanding any provision of the Plan to the contrary, the Company, its Affiliates, the Board, and the Committee neither represent nor warrant the tax treatment under any federal, state, local or foreign laws and regulations thereunder (individually and collectively referred to as the "Tax Laws") of any Award granted or any amounts paid to any Participant under the Plan including, but not limited to, when and to what extent such Awards or amounts may be subject to tax, penalties and interest under the Tax Laws.

24.21 Indemnification. To the maximum extent permitted under the Company's Articles of Incorporation and Code of Regulations, each person who is or shall have been a member of the Board, a committee appointed by the Board, or an officer of the Company to whom authority was delegated in accordance with Article 3 (*Administration*), shall be indemnified and held harmless by the Company against and from any (a) loss, cost, liability, or expense (including attorneys' fees) that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under this Plan or any Award Agreement, and (b) from any and all amounts paid by him or her in settlement thereof, with the Company's prior written approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her; provided, however, that he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Code of Regulations, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

24.22 No Obligation to Disclose Material Information. Except to the extent required by applicable securities laws, none of the Company, an Affiliate, the Committee, or the Board shall have any duty or obligation to affirmatively disclose material information to a record or beneficial holder of Shares or an Award, and such holder shall have no right to be advised of any material information regarding the Company or any Affiliate at any time prior to, upon or in connection with receipt or the exercise or distribution of an Award. The Company makes no representation or warranty as to the future value of the Shares that may be issued or acquired under the Plan.

24.23 Entire Agreement. Except as expressly provided otherwise, this Plan and any Award Agreement constitute the entire agreement with respect to the subject matter hereof and thereof, provided that in the event of any inconsistency between this Plan and any Award Agreement, the terms and conditions of the Plan shall control.

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APPENDIX B

BIG LOTS

2006 BONUS PLAN

AMENDED AND RESTATED
EFFECTIVE MAY ~~27, 2010~~29, 2014

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BIG LOTS 2006 BONUS PLAN

1. NAME

1.01. The Big Lots 2006 Bonus Plan (the “Plan”) was originally established by Big Lots, Inc., effective as of January 29, 2006 (the “Effective Date”), subject to approval by the Company’s shareholders no later than June 1, 2006. The Plan ~~was first~~has been amended and restated effective December 4, 2008 and May 27, 2010. The Plan is, subject to approval by the Company’s shareholders, hereby amended and restated a ~~second~~third time, effective May ~~27, 2010~~29, 2014 (the “Restatement Effective Date”).

2. PURPOSE

2.01. The Plan is designed to: (a) assist the Company and its Affiliates in attracting, retaining and motivating employees; (b) align Participants’ interests with those of the Company’s shareholders; and (c) qualify compensation paid to Participants who are “Covered Associates” as “qualified performance-based compensation” within the meaning of section 162(m) of the IRC or a successor provision.

3. DEFINITIONS

3.01. “Acquired Corporation” has the meaning ascribed in Section 3.07.

3.02. “Affiliate” means any person with whom the Company would be considered a single employer under IRC section 414(b) or (c).

3.03. “Base Salary” means ~~as to a Performance Period~~ a Participant’s actual annualized gross salary rate (currently known as regular pay) in effect on the Determination Date. Such salary shall be before: (a) deductions for taxes and benefits; and (b) deferrals of salary pursuant to Company-sponsored plans.

3.04. “Beneficiary” means the person or persons entitled to receive the interest of a Participant in the event of the Participant’s death.

3.05. “Board” means the Board of Directors of the Company.

3.06. “Bonus” means a payment subject to the provisions of this Plan.

3.07. “Change of Control” means any one or more of the following events: (a) the acquisition by any person (as defined under IRC section 409A), or more than one person acting as a group (as defined under IRC section 409A), of stock of the Company that, together with stock held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the Company; (b) the acquisition by an person or group, within any 12 month period, of stock of the Company possessing 30 percent or more of the total voting power of all of the stock of the Company; (c) a majority of the Board then in office is replaced within any period of 12 months or less 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 d) the acquisition by any person, or more than one person acting as a group, within any 12 month period, of assets from the Company that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. This definition of Change of Control under this Section 3.07 shall be interpreted in a manner that is consistent with the definition of “change in control event” under IRC section 409A and the Treasury Regulations promulgated thereunder. Provided, however, the other provisions of this Section 3.07 notwithstanding, the term “Change of Control” shall not mean any merger, consolidation, reorganization, or other transaction in which the Company exchanges or offers to exchange newly-issued or treasury Common Shares representing

20 percent or more, but less than 50 percent, of the outstanding equity securities of the Company entitled to vote for the election of directors, for 51 percent or more of the outstanding equity securities entitled to vote for the election of at least the majority of the directors of a corporation other than the Company or an Affiliate (the “Acquired Corporation”), or for all or substantially all of the assets of the Acquired Corporation.

3.08. “Committee” means the Compensation Committee of the Board, which shall consist of not less than three (3) members of the Board each of whom is a “non-employee director” as defined in Securities and Exchange Commission Rule 16b-3(b)(3)(i), or as such term may be defined in any successor regulation under Section 16 of the Exchange Act. In addition, each member of the Committee shall be an outside director within the meaning of IRC section 162(m). For any sections of this Plan that require action by the Committee, “Committee” means at least a majority of the members of the Compensation Committee of the Board.

3.09. “Common Shares” means the common shares of the Company, its successors and assigns.

3.10. “Company” means Big Lots, Inc., an Ohio Corporation, its successors and assigns and any corporation which shall acquire substantially all its assets.

3.11. “Conditional Payment” means prepaying a Bonus before the date of current payment in Section 6.02 and subjects the prepayment (or a portion thereof) to possible return to the Company.

3.12. “Covered Associate” means any Participant who is expected to be a “covered employee” (in the Fiscal Year the Bonus is expected to be payable) as defined in IRC section 162(m) and the regulations thereunder.

3.13. “Deferred Bonus Account” means the bookkeeping account established under Section 6.04.

3.14. “Determination Date” means as to a ~~Performance~~Requisite Service Period: (a) the first day of the ~~Performance~~Requisite Service Period; or (b) such other date set by the Committee provided such date will not jeopardize the Plan’s Bonus as qualified performance-based compensation under IRC section 162(m).

3.15. “Eligible Position” means an employment position with the Company or an Affiliate which provides the employee in the position the opportunity to participate in the Plan. The Committee (or its designee) determines Eligible Positions.

3.16. “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

3.17 “Final Pre-Establishment Date” means the last day a performance condition may be considered pre-established under IRC section 162(m). As of the Restatement Effective Date, a performance objective shall be considered pre-established if the Committee establishes the performance goal in writing not later than 90 days after the commencement of the Requisite Service Period (or before 25% of the Requisite Service Period has elapsed) and when the outcome of the performance goal is substantially uncertain.

3.18. “Fiscal Year” means the fiscal year of the Company (currently comprised of a 52/53 week fiscal year which ends on the Saturday nearest to January 31).

3.~~18~~19. “Fiscal Year Bonus” means any Bonus relating to a period of service coextensive with one or more consecutive Fiscal Years, of which no amount is paid or payable during the Fiscal Year(s) constituting the period of service.

3.~~19~~20. “IRC” means the Internal Revenue Code of 1986, as amended from time to time, and any successor.

3.~~20~~21. “Participant” means a key employee of the Company or an Affiliate who has been approved for participation in the Plan by the Committee (or its designee).

3.~~21~~22. “Performance Period” means the period (which, with respect to a Covered Associate, may be no shorter than a fiscal quarter of the Company) established by the Committee over which the Committee measures whether or not Bonuses have been earned. In most cases, the Performance Period will be a Fiscal Year. In the case of an inaugural Performance Period or a promotion, the Performance Period may be less than a Fiscal Year.

~~3.22~~3.23 “Requisite Service Period” means the period during which a Participant is required to provide service in exchange for a Bonus award.

3.24. “Tax” means any net income, alternative or add-on minimum tax, gross income, gross receipts, commercial activity, sales, use, consumer, transfer, documentary, registration, ad valorem, value added, franchise, profits, license, withholding, payroll, employment, unemployment insurance contribution, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty, unclaimed fund/abandoned property, or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any governmental authority responsible for the imposition of any such tax.

3.~~23~~25. “Termination” or any form thereof means a “separation from service” as defined in Treasury Regulation §1.409A-1(h) by a Participant with the Company and all its Affiliates.

3.~~24~~26. “Unforeseeable Financial Emergency” means a severe financial hardship to a Participant within the meaning of Treasury Regulation §1.409A-3(i)(3) resulting from: (a) an illness or accident of the Participant or the Participant’s spouse, Beneficiary, or dependent (as defined in IRC section 152, without reference to IRC sections 152(b)(1), (b)(2) and (d)(1)(B)); (b) loss of the Participant’s property due to casualty; or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

4. ELIGIBILITY AND PARTICIPATION

4.01 Approval. Each key employee of the Company or an Affiliate who is approved for participation in the Plan by the Committee (or under the authority conveyed by the Committee) shall be a Participant as of the date designated. Notwithstanding the foregoing, any key employee of the Company or an Affiliate who was participating in the Plan as of the Restatement Effective Date shall remain a Participant as long as the key employee is in an Eligible Position.

4.02 Termination of Approval. The Committee may withdraw its approval for participation for a Participant at any time. In the event of such withdrawal, the key employee concerned shall cease to be an active Participant as of the date selected by the Committee. Nothing in this Section 4.02 shall permit distribution of amounts credited to a Participant’s Deferred Bonus Account before the time specified in Section 6.04.

4.03 Transfers In, Out of and Between Eligible Positions.

(a) A key employee may be approved for participation during a portion of a Fiscal Year.

(i) With respect to employees who are not Covered Associates, an employee newly hired or transferred into an Eligible Position shall have his/her participation prorated during the first Fiscal Year provided employment or transfer occurs at least two months prior to the end of the Fiscal Year.

(ii) An employee (other than a Covered Associate) transferred out of an Eligible Position may receive a prorated Bonus at the discretion of the Committee provided he/she served in the Eligible Position for at least two full months during the Fiscal Year.

(iii) With respect to Covered Associates approved for participation during a portion of a Fiscal Year, see Section 5.03 as it would relate to Performance Periods that are not equivalent to a Fiscal Year.

(b) Participants (who are not Covered Associates) transferring between Eligible Positions having different Bonus formulas will receive Bonuses prorated to months served in each Eligible Position. Generally, for Covered Associates transferring between Eligible Positions, Section 5.03 shall apply to each respective Performance Period applicable to the particular position unless an employment agreement provides otherwise.

4.04. Termination of Employment.

(a) Except to the extent that the Committee determines otherwise, and notifies the Participant in writing of this determination, prior to the end of the Performance Period, the Participant shall forfeit all rights to a Bonus unless the Participant is employed by the Company or an Affiliate on the day on which payments determined under Section 6.02 are in fact made (or would have been made if a deferred payment election under Section 6.04 had not been executed). However, a Participant shall not forfeit a Bonus for a Performance Period if the Participant is employed by the Company or an Affiliate at the end of the Performance Period and is involuntarily Terminated by the Company or an Affiliate without cause or Terminates by reason of retirement, disability, or death, after the end of the Performance Period, but before the Bonus payment date. Notwithstanding the foregoing, a Covered Associate who Terminates by reason of retirement during a Performance Period shall be entitled to a pro rata portion (based on the number of days worked during the Performance Period) of any Bonus that the Covered Associate would have been eligible to receive for the Performance Period in which his or her retirement occurs had his or her retirement not occurred at all.

(b) The Company shall have discretion to provide a pro-rated Bonus (subject to meeting the performance condition, if any) to a Participant whose employment with the Company or an Affiliate Terminated by reason of retirement, disability, or death during a ~~Performance~~Requisite Service ~~ ~~Period.

5. DETERMINATION OF BONUSES

5.01. In addition to the vesting requirements of Section 4.04, Bonuses will vest solely on account of: (1) the attainment of one or more pre-established performance objectives and (2) in the case of Covered Associates, the certification described in Section 5.~~07~~06.

5.02. With respect to Bonuses for Covered Associates, the material terms of the performance measure(s) must be disclosed to, and subsequently approved by, the shareholders before the Bonus payout is executed, unless the performance measures conform individually, alternatively or in any combination of the performance criteria and the application thereof in Appendix A.

5.03. ~~Prior to~~On or before the ~~completion of 25% of any Performance Period (which, by example, may be~~ Final Pre-Establishment Date:

(~~a full Fiscal Year or some portion thereof) or, if earlier, 90 days after the beginning of the applicable Performance Period or such earlier date~~) For Covered Associates with respect to Bonus opportunities expressed as ~~required under IRC section 162(m),~~a percentage of Base Salary, the Committee shall initially fix the Base Salary component of the Bonus formula prior to the establishment of the performance objectives.

(b) The Committee shall in its sole discretion, ~~for each such Performance Period determine and~~ establish in writing a performance measure or performance measures (in accordance with Section 5.02) applicable to the Performance Period to any Covered Associate. Within the same period of time, the Committee (or its designee) for each such ~~Performance Period~~period shall determine and establish in writing the performance measures applicable to the Performance Period for Participants who are not Covered Associates. Such pre-established performance measures must state, in terms of an objective formula or standard, the method for computing the amount of the Bonus payable to the Participant if the objective(s) is (are) obtained. A formula or standard is objective if a third party having knowledge of the relevant performance results could calculate the amount to be paid to the Participant. The Committee may establish any number of Performance Periods, objectives and Bonuses for any associate running concurrently, in whole or in part, provided, that in so doing the Committee does not jeopardize the Company's deduction for such Bonuses under IRC section 162(m).

~~5.04. On or prior to the date specified in Section 5.03, the~~(c) The Committee, in its sole discretion, shall either: (a) assign each Participant a target Bonus opportunity level expressed as a percentage of Base Salary or a whole dollar amount ~~(for Covered Associates, Base Salary must be fixed prior to the establishment of performance objectives applicable to a particular Performance Period);~~; or (b) establish a payout table or formula for purposes of determining the Bonus (if any) payable to each Participant. The Committee may authorize a designee to establish a payout table or formula for those Participants who are not Covered Associates.

(d) The Committee may establish performance measures for Participants who are not Covered Associates after the Final Pre-Establishment Date based on Base Salary as of any Determination Date determined by the Committee or its designee.

5.~~05~~04. Each payout table or formula:

(a) shall be in writing;

(b) shall be based on a comparison of actual performance to the performance objectives;

(c) may include a "floor" which is the level of achievement of the performance objective in which payout begins;

(d) shall include a ceiling (a/k/a "stretch") which is the level of achievement for the maximum Bonus payout percentage (subject to Section 5.~~09~~08); and

(e) shall provide for a formula for the actual Bonus attainment in relation to the Participant's target Bonus, depending on the extent to which actual performance approached, reached or exceeded the performance criteria goal subject to Section 5.~~09~~08.

5.~~06~~05. In lieu of Bonuses based on a percentage of Base Salary (Section 5.~~04~~03), Bonuses may be based on a percentage or share of a Bonus pool. The Committee (or its designee) shall determine (by the date specified in Section 5.03) the total dollar amount available for Bonuses (or a formula to calculate the total dollar amount available) known as a Bonus pool. The Committee, in its sole discretion, may establish two or more separate Bonus pools and assign the Participants to a particular Bonus pool. The Committee (or its designee in the case of Participants who are not Covered Associates) shall establish in writing a performance payout table or formula detailing the Bonus pool and the payout (or payout formula) based upon the relative level of attainment of performance goals. Each payout table or formula shall (a) be based on a comparison of actual performance to the performance goals, (b) provide the amount of a Participant's Bonus or total pool dollars available (or a formula to calculate pool dollars available), if the performance goals for the Performance Period are achieved, and (c) provide for an actual Bonus (which may

be based on a formula to calculate the percentage of the pool to be distributed to a particular Participant) based on the extent to which the performance goals were achieved. The payout table or formula may include a "floor" which is the level of achievement of the performance goals in which payout begins. In the case of Bonuses which are stated in terms of a percentage of a Bonus pool, the sum of the individual percentages for all Participants in the pool cannot exceed 100 percent. In no case shall a reduction in a Bonus of one Participant result in an increase in another Participant's Bonus.

5.~~07~~06. After the end of each Performance Period or such earlier date if the performance objective(s) are achieved, the Committee shall certify in writing, prior to the unconditional payment of any Bonus, which performance objective(s) for the Performance Period were satisfied and to what extent they were satisfied. The Committee (or its designee) shall determine the actual Bonus for each Participant based on the payout table/formula established in Section 5.~~05~~04 or 5.~~06~~05, as the case may be.

5.~~08~~07. The Committee, in its discretion, may cancel or decrease a Bonus calculated under this Plan, but with respect to Covered Associates, may not under any circumstances increase such Bonus calculated under this Plan.

5.~~09~~08. Any other provision of the Plan notwithstanding, the maximum aggregate Bonus payable to a Participant for a particular Fiscal Year may not exceed $4,000,000.

6. PAYMENT OF INCENTIVE BONUSES

6.01. In General. Once a Bonus has vested and the amount thereof is determined, payment of the Bonus (or the portion thereof not deferred under Section 6.04) shall be made pursuant to Section 6.02 or, if properly and timely elected, pursuant to Section 6.04, shall be deferred in accordance with Section 6.04.

6.02. Current Payment. A Participant's Bonus for a Performance Period, which is not deferred in accordance with the provisions of Section 6.04 hereof, and a Participant's Bonus, whether or not he/she elected deferred-payment thereof, for the Fiscal Year in which his/her employment Terminates, if any, as determined in accordance with Section 4.04, shall be paid in immediately available funds to the Participant, or his/her Beneficiary in the event of his/her death, no later than the later of (a) the 15th day of the third month following the Participant's first taxable year in which such Bonus is no longer subject to a substantial risk of forfeiture (within the meaning of IRC section 409A) or (b) the 15th day of the third month following the end of the first taxable year of the service recipient (within the meaning of IRC section 409A) in which such Bonus is no longer subject to a substantial risk of forfeiture.

6.03. Conditional Payment. The Committee may authorize a Payment of a Bonus to a Participant, other than a Covered Employee, based upon the Committee's good faith determination that the relevant performance objectives have been satisfied. The Conditional Payment, at the discretion of the Committee may be discounted to reasonably reflect the time value of money for the prepayment. The amount of the Conditional Payment that will be returned to the Company is equal to the Conditional Payment less the Bonus payment that has vested, if any. For example, if the floor (see Section 5.05) was not attained for the performance goal or target for the Performance Period, all of the Conditional Payment made for that Performance Period to the Participant must be returned to the Company. Return of all or a portion of the Conditional Payment shall be made reasonably soon after it is determined the extent to which the performance goal or target was not achieved. Conditional payments shall not be made in connection with bonuses that otherwise would be subject to IRC section 409A if paid in the ordinary course.

6.04 Deferred Payment.

(a) Highly Compensated Employees. If a Participant in this Plan is a highly compensated employee who participates in the Big Lots, Inc. Amended and Restated Supplemental Savings Plan (the "Top Hat Plan"), as it may be amended and restated from time to time, elections to defer Bonus, elections as to the form of distribution of the deferred amount, establishment of a deferred account, distributions from the deferred accounts, and all other terms governing the deferred payment of a Bonus shall be governed by the terms of the Top Hat Plan. Any election to defer the Bonus of a Participant who participates in the Top Hat Plan will result in an account administered under the Top Hat Plan.

(b) Other Employees. The terms governing the deferral of a Bonus for Participants who do not participate in the Top Hat Plan are set forth below.

(i) Elections.

(1) Performance Periods. Except as provided in Section 6.04(b)(i)(2), a Participant may irrevocably elect in writing to have all or a part of a Bonus (but not less than $5,000) deferred on or before December 31 of the calendar year preceding the calendar year in which the Performance Period begins. At the same time, the Participant also shall elect the form of distribution from the Deferred Bonus Account from among the choices set forth in Section 6.04(b)(v) of the Plan.

(2) Fiscal Year Bonus. Notwithstanding the foregoing, a Participant may irrevocably elect in writing to have all or a part of a Fiscal Year Bonus (but not less than $5,000) deferred before the first day of the applicable Fiscal Year. At the same time, the Participant shall also elect the form of distribution from the Deferred Bonus Account from among the choices set forth in Section 6.04(b)(v) of the Plan.

Such deferred payment shall be credited to a bookkeeping reserve account which shall be established for the Participant and set up on the books of the Company or an Affiliate and known as his/her "Deferred Bonus Account".

(ii) Credits to Deferred Bonus Account. When a Participant has elected to have a part or all of his/her Bonus credited to a Deferred Bonus Account, the unpaid balance in such account shall be credited with a simple annual interest equivalent, as follows: As of the May 1 next following the Fiscal Year for which the deferred Bonus was paid, such Bonus shall become part of the unpaid balance of such Deferred Bonus Account. Such Deferred Bonus Account shall be credited on April 30 of each year with an amount equal to interest on the unpaid balance of such account from time to time outstanding during the year ending on such April 30 at the rate determined by adding together the Three--month Treasury Bill rate on the last banking day prior to the beginning of such year and the Three--month Treasury Bill rate in effect on the last banking days of each of the calendar months of April through March of such year and dividing such total by 12. In the event that the Deferred Bonus Account shall be terminated for any reason prior to April 30 of any year, such account shall upon such termination date be credited with an amount equal to interest at the average Three-month Treasury Bill rate determined as aforesaid on the unpaid balance from time to time outstanding during that portion of such year prior to the date of termination.

(iii) Alternate Deferral Plans. The Committee, at its discretion, may provide alternate deferral arrangements of which Bonuses under this Plan may be included; provided that such deferral arrangements conform with the requirements imposed by IRC section 409A.

(iv) Trust Deposits. The Committee, at its discretion, may establish an irrevocable trust in which the assets of the trust are subject to the general creditors of the Company and/or the Affiliate as the case may be. Such trust may upon the occurrence of certain events, as determined by the Committee, receive assets equal to the value of all Participants' Deferred Bonus Accounts on the date of the event.

(v) Distribution upon Termination of Employment. ~~Upon~~Except as provided in clause (vi) below, upon Termination of a Participant's employment for any reason, the Participant, or his/her Beneficiary in the event of his/her death, shall be entitled to payment of the entire Deferred Bonus Account in one lump-sum payment payable on the date of the first regular payroll after the thirtieth day following the date of Termination of employment, or in ten (10) substantially equal annual installment payments payable as set forth below, as elected by the Participant at the time the Participant elects to defer all or part of his or her Bonus pursuant to Section 6.04(b). ~~Installment~~ Except as provided in clause (vi) below, installment payments shall be payable beginning on the thirtieth day following the date of Termination and, thereafter, on the first regular payroll date of each succeeding Fiscal Year following the year during which the first anniversary of the date of Termination of employment occurs.

(vi) Six-Month Distribution Delay. Notwithstanding any other provision of the Plan, if the Participant is a "specified employee" (within the meaning of IRC section 409A and the Treasury Regulations promulgated thereunder and as determined under the Company's policy for determining specified employees) on the date of the Participant's Termination, and the Participant is entitled to a distribution under the Plan that is required to be delayed pursuant to IRC section 409A(a)(2), then such distribution shall not be paid or provided (or begin to be paid or provided) until the first business day of the seventh month following the Participant's date of Termination (or, if earlier, the Participant's death).

(vii) Distribution in Event of Financial Emergency. If requested by a Participant while in the employ of the Company or an Affiliate and if the Committee (or in the case of Participants who are not Covered Associates, its designee) determines that an Unforeseeable Financial Emergency has occurred with respect to a Participant, all or a portion of the Deferred Bonus Account of the Participant may be distributed at the sole discretion of the Committee (or its designee, as applicable) in an amount no greater than the amount reasonably necessary to satisfy the emergency need (including amounts necessary to pay any Federal, state or local income taxes reasonably anticipated to result from such distribution). The Participant must supply written evidence of the Unforeseeable Financial Emergency and must declare, under penalty of perjury, that the Participant has no other resources available to meet the emergency, including the resources of the Participant's spouse and minor children that are reasonably available to the Participant. The Participant must also declare that the need cannot be met by reimbursement or compensation by insurance or otherwise, or by reasonable liquidation of the Participant's assets (or the assets of the spouse or minor children of the Participant) to the extent such

liquidation will not itself cause severe financial hardship. Any such distribution shall be paid within 7 days of the determination by the Committee that an Unforeseeable Financial Emergency exists.

(viii) Cash Outs. Notwithstanding the provisions in Sections 6.04(b)(v) and (vii), but subject to clause (vi) above, once distributions of the Deferred Bonus Account begin, if the amount remaining in a Participant's Deferred Bonus Account at any time is less than $5,000, the Committee shall pay the balance in the Participant's Deferred Bonus Account in a lump sum. within thirty (30) days; provided, however, that the payment results in the termination and liquidation of the Participant's interest under the Plan and all other plans or arrangements that, along with the Plan, would be treated as a single nonqualified deferred compensation plan under IRC section 409A.

(ix) Beneficiary Designation.

(1) A Participant may designate a Beneficiary who is to receive, upon his/her death, the distributions that otherwise would have been paid to him/her. All designations shall be in writing and shall be effective only if and when delivered to the Secretary of the Company during the lifetime of the Participant. If a Participant designates a Beneficiary without providing in the designation that the Beneficiary must be living at the time of each distribution, the designation shall vest in the Beneficiary all of the distribution whether payable before or after the Beneficiary's death, and any distributions remaining upon the Beneficiary's death shall be made to the Beneficiary's estate.

(2) A Participant may from time to time during his lifetime change his Beneficiary by a written instrument delivered to the Secretary of the Company. In the event a Participant shall not designate a Beneficiary as aforesaid, or if for any reasons such designation shall be ineffective, in whole or in part, the distribution that otherwise would have been paid to such Participant shall be paid to his estate and in such event the term "Beneficiary" shall include his estate.

(x) Corporate Changes.

(1) Dissolution or Liquidation of Company. The Company shall cause the dollar balance of a Deferred Bonus Account (adjusted to the end of the month immediately preceding the date of dissolution or liquidation) to be paid out in cash in a lump sum to the Participants, or their Beneficiaries as the case may be, 60 days following the date of a corporate dissolution of the Company taxed under IRC section 331 in accordance with Treasury Regulation §1.409A-3(j)(4)(ix)(A); provided that the amounts in the Deferred Bonus Accounts are included in the Participants' gross incomes in accordance with Treasury Regulation §1.409A-3(j)(4)(ix)(A).

(2) Change of Control of Company. In the event of a Change of Control of the Company, the Company may, within thirty days preceding or twelve months following the Change of Control event, irrevocably elect to terminate the Plan and to distribute all Deferred Bonus Accounts under the Plan in accordance with Treasury Regulation §1.409A-3(j)(4)(ix)(B); provided that all agreements, methods, programs and other arrangements sponsored by the Company and all Affiliates immediately after the time of a Change of Control with

respect to which deferrals of compensation are treated as having been deferred under a single plan under Treasury Regulation §1.409A-1(c)(2) are terminated and distributed with respect to each Participant that experienced the Change of Control, so that under the terms of the termination and distribution, all such Participants are required to receive all amounts of compensation deferred under the terminated arrangements within twelve months of the date the Company irrevocably takes all necessary action to terminate and distribute amounts under such arrangements.

7. RIGHTS OF PARTICIPANTS

7.01. No Participant or Beneficiary shall have any interest in any fund or in any specific asset or assets of the Company or an Affiliate by reason of any account under the Plan. It is intended that the Company has merely a contractual obligation to make payments when due hereunder and it is not intended that the Company hold any funds in reserve or trust to secure payments hereunder. No Participant may assign, pledge, or encumber his/her interest under the Plan, or any part thereof, except that a Participant may designate a Beneficiary as provided herein.

7.02. Nothing contained in this Plan shall be construed to give any associate or Participant any right to receive any Bonus other than in the sole discretion of the Committee or any rights whatsoever with respect to the Common Shares of the Company.

8. NO EMPLOYEE RIGHTS

8.01. Nothing in the Plan or participation in the Plan shall confer upon any Participant the right to be employed by the Company or an Affiliate or to continue in the employ of the Company or an Affiliate, nor shall anything in the Plan, or participation in the Plan amend, alter or otherwise affect any rights or terms of employment or other benefits arising from that employment.

9. ADMINISTRATION

9.01. Administration. The Committee shall have complete authority to administer the Plan, interpret the terms of the Plan, determine eligibility of associates to participate in the Plan, and make all other determinations and take all other actions in accordance with the terms of the Plan and any trust agreement established under Section 6.04(b)(iv). Any determination or decision by the Committee shall be conclusive and binding on all persons who at any time have or claim to have any interest whatever under this Plan.

9.02. Liability of Committee, Indemnification. To the extent permitted by law, the Committee shall not be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan unless attributable to his or her own bad faith or willful misconduct.

9.03. Expenses. The costs of the establishment, the adoption, and the administration of the Plan, including but not limited to legal and accounting fees, shall be borne by the Company. The expenses of establishing and administering any trust under Section 6.04(b)(iv) shall be borne by the trust; provided, however, that the Company shall bear, and shall not be reimbursed by, the trust for any tax liability of the Company associated with the investment of assets by the trust.

9.04. Choice of Law. The validity and effect of this Plan and the rights and obligations of all persons affected hereby shall be construed and determined in accordance with the laws of the State of Ohio, unless superseded by federal law, which shall govern correspondingly.

10. AMENDMENT OR TERMINATION

10.01. The Committee may modify or amend, in whole or in part, any or all of the provisions of the Plan, except as to those terms or provisions that are required by IRC section 162(m) to be approved by the shareholders, or suspend or terminate the Plan entirely; provided, however, that no such modifications, amendment, suspension or termination may, without the consent of the Participant, or his Beneficiary in the case of his/her death, reduce the right of a Participant, or his/her Beneficiary, as the case may be, to any payment due under the Plan. For the avoidance of doubt, the Committee may amend the Plan as necessary to conform the Plan to the requirements of IRC section 409A. Distributions of Deferred Bonus Accounts on termination of the Plan shall occur only under the circumstances specified in Section 6.04(b)(x) above.

11. TAX WITHHOLDING

11.01. The Company or the employing Affiliate shall have the right to deduct from all cash payments any federal, state, or local taxes or other withholding amounts required by law or valid court order to be withheld with respect to such cash payments. Amounts deferred will be taken into account for purposes of any tax or withholding obligation under the Federal Insurance Contribution Act and Federal Unemployment Tax Act, not in the year distributed, but at the later of the year the services are performed or the year in which the rights to the amounts are no longer subject to a substantial risk of forfeiture, as required by IRC sections 3121(v) and 3306(r) and the regulations thereunder. Amounts required to be withheld pursuant to IRC sections 3121(v) and 3306(r) shall be withheld out of other current wages paid to the Participant by the Company or the employing Affiliate, or, if such current wages are insufficient, the Participant shall remit to the Company an amount equal to the applicable tax withholding. The determination of the Company or the employing Affiliate regarding applicable income and employment tax withholding requirements shall be final and binding on the Participant.

12. CLAIMS PROCEDURE

12.01. Any Participant (the "claimant") who believes that he or she is entitled to a benefit under the Plan or that wishes to resolve a dispute or disagreement which arises under, or in any way relates to, the interpretation or construction of the Plan may file a claim with the Committee.

12.02. If the claim is wholly or partially denied, the Committee will within ninety (90) days of the receipt of such claim provide the claimant with written notice of the denial setting forth in a manner calculated to be understood by the claimant:

(a) The specific reason or reasons for which the claim was denied;

(b) Specific reference to pertinent Plan provisions, rules, procedures or protocols upon which the Committee relied to deny the claim;

(c) A description of any additional material or information that the claimant may file to perfect the claim and an explanation of why this material or information is necessary; and

(d) An explanation of the Plan's claims review procedure and the time limits applicable to such procedure and a statement of the claimant's right to bring a civil action under §502(a) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), following an adverse determination upon review.

If special circumstances require the extension of the ninety (90) day period described above, the claimant will be notified before the end of the initial period of the circumstances requiring the extension and the date by which the Committee expects to reach a decision. Any extension for deciding a claim will not be for more than an additional ninety (90) day period.

12.03. Review Procedure. If a claim has been wholly or partially denied, the affected claimant, or such claimant's authorized representative, may:

(a) Request that the Committee reconsider its initial denial by filing a written appeal within sixty (60) days after receiving written notice that all or part of the initial claim was denied;

(b) Review pertinent documents and other material upon which the Committee relied when denying the initial claim; and

(c) Submit a written description of the reasons for which the claimant disagrees with the Committee's initial adverse decision.

An appeal of an initial denial of benefits and all supporting material must be made in writing within the time periods described above and directed to the Committee. The Committee is solely responsible for reviewing all benefit claims and appeals and taking all appropriate steps to implement its decision.

The Committee's decision on review will be sent to the claimant in writing and will include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions, rules, procedures or protocols upon which the Committee relied to deny the appeal. The Committee will consider all information submitted by the claimant, regardless of whether the information was part of the original claim. The decision will also include a statement of the claimant's right to bring an action under ERISA §502(a).

The Committee's decision on review will be made not later than sixty (60) days after his or her receipt of the request for review, unless special circumstances require an extension of time for processing, in which case a decision will be rendered as soon as possible, but not later than one-hundred-twenty (120) days after receipt of the request for review. This notice to the claimant will indicate the special circumstances requiring the extension and the date by which the Committee expects to render a decision and will be provided to the claimant prior to the expiration of the initial period.

To the extent permitted by law, the decision of the Committee will be final and binding on all parties. No legal action for benefits under the Plan will be brought unless and until the claimant has exhausted such claimant's remedies under this Section 12.01.

13. SECTION 409A

13.01. It is intended that the Plan comply with IRC section 409A and the Treasury Regulations promulgated thereunder, and the Plan will be interpreted, administered and operated accordingly. Nothing herein shall be construed as an entitlement to or guarantee of any particular tax treatment to a Participant, and none of the Company, its Affiliates, the Board or the Committee shall have any liability with respect to any failure to comply with the requirements of IRC section 409A and the Treasury Regulations promulgated thereunder.

13.02. The Company may accelerate the time or schedule of a distribution to a Participant at any time the Plan fails to meet the requirements of IRC section 409A and the Treasury Regulations promulgated thereunder. Such distribution may not exceed the amount required to be included in income as a result of the failure to comply with IRC section 409A and the Treasury Regulations promulgated thereunder.

APPENDIX A
PERFORMANCE CRITERIA

I. Performance criteria imposed on Bonus opportunities will be derived using the accounting principles generally accepted in the United States of America and will be reported or appear in the Company's filings with the Securities Exchange Commission (including, but not limited to, Forms 8-K, 10-Q and 10-K) or the Company's annual report to shareholders and will be derived from one or more (or any combination of one or more) of the following:

(a) Earnings (loss) per common share from continuing operations;

(b) Earnings (loss) per common share;

(c) Operating profit (loss), operating income (loss), or income (loss) from operations (as the case may be);

(d) Income (loss) from continuing operations before unusual or infrequent items;

(e) Income (loss) from continuing operations;

(f) Income (loss) from continuing operations before income taxes;

(g) Income (loss) from continuing operations before extraordinary item and/or cumulative effect of a change in accounting principle (as the case may be);

(h) Income (loss) before extraordinary item and/or cumulative effect of a change in accounting principle (as the case may be);

(i) Net income (loss);

(j) Income (loss) before other comprehensive income (loss);

(k) Comprehensive income (loss);

(l) Income (loss) before interest and income taxes (sometimes referred to as "EBIT");

(m) Income (loss) before interest, income taxes, depreciation and amortization (sometimes referred to as "EBITDA");

(n) Any other objective and specific income (loss) category or non-GAAP financial measure that appears as a line item in the Company's ~~periodic~~ filings with the Securities and Exchange Commission or the annual report to shareholders;

(o) Any of items (c) through (n) on a weighted average common shares outstanding basis;

~~(p) Any of items (a) through (n) on a diluted basis as~~(p) Either of items (a) or (b) on a basic basis and any of items (c) through (n) on a basic earnings per share basis, as basic earnings per share is defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 260, Earnings Per Share (formerly Statement of Financial Accounting Standards ("SFAS") No. 128), including authoritative interpretations or amendments thereof which may be issued from time to time as long as such interpretations or amendments are utilized on the consolidated statements of operations or statement of operations, as applicable, or in the notes to the consolidated financial statements;

(q) Either of items (a) or (b) on a diluted basis and any of items (c) through (n) on a diluted earnings per share basis, as diluted per share is defined in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 260 – Earnings Per Share (formerly Statement of Financial Accounting Standards ("SFAS") No. 128) including authoritative interpretations or amendments thereof which may be issued from time to time as long as such interpretations or amendments are utilized on the consolidated statements of operations or statement of operations, as applicable, or in the notes to the consolidated financial statements;

(~~q~~r) Common share price;

(~~r~~s) Total shareholder return expressed on a dollar or percentage basis as is customarily disclosed in the proxy statement accompanying the notice of annual meetings of shareholders;

(~~s~~t) Percentage increase in comparable store sales;

(~~t~~u) Gross profit (loss) or gross margin (loss) (as the case may be);

(~~u~~v) Economic value added;

~~(v)~~ w) Return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue);

(x) Expense targets;

(y) Cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment);

(z) Productivity ratios;

(aa) Market share;

(bb) Customer satisfaction;

(cc) Working capital targets and change in working capital;

(dd) Any of items (a) through (~~u~~cc) with respect to any subsidiary, Affiliate, business unit, business group, business venture or legal entity, including any combination thereof, or controlled directly or indirectly by the Company whether or not such information is included in the Company's annual report to shareholders, proxy statement or notice of annual meeting of shareholders;

(~~w~~ee) Any of items (a) through (~~u~~cc) above may be determined before or after a minority interest's share as designated by the Committee;

(~~x~~ff) Any of items (a) through (~~u~~cc) above with respect to the period of service to which the performance goal relates whether or not such information is included in the Company's SEC filings, annual report to shareholders, proxy statement or notice of annual meetings of shareholders;

(~~y~~gg) Total shareholder return ranking position meaning the relative placement of the Company's total shareholder return [as determined in (~~r~~s) above] compared to those publicly held companies in the Company's peer group as established by the Committee prior to the beginning of a vesting period or such later date as permitted under the Code. The peer group shall be comprised of not less than eight and not more than sixteen companies, including the Company; or

(~~z~~hh) With respect to items (a), (b), (o), (p) and (~~p~~q) above, other terminology may be used for ~~"earnings (loss) per common share" (~~each such ~~as~~performance criteria (including, but not limited to, "Basic EPS," "income (loss) per common share," "diluted EPS," or "~~income (loss)~~earnings per common share-assuming dilution") as contemplated by ASC 260 – Earnings Per Share (formerly SFAS No. 128), as amended, revised or superseded.

(ii) To avoid a circular reference, the Committee may establish any of the performance measures above computed without taking into account an amount reflected therein related to Bonuses awarded the Plan. The Committee shall explicitly state such exclusion of the Bonuses when establishing the material terms of the performance measure. If the performance measure (considered without this exclusion of the Bonuses) reflects an income tax effect of the Bonuses, this exclusion should reflect the corresponding income tax effects attributable thereto.

II. The Committee in its sole discretion, in setting the performance objectives in the time prescribed in Section 5, may provide for the making of equitable adjustments (including the income tax effects attributable thereto), singularly or in combination, to the performance criteria (in Section I of this Appendix) in recognition of unusual or non-recurring events, transactions and accruals for the effect of the following qualifying objective items (or any particular item(s) within the following items or portion(s) thereof):

(~~aa~~a) Asset impairments as described in ASC 360 – Property, Plant, & Equipment (formerly SFAS No. 144), as amended, revised or superseded;

(~~bb~~b) Costs associated with exit or disposal activities as described by ASC 420 – Exit or Disposal Cost Obligations (formerly SFAS No. 146), as amended, revised or superseded;

(~~cc~~c) Impairment charges (excluding the amortization thereof) related to goodwill or other intangible assets, as described by ASC 350 – Intangibles – Goodwill and Other (formerly SFAS No. 142), as amended, revised or superseded;

~~(dd) Merger integration costs;~~

~~(ee) Merger transaction costs;~~

(~~ff~~(d) Integration costs related to all merger and acquisition activity of the Company and/or its Affiliates, including, without limitation, any merger, acquisition, reverse merger, triangular merger, tender offer, consolidation, amalgamation, arrangement, security exchange, business combination or any other purchase or sale involving the Company and/or its Affiliates (or foreign equivalent of any of the foregoing);

(e) Transaction costs related to all merger and acquisition activity of the Company and/or its Affiliates, including, without limitation, any merger, acquisition, reverse merger, triangular merger, tender offer, consolidation, amalgamation, arrangement, security exchange, business combination or any other purchase or sale involving the Company and/or its Affiliates (or foreign equivalent of any of the foregoing);

(f) Any profit or loss attributable to the business operations of a ~~reportable~~specified segment as described ~~by~~in ASC 280 – Segment Reporting (formerly SFAS No. 131), as amended, revised or superseded;

(~~gg~~g) Any profit or loss attributable to a ~~reportable~~specified segment as described ~~by~~in ASC 280 – Segment Reporting (formerly SFAS No. 131), as amended, revised or superseded~~ or~~, acquired during the Performance Period or an entity or entities acquired during the ~~period of service~~Performance Period to which the performance goal relates;

(~~hh~~h) Any ~~specified~~ Tax settlement(s) ~~(or combination thereof)~~ with a Tax authority;

(~~ii~~i) The relevant Tax effect(s) of ~~new~~ Tax ~~legislation enacted~~laws or regulations, or amendments thereto, that become effective after the beginning of the Performance Period ~~or other changes in Tax law~~;

(~~jj~~j) Any extraordinary item, event or transaction as described in ASC 225-20 – Income Statement – Extraordinary and Unusual Items (formerly Accounting Principles Board Opinion ("APB") No. 30), as amended, revised or superseded;

(~~kk~~k) Any unusual in nature, or infrequent in occurrence items, events or transactions (that are not "extraordinary" items) as described in ASC 225-20 – Income Statement – Extraordinary and Unusual Items (formerly APB No. 30), as amended, revised or superseded;

(~~ll~~l) Any other non-recurring items, any events or transactions that do not constitute ongoing operations, or other non-GAAP financial measures (not otherwise listed);

(~~mm~~m) Any change in accounting principle as described in ASC 250-10 Accounting Changes and Error Corrections (formerly SFAS No. 154), as amended, revised or superseded;

(~~nn~~n) Unrealized gains or losses on investments in debt and equity securities as described in ASC 320 – Investments – Debt and Equity Securities (formerly SFAS No. 115), as amended, revised or superseded;

(~~oo~~o) Any gain or loss recognized as a result of derivative instrument transactions or other hedging activities as described in ASC 815 – Derivatives and Hedging (formerly SFAS No. 133), as amended, revised or superseded;

(~~pp~~p) Shares-based compensation charges as described in ASC 718 – Compensation – Stock Compensation and ASC 505-50 Equity-Based Payments to Non-Employees (formerly SFAS No. 123R), as amended, revised or superseded;

(~~qq~~q) Any gain or loss as reported as a component of other comprehensive income as described in ASC 220 – Comprehensive Income (formerly SFAS No. 130), as amended, revised or superseded;

(~~rr~~r) Any expense (or reversal thereof) as a result of incurring an obligation for a direct or indirect guarantee, as described in ASC 460 – Guarantees (formerly FASB Interpretations ("FIN") No. 45), as amended, revised or superseded;

(~~ss~~s) Any gain or loss as the result of the consolidation of a variable interest entity as described in ASC 810 - Consolidation (formerly FIN No. 46), as amended, revised or superseded;

(~~tt~~t) Any expense, gain or loss (including, but not limited to, judgments, interest on judgments, settlement amounts, attorneys' fees and costs, filing fees, experts' fees, and damages sustained as a result of the imposition of injunctive relief) as a result of claims, litigation, judgments or lawsuit settlement (including collective actions or class action lawsuits); or

(~~uu~~u) Any charges associated with the early retirement of debt obligations.

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 February 1, 2014

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	06-1119097
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
300 Phillipi Road, P.O. Box 28512, Columbus, Ohio	43228-5311
(Address of principal executive offices)	(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 $2,075,281,384 on August 3, 2013, 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 28, 2014, was 58,152,451.

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for its 2013 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 FEBRUARY 1, 2014

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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 the largest broadline closeout retailer in the United States of America ("U.S.") (see the discussion below under the caption "Closeout Retailing"). At February 1, 2014, we operated a total of 1,570 stores in the U.S. and Canada. Our goal is to strengthen and build upon our leadership position in broadline closeout value retailing by providing our customers with great savings on brand-name closeouts and other value-priced merchandise. You can locate us on the Internet at 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:

Fiscal Year	Number of Weeks	Year Begin Date	Year End Date
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
2009	52	February 1, 2009	January 30, 2010

We manage our retailing business on the basis of two segments: U.S. and Canada. Please refer to the consolidated financial statements and related notes in this Form 10-K for our financial information.

On December 5, 2013, we announced our intention to wind down the operations of Big Lots Canada, Inc., the subsidiary operating our Canadian segment, in the first quarter of 2014 ("Canadian Wind Down"). Please refer to note 13 of the accompanying consolidated financial statements for our additional information regarding the wind down of our Canadian segment.

In our U.S. segment, 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, window, decorative textile, and flooring 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 17 to the accompanying consolidated financial statements for the net sales results of our segments and these categories for 2013, 2012, and 2011.

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. (now known as 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.

Closeout Retailing

Closeout merchandise generally results from production overruns, packaging changes, discontinued products, order cancellations, liquidations, returns, and other disruptions in the supply chain of manufacturers. We can generally purchase closeout merchandise at lower costs than would be paid by traditional discount retailers, and offer closeout merchandise to our customers at lower prices than those offered by traditional discount retailers. We attempt to maximize the amount of closeout merchandise available in our stores. We work closely with our vendors to obtain brand-name closeout merchandise that is easily recognizable by our customers. In addition to closeout merchandise, we stock many products on a consistent basis that we believe provide strong value to our customers. For net sales and comparable store sales by merchandise category, see the discussion below under the captions "2013 Compared To 2012" and "2012 Compared To 2011" 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, by segment, at the beginning and end of each of the last five fiscal years:

	2013	2012	2011	2010	2009
U.S.					
Stores open at the beginning of the year	1,495	1,451	1,398	1,361	1,339
Stores opened during the year	55	87	92	80	52
Stores acquired during the year	—	—	—	—	—
Stores closed during the year	(57)	(43)	(39)	(43)	(30)
Stores open at the end of the year	1,493	1,495	1,451	1,398	1,361
Canada					
Stores open at the beginning of the year	79	82	—	—	—
Stores opened during the year	2	—	—	—	—
Stores acquired during the year	—	—	89	—	—
Stores closed during the year	(4)	(3)	(7)	—	—
Stores open at the end of the year	77	79	82	—	—
Consolidated					
Stores open at the beginning of the year	1,574	1,533	1,398	1,361	1,339
Stores opened during the year	57	87	92	80	52
Stores acquired during the year	—	—	89	—	—
Stores closed during the year	(61)	(46)	(46)	(43)	(30)
Stores open at the end of the year	1,570	1,574	1,533	1,398	1,361

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. 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.). During the second half of 2012, we determined that rental rates had begun to stabilize, and in many markets increase, and availability of quality real estate was declining. The combination of these real estate factors, softness in our financial performance, and announced management transition plans led us to slow our net new store growth plans. Furthermore, during the fourth quarter of 2013, we finalized portions of our three-year strategic plan which led to our announcement of the Canadian Wind Down. 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.

The following table details our U.S. stores by state at February 1, 2014:

Alabama	29	Maine	7	Ohio	104
Arizona	40	Maryland	27	Oklahoma	18
Arkansas	12	Massachusetts	20	Oregon	14
California	166	Michigan	48	Pennsylvania	70
Colorado	19	Minnesota	10	Rhode Island	1
Connecticut	14	Mississippi	14	South Carolina	35
Delaware	5	Missouri	28	South Dakota	1
Florida	104	Montana	2	Tennessee	48
Georgia	58	Nebraska	3	Texas	116
Idaho	7	Nevada	13	Utah	10
Illinois	40	New Hampshire	7	Vermont	4
Indiana	46	New Jersey	25	Virginia	41
Iowa	3	New Mexico	12	Washington	27
Kansas	9	New York	63	West Virginia	17
Kentucky	40	North Carolina	74	Wisconsin	14
Louisiana	24	North Dakota	1	Wyoming	2
				District of Columbia	1
				Total stores	**1,493**
				Number of states	**48**

Of the 1,493 stores in our U.S. segment, 33% operate in four states: California, Texas, Ohio, and Florida, and net sales from stores in these states represented 35% of our 2013 net sales in our U.S. segment. We have a concentration in these states based on their size, population, and customer base.

The following table details our Canadian stores by province at February 1, 2014:

Alberta	10	New Brunswick	2	Saskatchewan	6
British Columbia	15	Nova Scotia	4		
Manitoba	4	Ontario	36		
				Total stores	**77**
				Number of provinces	**7**

As a result of the Canadian Wind Down, all 77 Canadian stores were closed in February 2014.

Associates

At February 1, 2014, we had approximately 38,100 active associates comprised of 13,100 full-time and 25,000 part-time associates. Of the 38,100 active associates, 36,600 were associates of our U.S. segment and 1,500 were associates of our Canadian segment. 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 41,400 in 2013. 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 broadline merchandising assortment from vendors.

Purchasing

An important part of our business is the sourcing and purchasing of quality closeout merchandise directly from manufacturers and other vendors typically at prices below those paid by traditional discount retailers. 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 in accordance with vendor instructions. 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 strengthen and 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.

We compliment our brand-name closeout purchases with direct import and domestically-sourced merchandise, which represents merchandise that our customers expect us to consistently offer in our stores at a significant value savings.

During 2013, we purchased approximately 27% of our merchandise directly from overseas vendors, including approximately 23% 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 regional distribution centers. Our U.S. segment is serviced by regional distribution centers located in Pennsylvania, Ohio, Alabama, Oklahoma, and California. We selected the locations of our U.S. distribution centers in order to minimize transportation costs and the distance from distribution centers to our stores. Our Canadian segment was serviced by regional distribution centers located in British Columbia and Ontario, which were closed during the fourth quarter of 2013 in connection with our Canadian Wind Down. 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 in Ohio that distributes fixtures and supplies to our stores.

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® 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, in-store point-of-purchase, and print media.

In all markets served by our U.S. stores, we design and distribute printed advertising circulars, through a combination of newspaper insertions and mailings. In 2013, we distributed multi-page circulars constituting 30 weeks of advertising coverage, which was consistent with promotions in multi-page circulars in 2012. We create regional versions of these circulars to tailor our advertising message to market differences caused by product availability, climate, and customer preferences. Another key element of our U.S. marketing efforts 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. As part of our overall strategic planning process coinciding with management transition, plans have been developed to shift a portion of our focus and advertising spend to social and digital media opportunities which began in the fourth quarter of 2013 and will be expanded further in 2014.

Our customer database, which we refer to as the Buzz Club® in the U.S., 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®, we operate the Buzz Club Rewards® 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 2013, 2012, and 2011.

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 2013, our total indebtedness (outstanding borrowings and letters of credit) peaked in November 2013 at approximately $358 million under our five-year $700 million unsecured credit facility entered into in July 2011 ("2011 Credit Agreement"). At February 1, 2014, our total indebtedness under the 2011 Credit Agreement was $82.6 million, which included $77.0 million in borrowings and $5.6 million in outstanding letters of credit. We expect that borrowings will vary throughout 2014 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 cash needs of winding down the operations of our Canadian segment. 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) 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").

In this Form 10-K, we incorporate by reference certain information from parts of our Proxy Statement for our 2014 Annual Meeting of Shareholders ("2014 Proxy Statement").

In the "Investor Relations" section of our website (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 post amendments to and waivers from, if any, our Code of Business Conduct and Ethics (to the extent applicable to our directors and executive officers) and our Code of Ethics for Financial Professionals in the "Investor Relations" section of our website (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 websites are not part of this report.

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 2013 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:

The current economic conditions (including commodity price fluctuations and sustained underemployment) give rise to risks and uncertainties that may adversely affect our capital resources, financial condition, results of operations, and liquidity including, but not limited to the following:

- 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.
- Our expectations regarding the demand for our merchandise may be inaccurate, which could cause us to under buy or over buy certain categories or departments of merchandise, which could result in customer dissatisfaction or require excessive markdowns to sell through the merchandise.
- Our customers may experience reduced disposable income due to the implementation of new governmental programs, such as the Affordable Care Act.
- The reaction of our competitors to the marketplace may drive our competitors, some of whom are better capitalized than us, to offer significant discounts or promotions on their merchandise, which could negatively affect our sales and profit margins.

If we are unable to successfully execute our operating strategies in our U.S. segment, 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. From May through the end of 2013, we hired a new Chief Executive Officer and replaced several members of our senior leadership team. Together with our new CEO, the senior leadership team is in the process of developing a strategic plan for 2014 and beyond. Our ability to develop and execute our strategic plan and to 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 effectively and efficiently wind down the operations of our Canadian segment, our operating performance could be impacted more negatively than anticipated.

In 2011, we acquired Liquidation World Inc. in order to penetrate the Canadian retail market. In 2012, we began implementing an operating strategy in Canada similar to that of our U.S. segment. In the fourth quarter of 2013, as part of our strategic planning process under our new management team, we announced our intention to wind down the operations of our Canadian segment as our new senior leadership team and our Board of Directors determined that an orderly wind down would allow us to better focus our financial and management resources on our U.S. segment opportunities that provide a greater likelihood of more attractive long-term financial returns. If we are unable to effectively and efficiently execute our Canadian segment wind down activities, both our estimated costs and expected cash outflows could be negatively impacted (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 costs associated with exit or disposal activities).

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. Certain of our competitors operate a larger number of stores and more advanced online selling capabilities than we do. Moreover, some of our competitors also 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 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 in other ways.

If we are unable to compete effectively in the growing online retail marketplace, our business and results of operations may be materially adversely affected.

We are in the early stages of developing our online retailing capability and our online functionality and operations will not be fully implemented until after 2014. 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 planning efforts include the development of an online retailing capability 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 operating performance. If our online retailing initiatives do not meet our customers' expectations, it may reduce their desire to purchase goods from us both online and at brick and mortar stores and may materially adversely affect our business and results of operations.

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.

For the closeout merchandise that we source for our business, we have very little control over the supply, design, function, availability, or cost of many of the products that we offer 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.

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 2013, we purchased approximately 27% of our products directly from overseas vendors including 23% 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 North America. 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.

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 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. 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. In addition, our new store locations receiving shipments may be further away from our distribution centers which may increase transportation costs, accentuated by fuel prices and may create transportation scheduling strains.

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 North America. 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.

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 economy of the United States. 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 in our U.S. segment operate in these states and 35% of our 2013 net sales in our U.S. segment occurred in these states.

Changes in federal or state legislation and regulations, including the effects of legislation and regulations on product safety, 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 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. Our inability to comply on a timely basis with regulatory requirements, or execute product recalls in a timely manner, 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 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. With the enactment of the Affordable Care Act, we may experience an increase in participation in our group health insurance programs, which may lead to a greater number of medical claims. If we experience a greater number of self-insured losses than we anticipate, our financial performance could be adversely affected.

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, intangible assets, and deferred tax assets for impairment and recognize an impairment loss or valuation charge, if necessary. In performing these assessments for our U.S. segment, 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, intangible assets, and our deferred tax assets and trigger the impairment of these assets. Impairment or valuation charges taken against property and equipment, intangible assets, 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).

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.

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 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 computer systems, including hardware, networks, and software, are licensed to us by third party vendors. We rely extensively on our computer systems to process transactions, summarize results, and manage our business. Our computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attack 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. If our 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 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.

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.

The protection of our customer, employee, vendor and company data is critical to us. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements across our business. In addition, customers have a high expectation that we will adequately protect their personal information from cyber-attack or other security breaches. A significant breach of customer, employee, or company data could attract a substantial amount of negative media attention, damage our customer relationships and our reputation, and result in lost sales, fines and/or lawsuits.

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" to this Form 10-K. Our strategy to improve our financial performance includes sales growth while managing the occupancy cost of each of our stores. Components of our sales growth strategy are to open new store locations, either as an expansion in an existing market or as an entrance into a new market, and to relocate certain stores to a new location within an existing market. If the commercial real estate market does not allow for us to negotiate favorable new store leases and lease renewals, our financial position, results of operations, and liquidity may be negatively 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, such as the Affordable Care Act, 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. During 2013, we hired a new Chief Executive Officer and several other senior leadership team members. The loss of services of any 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.

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 governing accounting bodies, specifically the Financial Accounting Standards Board ("FASB"), have issued 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 and other areas impacted by the convergence projects between the FASB and the International Accounting Standards Board ("IASB") 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.

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:

- Changes in governmental laws and regulations, including matters related to taxation;
- 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 North America, predominantly in strip shopping centers. Our stores in our U.S. segment have an average store size of approximately 30,600 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 2013 was approximately $1.3 million, including the cost of inventory. Except for 55 owned sites in our U.S. segment, all of our stores are leased. In 2013, we sold one store property for a price of $5.1 million. 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 counts at February 1, 2014. The 55 owned stores are located in the following states:

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

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, by segment, 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, within our U.S. segment, 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 17 month-to-month leases and 55 owned locations.

Fiscal Year:	Expiring Leases			Leases Without Options
	U.S.	Canada	Total	U.S.
2014	285	10	295	54
2015	248	9	257	42
2016	274	12	286	48
2017	197	22	219	33
2018	247	3	250	46
Thereafter	190	21	211	17

Warehouse and Distribution

At February 1, 2014, we owned or leased approximately 9.5 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. In Canada, at February 1, 2014, we leased two regional distribution centers located in British Columbia and one located in Ontario, all of which we closed during the fourth quarter of 2013 as part of the Canadian Wind Down. The regional distribution centers in our U.S. segment 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 in our U.S. segment was approximately 2.7 million cartons per week in 2013. 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 and leased distribution centers and warehouse space and the corresponding square footage of the facilities by state and province at February 1, 2014, were as follows:

				Square Footage		
State / Province	Owned	Leased	Total	Owned	Leased	Total
				(Square footage in thousands)		
U.S. segment:						
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
Sub-total	**5**	**—**	**5**	**8,985**	**—**	**8,985**
Canadian segment:						
British Columbia	—	2	2	—	229	229
Ontario	—	1	1	—	261	261
Sub-total	**—**	**3**	**3**	**—**	**490**	**490**
Total	**5**	**3**	**8**	**8,985**	**490**	**9,475**

Corporate Offices

We own the facility in Columbus, Ohio that serves as our corporate office for our U.S. associates. We lease the facility in Brantford, Ontario that serves as our corporate office for our Canadian associates. As part of the Canadian Wind Down, we intend to close our office in Brantford, Ontario in the first quarter of 2014.

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.

Aside from this matter, 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 February 1, 2014 were as follows:

Name	Age	Offices Held	Officer Since
David J. Campisi	57	Chief Executive Officer and President	2013
Lisa M. Bachmann	52	Executive Vice President, Chief Operating Officer	2002
Richard R. Chene	51	Executive Vice President, Chief Merchandising Officer	2013
Joe R. Cooper	56	Executive Vice President and President, Big Lots Canada, Inc.	2000
Timothy A. Johnson	46	Executive Vice President, Chief Financial Officer	2004
Lucy Cindric	58	Senior Vice President, General Merchandise Manager	2013
Leslie R. Johnson III	50	Senior Vice President, General Merchandise Manager	2013
Ronald D. Parisotto	49	Senior Vice President, General Counsel and Corporate Secretary	2014
Carlos V. Rodriguez	46	Senior Vice President, Distribution and Transportation Services	2012
Michael A. Schlonsky	47	Senior Vice President, Human Resources	2000
Andrew D. Stein	48	Senior Vice President, Chief Customer Officer	2013
Stewart W. Wenerstrom	47	Senior Vice President, Chief Information Officer	2005
Martha Withers-Hall	60	Senior Vice President, General Merchandise Manager	2013
Paul A. Schroeder	48	Vice President, Controller	2005

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 2013 as Executive Vice President, Chief Merchandising Officer. Prior to joining us, Mr. Chene was the President of The Kitchen Collection, a kitchenware retailer, which operates kitchenware stores 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.

Joe R. Cooper is responsible for our Canadian operations. Mr. Cooper was appointed President of Big Lots Canada, Inc. in July 2011. Mr. Cooper was promoted to Executive Vice President in March 2010. Prior to that, Mr. Cooper was promoted to Senior Vice President and Chief Financial Officer in February 2004. Mr. Cooper joined us as Vice President of Strategic Planning and Investor Relations in May 2000. In July 2000, he assumed responsibility for the treasury department and was appointed Vice President, Treasurer.

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 The Limited, Inc, culminating in his last position as Director of Financial Reporting for Structure, a former division of The Limited, Inc, an apparel retailer.

Lucy Cindric is responsible for merchandising in our Seasonal and Electronics & Accessories merchandise categories. Ms. Cindric joined us in 2013 as Senior Vice President, General Merchandise Manager for our Seasonal and Electronics merchandise categories. Prior to joining us, Ms. Cindric held various senior merchandising positions, including Senior Vice President, General Merchandise Manager, with Stage Stores, Inc., a department store retailer. Additionally, Ms. Cindric served as Senior Vice President and General Merchandise Manager, Apparel and Home at Wal-Mart Stores, Inc., a discount retailer.

Leslie R. Johnson III is responsible for merchandising in our Food and Consumables merchandise categories. Mr. Johnson joined us in 2013 as Vice President, Divisional Merchandise Manager for the food category and was promoted to Senior Vice President, General Merchandise Manager for our Food and Consumables merchandise categories in 2013. Prior to joining us, Mr. Johnson held various senior merchandising positions with Family Dollar, Inc. a discount retailer and Sears Holding Corporation, a department store retailer.

Ronald D. Parisotto is responsible for legal affairs. Mr. Parisotto joined us in 2014 as Senior Vice President, General Counsel and Corporate Secretary. Prior to joining us, Mr. Parisotto was the Senior Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer with Choice Hotels International, a global hotel franchising company.

Carlos V. Rodriguez is responsible for warehousing, distributing, and transporting merchandise. Mr. Rodriguez joined us in 2012 as Senior Vice President, Distribution and Transportation Services. Prior to joining us, Mr. Rodriguez held various supply chain management positions, including Vice President, Supply Chain Operations, with Office Depot, Inc., an office supply 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.

Stewart W. Wenerstrom is responsible for information technology. Mr. Wenerstrom was promoted to Senior Vice President, Chief Information Officer in 2013. He was promoted to Vice President, Program Management Office in 2012. Prior to that, Mr. Wenerstrom was promoted to Vice President, Merchandise Support in 2007 and prior to that he was promoted to Vice President, Furniture Allocation and Replenishment in 2005. He joined us in 2003 as Director, Merchandise Information Office. Prior to joining us, Mr. Wenerstrom was as associate partner with Accenture, a consulting firm.

Martha Withers-Hall is responsible for merchandising in our Soft Home, Hard Home, and Home Décor & Furniture merchandise categories. Ms. Withers-Hall joined us in 2013 as Senior Vice President, General Merchandise Manager for our Furniture and Home merchandise categories. Prior to joining us, Ms. Withers-Hall held various senior merchandising positions, including Senior Vice President, General Merchandise Manager, with Stage Stores, Inc., a department store retailer and Senior Vice President, General Merchandise Manager with Stein Mart, Inc., a discount clothing, accessories and housewares retailer.

Paul A. Schroeder is responsible for internal and external financial reporting and accounting operations including payroll, accounts payable, and inventory control. Mr. Schroeder joined us as Director, Accounting Operations in April 2005, and was promoted to Vice President, Controller in September 2005. Prior to joining us, Mr. Schroeder was Director of Finance at American Signature, Inc., a furniture retailer, and held various finance positions with Limited Brands, Inc., a retailer.

Part II. Other Information

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 per common share for our common shares as reported on the NYSE composite tape for the fiscal periods indicated:

	2013		2012	
	High	Low	High	Low
First Quarter	$ 37.81	$ 32.07	$ 47.22	$ 34.46
Second Quarter	39.22	31.17	41.42	33.50
Third Quarter	37.98	31.56	42.26	28.46
Fourth Quarter	$ 39.02	$ 26.49	$ 32.66	$ 26.69

Our Board of Directors historically has authorized reinvesting available cash in capital expenditures for growth opportunities, improving the Company's information systems, and maintaining our assets. After making such investments, the Company has utilized its excess cash for share repurchase programs. We historically have not paid dividends. 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 2013:

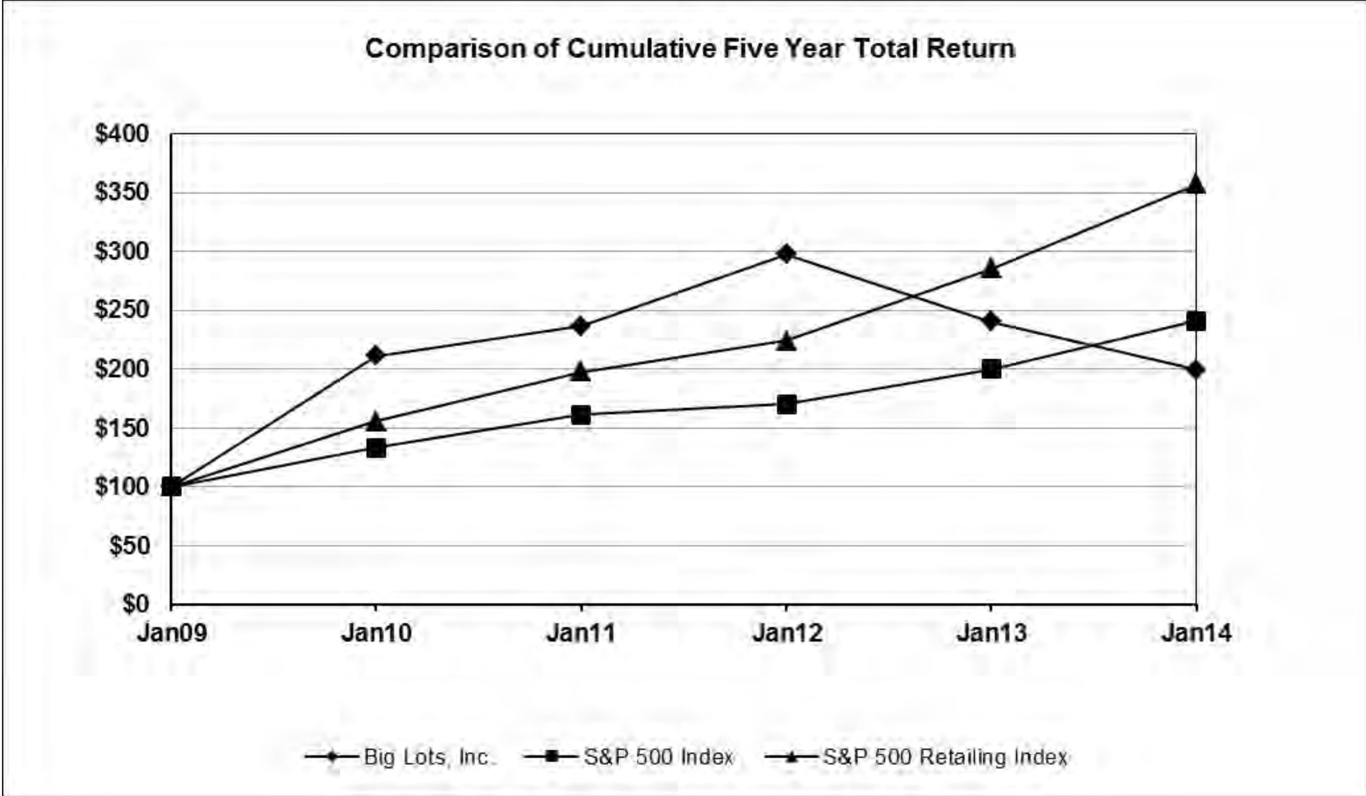
(In thousands, except price per share data)

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 3, 2013 - November 30, 2013	—	$ —	—	$ —
December 1, 2013 - December 28, 2013	—	—	—	—
December 29, 2013 - February 1, 2014	—	—	—	—
Total	—	$ —	—	$ —

On March 5, 2014, our Board of Directors authorized a program for the repurchase of up to $125.0 million of our common shares ("2014 Repurchase Program"). The 2014 Repurchase Program has no scheduled termination date.

At the close of trading on the NYSE on March 28, 2014, there were approximately 794 registered holders of record of our common shares.

The following graph and table compares, for the five fiscal years ended February 1, 2014, 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 30, 2010, January 29, 2011, January 28, 2012, February 2, 2013 and February 1, 2014. The graph and table assume that $100 was invested on January 31, 2009, 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 2009**	**January 2010**	**January 2011**	**January 2012**	**January 2013**	**January 2014**
Big Lots, Inc.	$ 100.00	$ 211.23	$ 236.58	$ 297.40	$ 240.45	$ 199.18
S&P 500 Index	100.00	133.14	161.44	170.03	199.96	240.88
S&P 500 Retailing Index	$ 100.00	$ 155.55	$ 197.80	$ 224.34	$ 285.12	$ 357.39

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.

	Fiscal Year [d]				
(In thousands, except per share amounts and store counts)	**2013** [a] [c]	**2012** [b] [c]	**2011** [a] [c]	**2010** [a]	**2009** [a]
Net sales	$ 5,301,912	$ 5,367,165	$ 5,159,249	$ 4,905,631	$ 4,675,575
Cost of sales (exclusive of depreciation expense shown separately below)	3,236,606	3,254,837	3,096,200	2,904,600	2,768,866
Gross margin	2,065,306	2,112,328	2,063,049	2,001,031	1,906,709
Selling and administrative expenses	1,759,745	1,708,160	1,629,218	1,569,271	1,525,074
Depreciation expense	115,122	106,137	90,135	78,540	74,822
Gain on sale of real estate	—	—	—	—	(12,964)
Operating profit	190,439	298,031	343,696	353,220	319,777
Interest expense	(3,339)	(4,192)	(3,530)	(2,573)	(1,840)
Other income (expense)	(1,213)	51	(173)	612	175
Income from continuing operations before income taxes	185,887	293,890	339,993	351,259	318,112
Income tax expense	61,118	116,921	133,835	131,132	119,852
Income from continuing operations	124,769	176,969	206,158	220,127	198,260
Income from discontinued operations, net of tax	526	152	906	2,397	2,109
Net income	$ 125,295	$ 177,121	$ 207,064	$ 222,524	$ 200,369
Earnings per common share - basic:					
Continuing operations	$ 2.17	$ 2.96	$ 3.02	$ 2.84	$ 2.43
Discontinued operations	0.01	—	0.01	0.03	0.03
	$ 2.18	$ 2.96	$ 3.03	$ 2.87	$ 2.45
Earnings per common share - diluted:					
Continuing operations	$ 2.15	$ 2.93	$ 2.97	$ 2.80	$ 2.40
Discontinued operations	0.01	—	0.01	0.03	0.03
	$ 2.16	$ 2.93	$ 2.98	$ 2.83	$ 2.42
Weighted-average common shares outstanding:					
Basic	57,415	59,852	68,316	77,596	81,619
Diluted	57,958	60,476	69,419	78,581	82,681
Balance sheet data:					
Total assets	$ 1,739,599	$ 1,753,626	$ 1,641,310	$ 1,619,599	$ 1,669,493
Working capital	543,614	460,996	421,836	509,788	580,446
Cash and cash equivalents	68,629	60,581	68,547	177,539	283,733
Long-term obligations under bank credit facility	77,000	171,200	65,900	—	—
Shareholders' equity	$ 901,427	$ 758,142	$ 823,233	$ 946,793	$ 1,001,412
Cash flow data:					
Cash provided by operating activities	$ 198,334	$ 281,133	$ 318,471	$ 315,257	$ 392,026
Cash used in investing activities	$ (97,495)	$ (130,357)	$ (120,712)	$ (114,552)	$ (77,937)
Store data:					
Total gross square footage	47,489	47,376	45,780	42,037	40,591
Total selling square footage	34,255	34,267	33,119	30,210	29,176
Stores opened during the fiscal year	57	87	92	80	52
Stores acquired during the fiscal year	—	—	89	—	—
Stores closed during the fiscal year	(61)	(46)	(46)	(43)	(30)
Stores open at end of the fiscal year	1,570	1,574	1.533	1,398	1,361

(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. (now known as Big Lots Canada, Inc.), whose results are included in the consolidated results since that date.
(d) In the fourth quarter of 2013, we ceased the operations of our wholesale business; therefore, the results of operations for all fiscal years presented have been reclassified to reflect the discontinuance of the wholesale business.

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 2013 and 2011 were each comprised of 52 weeks. Fiscal year 2012 was comprised of 53 weeks. Fiscal year 2014 will be comprised of 52 weeks.

Operating Results Summary

The following are the results from 2013 that we believe are key indicators of both our consolidated and segment operating performance when compared to 2012.

Consolidated Highlights

- Net sales decreased $65.3 million, or 1.2%.
- Diluted earnings per common share from continuing operations decreased from $2.93 in 2012 to $2.15 in 2013.
  - Our 2013 results included the impact of the Canadian Wind Down, which involved an aggregate of $23.7 million in impairments, severance charges, and contract termination costs and increased markdowns to begin liquidating our inventory, offset by a $23.9 million U.S. deferred tax benefit.
  - Our 2012 results included the impact of a non-cash, non-recurring charge of $0.06 per diluted share related to a change in accounting principle associated with the implementation of our new retail inventory systems in the U.S.
- Inventory decreased by 0.3%, or $3.1 million, to $915.0 million in 2013.

U.S. Segment Highlights

- Net sales decreased $87.6 million or 1.7%.
- Comparable store sales for stores open at least fifteen months decreased 2.7%.
- Gross margin dollars decreased $47.3 million and gross margin rate decreased 20 basis points from 39.4% to 39.2% of sales.
- Selling and administrative expenses increased $24.4 million. As a percentage of net sales, selling and administrative expenses increased 100 basis points to 32.5% of sales.
- Operating profit rate decreased 150 basis points to 4.5%.

Canadian Segment Highlights

- In the fourth quarter of 2013, we announced the Canadian Wind Down was to substantially occur during the first quarter of 2014.
- Costs associated with the Canadian Wind Down are estimated to range from $60 million to $64 million, of which $24 million were incurred in 2013.

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

	2013	2012	2011
Net sales	100.0%	100.0%	100.0%
Cost of sales (exclusive of depreciation expense shown separately below)	61.0	60.6	60.0
Gross margin	39.0	39.4	40.0
Selling and administrative expenses	33.2	31.8	31.6
Depreciation expense	2.2	2.0	1.7
Operating profit	3.6	5.6	6.7
Interest expense	(0.1)	(0.1)	(0.1)
Other income (expense)	(0.0)	0.0	(0.0)
Income from continuing operations before income taxes	3.5	5.5	6.6
Income tax expense	1.2	2.2	2.6
Income from continuing operations	2.4	3.3	4.0
Loss from discontinued operations, net of tax	0.0	0.0	0.0
Net income	2.4%	3.3%	4.0%

See the discussion below under the captions "2013 Compared To 2012" and "2012 Compared To 2011" for additional details regarding the specific components of our operating results.

In December 2013, we announced the Canadian Wind Down would begin in the fourth quarter of 2013 and continue through the first quarter of 2014. During 2013, we recorded $19.7 million in charges associated with the impairment of the property and equipment, goodwill, and certain intangible assets relating to our Canadian segment, $2.7 million in severance charges associated with the closing of our Canadian distribution centers and certain functions within our Canadian administrative offices, and $1.3 million in contract termination costs associated with the operating leases of our distribution centers. Please see note 13 to the accompanying consolidated financial statements for a more detailed discussion regarding the Canadian Wind Down activities. Additionally, in 2013, we recorded a $23.9 million U.S. deferred tax benefit associated with the excess tax basis related to our investment in our Canadian segment.

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 2013, 2012, and 2011 by fiscal quarter:

	First	Second	Third	Fourth
Fiscal Year 2013				
Net sales as a percentage of full year	24.6%	23.0%	21.5%	30.9%
Operating profit as a percentage of full year	30.0	17.2	(4.0)	56.8
Fiscal Year 2012				
Net sales as a percentage of full year	24.0%	22.6%	20.9%	32.5%
Operating profit as a percentage of full year	23.1	13.3	(2.4)	66.0
Fiscal Year 2011				
Net sales as a percentage of full year	23.6%	22.4%	21.8%	32.2%
Operating profit as a percentage of full year	24.9	17.1	2.3	55.7

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, the organization's leadership and 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 provide additional discussion and analysis of our Edit to Amplify strategy. During this transition period, as we embrace this new focus for our business, we anticipate in 2014:

- Earnings per diluted share from continuing operations to be $2.25 to $2.45 for our U.S. segment.
  - Our earnings per diluted share from continuing operations assumes the Canadian Wind Down and the related reclassification of the results of our Canadian segment to discontinued operations. We anticipate a loss from discontinued operations in the range of $37 million to $41 million, or $0.64 to $0.71 per diluted share.
- Net sales for our U.S. segment will be in the range of flat to a slight decrease driven by comparable stores sales in the range of flat to an increase of 2%, partially offset by a lower expected store count.
- Opening 30 new stores and closing 50 stores in our U.S. segment.
- Cash flow (operating activities less investing activities) of approximately $140 million for future reinvestment, return to shareholders, and / or to lower our obligations under the 2011 Credit Agreement.
  - Forecasting U.S. segment cash flow of $165 million.
  - Our forecasted cash flow also includes payments of $25 million associated with the Canadian Wind Down.
  - In March, our Board of Directors authorized the repurchase of up to $125 million of our common shares, which is expected to be funded by our $140 million of cash flow.

The "2013 Compared To 2012" 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.

U.S. Segment

Merchandising

The 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 sourcing. In the fourth quarter of 2013, we made significant changes to our merchandising team to execute our new strategy and we restructured our merchandise categories to: Food, Consumables, Soft Home, Hard Home, Furniture & Home Décor, Seasonal, and Electronics & Accessories. We believe the restructured merchandise categories better align our business with how our core customer shops our stores. Our restructured categories place differing emphasis on essential items (needs) and discretionary items (wants).

- Our Food and Consumables categories will focus primarily on catering to our core customers' daily essentials, or "need, use, buy most" items. We believe our competitive advantage in the Food and Consumables categories revolves around our sourcing capabilities for closeout merchandise. Manufacturers and vendors have closeout merchandise for a number 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 failed. We believe our vendor relationships along with the size and financial strength of our company afford us these opportunities. In addition to closeouts, we intend to expand our everyday offerings, including the roll-out of coolers and freezers in 2014.

- Our Soft Home and Hard Home 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 principally based around value, which is a combination of the pricing and quality of our goods. In these categories, our merchandise mix is comprised of replenishable products as the closeout penetration is lower than Food and Consumables. As we edit to amplify, we will be consistently introducing more fashion based products that our core customer uses to decorate her home, while editing areas that our core customer has communicated are not important to her, such as home maintenance, tools, and paint.

- Our Furniture & Home Décor category's primary focus will be 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 our sourcing relationships and everyday value offerings. The majority of our offerings in these categories are replenishable products 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 for us to work directly with them to create product offerings specifically for our store, which allows for us to provide a high-quality product at a competitive price.

- Our Seasonal and Electronics & Accessories categories will 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 such, 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 will reduce our offerings in the Electronic & Accessories category, as we have concluded that we do not have a competitive advantage in pricing on products such as televisions, cameras, GPS devices, or gaming.

In order to support our realigned merchandise categories, we updated our merchandising management organizational hierarchy by adding general merchandise managers, who report directly to our chief merchandising officer, back to our management team. Their responsibility is to ensure that our merchandise offerings are cohesive across merchandise categories throughout the year and to introduce and implement broader programs associated with merchandise execution. The expected outcome of our new strategies, re-alignment, and enhancement to our merchandising management team is to increase our total company comparable store sales ("comps"). We will focus our performance review of 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 will lead to growing our comps by merchandise category in 2014.

Marketing

In the fourth quarter of 2013, we began shifting our marketing efforts to focus on connecting with our core customer in new forms of media that she now uses in her daily life. Historically, our marketing communication efforts have involved a mix of printed ad circulars, television advertising, email advertising, and in-store signage. In the later parts of 2013 with the shift in the management team, we began a more concentrated effort on embracing social media as a method of communicating with our core customer through outlets such as Twitter, Facebook, and YouTube. With the continued proliferation of online and mobile technologies, we need to better compete for our core customer's attention and drive both brand and product awareness on platforms in which our core customer communicates. For example, in early 2014, we introduced a new campaign - "The Thrift is Back" - via social media which promotes our newly formed arrangement with Hostess, where we will effectively be functioning as Hostess's thrift outlet locations. We believe Jennifer responds to our brand-name offerings, therefore we want to ensure our message and promotions are delivered to her in a timely and meaningful way. In 2014, we intend to grow our presence and use of social media to connect with customers as we introduce new programs and campaigns.

Our core customer remains active in electronic communication, and as such, we continue to market to our Buzz Club Rewards members through email campaigns and promotions. In 2013, we restructured our rewards program from a cumulative transaction approach for issuing promotional discounts to a program based on targeted promotions expected to attract members to our stores for new merchandise or promotional events. The goals of the promotions can vary from attempting to tailor the shopping experience based on past purchasing behaviors, to introducing products that a member has previously not purchased from us with the hope of changing their shopping habits. As we continue to learn additional information about our members, we will refine our methodologies for incenting our rewards members.

In 2014, we will continue to communicate our product offerings in order to grow comps through the following traditional approaches to advertise, in addition to social media and our rewards program:

- Printed advertising circulars and promotional pricing to create excitement surrounding the deals that we offer;
- Television commercials broadcast nationwide to promote our brand and, from time to time, promote items or special discounts in our stores; and
- In-store signage initiatives that focus on promoting value.

Shopping Experience

During 2013, we tested a variety of initiatives aimed at improving our core customer's shopping experience with an overall goal of driving increased comps. Specifically, we identified two programs that we will be rolling-out on a broader scale during 2014 to further demonstrate our customer-first mentality.

First, we tested a cooler and freezer program in approximately 100 stores in 2013. 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 will be implementing our cooler and freezer program to approximately 600 additional stores in 2014. Additionally, by introducing coolers and freezers, the Food assortment that we will offer in many of these locations will qualify for certain governmental assistance programs, such as the supplemental nutrition assistance program ("SNAP"), which will provide our customer with another source of funds to spend at our stores. We believe these programs will help drive comps in both our Food and Consumables categories.

In 2013, we analyzed our customer financing program available in our Furniture & Home Décor category, and concluded that our current offering was not competitive as too few of our customers were qualifying for access. Effectively, we were not providing an adequate financing solution to assist our core customer in completing the larger purchases that the customer may have desired. In response to this conclusion, in the second half of 2013, we tested a new lease-to-purchase solution provided by a third party. To date, our new provider's program has qualified a larger percentage of our core customers for access to financing. In 2014, we will implement an expanded roll-out of the new lease-to-purchase program to approximately 1,300 stores, or more than 85% of our total fleet. We believe the new lease-to-purchase program will increase comps in the Furniture & Home Décor category as our core customer will have a convenient source of financing to either complete or expand her home furnishing purchases.

Real Estate

We have determined our average store size of approximately 22,000 selling square feet is an appropriate size for us to provide our core customers with a positive shopping experience and properly present our restructured merchandise categories. This store size enables us to present a representative assortment of products in the merchandise categories that our core customer finds meaningful; therefore when we relocate or open new stores in the future, we intend to open stores of a similar size. In 2012 and 2013, we performed store remodel programs in approximately 3% of our stores in five geographic markets: Miami, Florida; Tampa, Florida; Modesto, California; San Francisco, California; and in the border region of Tennessee and Virginia. Although we believe the remodeled stores created an improved shopping experience, incremental sales results were inconsistent and did not generate enough evidence to support a broader roll-out this program.

Our focus will be on improving our comps and enhancing our core customer's shopping experience. Currently, we anticipate a slight decrease in our total store count in 2014. As discussed in "Item 2. Properties," of this Form 10-K, we have 285 U.S. store leases which will expire in 2014. During 2014, we anticipate closing approximately 50 of those locations. The majority of these closings will be the result of either relocation to a better location, 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 overall company. The balance of the closings will be the result of our choice to relocate the store to an improved location nearby. For our remaining store locations with fiscal 2014 lease expirations, we expect to exercise our renewal option or negotiate more favorable lease renewal terms sufficient enough to allow us to continue operations and achieve an acceptable return on our investment.

Canadian Segment

During 2013, we announced that the Canadian Wind Down would begin in the fourth quarter of 2013 and continue through the first quarter of 2014. During the fourth quarter of 2013, we discontinued receiving merchandise and closed our distribution centers. During the first quarter of 2014 and prior to filing this Form10-K, we closed all of our remaining stores. Additionally, we transferred the majority of our administrative functions from our office in Brantford, Ontario to our office in Columbus, Ohio.

We also intend to close our office in Brantford, Ontario in its entirety during the first quarter of 2014.

Discontinued Operations

During 2013, we completed the wind down of the wholesale business within our U.S. segment. As the operations were ceased in 2013, we reported the results of our wholesale business as discontinued operations and reclassified our prior period results, both consolidated and those of our U.S. segment, to reflect this change from continuing operations to discontinued operations.

We continue to incur an insignificant amount of costs on the 130 stores we closed in 2005 that are classified as discontinued operations. We also report certain activity related to our prior ownership of the KB Toys business in discontinued operations. See note 14 to the accompanying consolidated financial statements for a more detailed discussion of all of our discontinued operations.

2013 COMPARED TO 2012

U.S. Segment

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 comparable store sales ("comp" or "comps") in 2013 compared to 2012 were as follows:

(In thousands)	2013		2012		Change		Comps
Furniture & Home Décor	$ 1,072,410	20.9%	$ 1,060,993	20.4%	$ 11,417	1.1 %	(0.5)%
Seasonal	958,681	18.7	971,003	18.6	(12,322)	(1.3)	(2.9)
Consumables	918,124	17.9	905,444	17.4	12,680	1.4	1.0
Food	747,840	14.6	742,267	14.2	5,573	0.8	0.0
Hard Home	514,232	10.0	543,954	10.4	(29,722)	(5.5)	(6.1)
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)%

In the fourth quarter of 2013, we realigned select merchandise categories to be consistent with the realignment of our merchandising team and changes to our management reporting. Our U.S. segment now uses the following 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 flooring departments. The Hard Home category includes our small appliances, table top, food preparation, stationary, 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. Fiscal 2013 and 2012 sales results have been reclassified to reflect this realignment.

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). By re-aligning, our home décor and frames departments with our upholstery and case goods, we anticipate that we will be able to better coordinate our merchandise offerings and presentation, which should improve their comp performance. 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.

For 2014, we expect net sales to be in the range of a slight increase to a slight decrease to 2013, which is based on overall comps that range from flat to an increase of 2% and an expected overall lower store count. We expect above average comps from our Furniture & Home Décor and Food categories, driven by our chain wide roll-out of our lease-to-own program and investments in coolers and freezers. Additionally, we anticipate below average comps in our Hard Home and Electronics & Accessories categories due to our downsizing of numerous departments as we Edit to Amplify other categories.

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.

For 2014, we expect our gross margin rate to be slightly higher than 2013, as we anticipate lower levels of markdowns will be necessary to achieve our planned sales.

Selling and Administrative Expenses

Selling and administrative expenses were $1,664.2 million in 2013, compared to $1,639.8 million in 2012. The increase of $24.4 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.

For 2014, we are forecasting an expense rate slightly higher than the rate achieved in 2013. Store expenses and distribution and transportation expenses are expected to leverage as dollar growth in these areas is forecasted to be at a slower rate than our anticipated sales growth. These leveraged expenses are expected to be offset by higher healthcare expenses from the enactment of the Affordable Care Act, higher bonus expenses as we expect to achieve our corporate financial goals in 2014 as compared to 2013 when those goals were not achieved, and certain operational investments in e-commerce activities.

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.

For 2014, we expect capital expenditures of approximately $115 million to $120 million, which includes maintenance capital for our stores, distributions centers, and corporate offices, the construction and opening of 30 new stores and investing in coolers, freezers and e-commerce technologies. Using this assumption and the run rate of depreciation on our existing property and equipment, we expect 2014 depreciation expense to be approximately $120 million, which would represent an increase from the $113.2 million of depreciation expense in 2013.

Operating Profit
Operating profit was $229.9 million in 2013 as compared to $311.7 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 53rd 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 53rd week.

Canadian Segment

Our Canadian segment's net sales increased $22.4 million to $177.2 million in 2013, as compared to $154.8 in 2012. Our operating loss was $39.5 million in 2013 compared to $13.7 million in 2012. As we began to execute our wind down activities during the fourth quarter of 2013, we began a markdown program to facilitate the liquidation of inventory in the fourth quarter of 2013, which increased sales during the fourth quarter, but at a reduced gross margin rate. Additionally, during the fourth quarter of 2013, we impaired our goodwill associated with our Canadian segment by $12.7 million, impaired the value of our property and equipment by $6.5 million to its salvage value, reduced the value of our inventory to its net realizable value, which represents the lower of cost or market, and accrued for certain severance costs of $2.7 million.

For 2014, we estimate a net loss of $37 million to $41 million as we incur additional wind down charges associated with contract termination costs, primarily associated with our facility operating leases, and severance actions. Additionally, we anticipate the results of our Canadian segment will be reclassified to discontinued operations as we complete the wind down during the first quarter of 2014.

Other Performance Factors

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 32.9% and 39.8%, respectively. The lower rate in 2013 is primarily due to the recognition of a U.S. deferred tax benefit associated with the excess tax basis related to our investment in our Canadian segment, partially offset by the nondeductible goodwill impairment charge related to our Canadian segment and a valuation allowance relative to the deferred tax benefit of the loss generated by our Canadian segment on a lower pretax income base.

2012 COMPARED TO 2011

U.S. Segment

Net Sales

Net sales by merchandise category, in dollars and as a percentage of total net sales, and net sales change in dollars and percentage from 2012 compared to 2011 were as follows:

(In thousands)	2012		2011		Change		Comps
Furniture & Home Decor	$ 1,060,993	20.4%	$ 1,010,007	19.8%	$ 50,986	5.0%	(1.8)%
Seasonal	971,003	18.6	982,604	19.3	(11,601)	(1.2)	(5.4)
Consumables	905,444	17.4	881,282	17.3	24,162	2.7	(1.9)
Food	742,267	14.2	723,291	14.2	18,976	2.6	(2.3)
Electronics & Accessories	556,658	10.7	550,513	10.8	6,145	1.1	(3.9)
Hard Home	543,954	10.4	537,092	10.5	6,862	1.3	(3.7)
Soft Home	431,999	8.3	412,355	8.1	19,644	4.8	(1.1)
Net sales	$ 5,212,318	100.0%	$ 5,097,144	100.0%	$ 115,174	2.3%	(2.7)%

As discussed above in the section "2013 Compared To 2012", in the fourth quarter of 2013, we realigned our merchandise categories in our U.S. segment to be consistent with the realignment of our merchandising team and changes to our management reporting. All results for 2012 and 2011 have been reclassified to represent the current merchandise category structure for comparability.

Net sales increased $115.2 million or 2.3% to $5,212.3 million in 2012, compared to $5,097.1 million in 2011. Net sales increased by $247.0 million principally due to the net addition of 44 stores since the end of 2011 and an additional week of sales, as 2012 was a 53-week retail calendar year. This growth was partially offset by a 2.7% decrease in comps, which reduced net sales by $131.8 million. Our comps are calculated by using all stores that were open for at least fifteen months. The decrease in comps in the Furniture & Home Décor category was driven by comp decreases in ready-to-assemble furniture, home décor, and case goods, partially offset by comp increases in upholstery and mattresses. The decrease in comps in the Consumables category was driven by comp decreases in our health and beauty care, home organization, and pet department, where our product assortment did not appeal to our customer's needs, partially offset by comp increases in our paper, household chemicals and housekeeping departments, where we had an improved selection of closeout offerings. The decrease in comps of our Soft Home category was primarily due to comp declines in our decorative window and flooring offerings, partially offset by growth in both fashion bedding and utility bedding. During 2012, we allocated additional selling space in our stores to the Soft Home category in an effort to increase sales in this higher margin category. This initiative did not meet our expectations and was a factor in certain management changes of this key category. The Food category experienced a comp decrease driven by our beverage & grocery and candy & snack departments, partially offset by an increase in comps in our specialty foods department. The decrease in comps in our Electronics & Accessories category was primarily driven by lower sales in the apparel, lingerie and infant accessories departments as we allocated less space and reduced our assortments, which allowed for the space expansion in our Soft Home and Hard Home categories. These declines were partially offset by increased comps in jewelry and electronics. Comps in the Hard Home category decreased which was driven by comp decreases in tools, paint, and home maintenance, as the demand from our core customer for these offerings continued to decline. The comp decrease in Hard Home was partially offset by improved comps in the small appliances and food preparation departments, which benefited from an increase in branded closeouts in 2012 compared to 2011. The Seasonal category experienced a decrease in comps, which was driven by our toys, fall seasonal, and summer departments, partially offset by strong sales of our Christmas trim, which had positive comps as our customers responded to a new assortment of products. The decrease in our toys department was driven by additional downsizing of space allocated to the department during 2012.

Gross Margin
Gross margin dollars increased $16.0 million or 0.8% to $2,054.7 million in 2012, compared to $2,038.7 million in 2011. The increase in gross margin dollars was principally due to an increase in net sales, which increased gross margin dollars by approximately $46.1 million. Partially offsetting the increase was a lower gross margin rate, which decreased gross margin dollars by approximately $30.1 million. Gross margin as a percentage of net sales decreased 60 basis points to 39.4% in 2012 compared to 40.0% in 2011. The gross margin rate decrease was principally due to a higher markdown rate and the $5.6 million, or 10 basis points, impact of the change in accounting principle related to the implementation of new retail inventory systems implemented at the beginning of 2012.

Selling and Administrative Expenses
Selling and administrative expenses were $1,639.8 million in 2012, compared to $1,594.5 million in 2011. The increase of $45.3 million or 2.8% was primarily due to increases in store occupancy expenses of $16.5 million, store payroll expenses of $15.9 million, health benefit expenses of $11.4 million, corporate office payroll of $6.3 million, and professional fees of $3.0 million, partially offset by a decrease in share-based compensation expense of $7.2 million and lower bonus expenses of $5.3 million. The increase in store payroll and store occupancy expenses were primarily due to the net increase of 44 stores compared to the end of 2011. The increase in health benefits expense was primarily driven by costs associated with certain large claims that were expensed during 2012 as compared to 2011. Our corporate office payroll costs increased primarily due to the growth in our merchandising team and lower capitalization of salaries associated with information systems projects, as our SAP® implementation was completed at the end of 2011. The increase in professional fees was primarily driven by increased legal expenses related to pending litigation and other matters and consulting fees related to various on-going information systems projects. The decrease in share-based compensation expense was primarily driven by the nonvested restricted stock award granted to Mr. Fishman in 2012. In 2011, the corporate financial goal associated with the award granted to Mr. Fishman in 2011 was achieved, while in 2012, the corporate financial goal associated with the award granted to Mr. Fishman in 2012 was not achieved. Additionally, in the fourth quarter of 2012, management changed its estimate of the vesting period for the restricted stock awards granted in 2011 and 2012, exclusive of Mr. Fishman's grant, from three years to four years. This change resulted in a decrease in share-based compensation expense in the fourth quarter of 2012. The decrease in bonus expense was directly related to lower financial performance during 2012 as compared to the targets in our 2012 operating plan.

As a percentage of net sales, selling and administrative expenses increased by 20 basis points to 31.5% in 2012 compared to 31.3% in 2011. As noted above, selling and administrative expense dollars increased 2.8% primarily related to the 3% increase in store count. The primary driver of 20 basis point deleverage in selling and administrative expenses was the 2.7% decrease in comparable store sales performance, as the percentage increase in expense dollars was commensurate with the growth in store count.

Depreciation Expense
Depreciation expense increased $14.8 million to $103.1 million in 2012 compared to $88.3 million in 2011. The increase is directly related to our new store growth, 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 30 basis points in 2012 compared to 2011.

Operating Profit
Operating profit was $311.7 million in 2012 as compared to $355.9 million in 2011. The change 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 53rd week in 2012 that did not occur in 2011. We estimated our operating profit in 2012 increased by approximately $5.0 million from the occurrence of the 53rd week.

Canadian Segment

Our Canadian segment's net sales increased $92.7 million to $154.8 million in 2012, as compared to $62.1 in 2011. Net sales in 2011 represented results of our Canadian segment from the date of acquisition (July 18, 2011) through the end of the fiscal year 2011 as compared to a full fiscal year in 2012. Our operating loss was $13.7 million in 2012 compared to $12.2 million in 2011. The increase in operating loss was due to full year results in 2012 compared to only partial year results in 2011. Our operating loss as a percentage of net sales improved to 8.8% in 2012 as compared to 19.7% in 2011. The operating loss rate improvement was the result of positive sales trends from increased inventory levels and an improving merchandise assortment.

Other Performance Factors

Interest Expense

Interest expense increased $0.7 million to $4.2 million in 2012 compared to $3.5 million in 2011. The increase in interest expense was primarily driven by increased borrowings in 2012. This increase was offset by decreases due to $0.8 million of non-recurring prepayment fees in the second quarter of 2011 that were associated with repayment of the notes payable assumed in the acquisition of Liquidation World Inc. The increase was also offset by lower amortization of deferred bank fees on our 2011 Credit Agreement in 2012 as compared to deferred bank fees on our prior credit agreement in 2011. We had total average borrowings (including capital leases) of $200.3 million in 2012 compared to total average borrowings of $88.2 million in 2011. The increase in total average borrowings was primarily the result of our investment of $298.5 million in 2012 to purchase approximately 8.1 million of our outstanding shares under the 2011 and 2012 Repurchase Programs.

Income Taxes

The effective income tax rate in 2012 and 2011 for income from continuing operations was 39.8% and 39.4%, respectively. The higher rate in 2012 is primarily due to a valuation allowance relative to the deferred tax benefit of the loss generated by our Canadian segment on a lower pretax income base and a net decrease in favorable discrete income tax items.

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 the term was extended 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. The lenders under the 2011 Credit Agreement consented to the wind down of our Canadian segment, and, in connection therewith, in January 2014, we and the lenders agreed to eliminate Big Lots Canada, Inc. as a borrower under the 2011 Credit Agreement, which in turn resulted in the elimination of the $10 million Canadian swing loan sublimit, the $200 million Canadian revolving credit loan subfacility, and the CDOR interest rate option. The elimination of Big Lots Canada, Inc. as a borrower and the elimination of these provisions regarding Canadian borrowings did not change the total amount available under the 2011 Credit Agreement. 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 February 1, 2014, 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 of 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.

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. 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 2013, our total indebtedness (outstanding borrowings and letters of credit) under the 2011 Credit Agreement, peaked at approximately $358 million in November.

At February 1, 2014, we had $77.0 million in outstanding borrowings under the 2011 Credit Agreement and $617.4 million borrowings available under the 2011 Credit Agreement, after taking into account the reduction in availability resulting from outstanding letters of credit totaling $5.6 million. We anticipate that total indebtedness under the 2011 Credit Agreement through June 15, 2014, will not exceed $85 million, which includes our estimate of outstanding letters of credit and the estimated impact of cash needs of Big Lots Canada, but excludes the impact of any potential share repurchase activity under the 2014 Repurchase Program. Working capital was $543.6 million at February 1, 2014.

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 for the acquisition of merchandise, wire and other electronic transactions for the acquisition of merchandise, payroll and other operating expenses, income and other taxes, employee benefits, and other miscellaneous disbursements.

Cash provided by operating activities decreased by $82.8 million to $198.3 million in 2013 compared to $281.1 million in 2012. The decrease was primarily driven by the decrease in net income of $51.8 million to $125.3 million in 2013 from $177.1 million in 2012. Additionally, the change in our income tax related assets impacted our operating cash flows. Our net deferred tax assets increased more substantially during 2013 as compared to 2012 principally due to (1) the recognition of a U.S. deferred tax benefit associated with the excess tax basis related to our investment in our Canadian segment, (2) an increase in the deferred tax assets associated with nonvested restricted stock as no material vesting of restricted stock has occurred in 2013, (3) the impact of fewer stock option exercises in 2013 compared to 2012, and (4) the reduction of deferred tax liabilities associated with greater book depreciation compared to flat tax depreciation. These deferred tax items impacted our operating cash flows by $44.6 million. Our current income taxes payable decreased more substantially during 2013 as compared to 2012, primarily due to our generation of higher taxable income during the first three quarters of 2013 as compared to the first three quarters of 2012, which resulted in higher estimated income tax installment payments during 2013 compared to 2012, coupled with the generation of lower taxable income in the fourth quarter of 2013 as compared to the fourth quarter of 2012. The result of the higher estimated income tax payments was a reduction of $38.3 million of cash provided by operating activities. Partially offsetting these decreases in cash flows from operations were a net reduced amount of net cash used by certain operating asset and liabilities and an increase in non-cash impairment charges. During 2013, we generated cash from our inventories as we reduced our inventory levels as a result of the wind down of our Canadian segment and wholesale business, while during 2012, we used cash to grow our inventory levels. Our accounts payable have a direct correlation with our inventory; therefore as we reduced our inventory position during 2013, we also reduced our accounts payable, which required the use of cash, and during 2012, when we grew our inventory balances, our accounts payable increased, which provided cash flows. The impact of the movement in our inventory and accounts payable balances provided for $23.1 million of net cash within operating activities. Non-cash impairment charges increased $20.1 million, which were principally associated with the wind down of the operations of our Canadian segment, including the impairments of goodwill, fixed assets, and tradename intangible assets.

Cash used in investing activities decreased by $32.9 million to $97.5 million in 2013 compared to $130.4 million in 2012. The decrease was primarily due to lower capital expenditures in 2013 as compared to 2012, which were $104.8 million and $131.3 million, respectively. The decrease in capital expenditures was principally driven by a reduction in new store openings in 2013 as compared to 2012, which decreased to 57 new stores in 2013 from 87 new stores in 2012. Additionally, we received greater proceeds on the sale of property and equipment in 2013, as we sold an owned store location, as compared to 2012, when we had no similar real estate transaction.

Cash used in financing activities decreased by $67.1 million to $91.2 million in 2013 compared to $158.3 million in 2012. The decrease in the cash used in financing activities was principally due to the lack of an active share repurchase program during 2013. Our use of cash for share repurchase activities decreased by $303.8 million to $0.2 million in 2013 as compared to $304.0 million in 2012. The majority of the shares repurchased in 2012 were acquired under a board-authorized share repurchase program, while in 2013 no such program existed. In 2012, we utilized $105.3 million of net proceeds from borrowings under our credit facility to partially fund our share repurchase activities. In 2013, we utilized a portion of our cash provided by operating activities to repay $94.2 million of borrowings under our credit facility. Lastly, there was a reduction in the proceeds from the exercise of stock options of $28.4 million, as fewer options were exercised in 2013 as compared to 2012.

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 February 1, 2014:

	Payments Due by Period [1]				
(In thousands)	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Obligations under bank credit facility [2]	$ 77,095	$ 95	$ —	$ 77,000	$ —
Operating lease obligations [3] [4]	1,295,004	338,237	499,523	285,556	171,688
Capital lease obligations [4]	1,018	930	88	—	—
Purchase obligations [4] [5]	628,909	546,236	69,735	12,938	—
Other long-term liabilities [6]	35,474	7,172	7,190	7,200	13,912
Total contractual obligations	$ 2,037,500	$ 892,670	$ 576,536	$ 382,694	$ 185,600

(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 $64.4 million at February 1, 2014. Approximately $61.8 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. The remaining $2.6 million of outstanding letters of credit represent commercial letters of credit whereby the related obligation is included in the purchase obligations. For a further discussion, see note 3 to the accompanying consolidated financial statements.

(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, office, and warehouse space operating leases are $1,003.1 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 $284.8 million at February 1, 2014. 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 $7.1 million relates primarily to operating leases for computer and other business equipment, including data center related costs. For our Canadian segment, we valued our operating lease obligations at their contractual amounts as of February 1, 2014. Since February 1, 2014, we have agreed to buy-outs with many of our landlords at amounts that were lower than our contractual obligation.

(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 $464.6 million, the entirety of which represents obligations due within one year of February 1, 2014. In addition, we have a purchase commitment for future inventory purchases totaling $49.0 million at February 1, 2014. 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 $115.3 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 $21.4 million for obligations related to our nonqualified deferred compensation plan, $6.5 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 $0.5 million for closed store lease termination costs related to stores closed in 2013 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 $2.6 million for payments expected in 2013 and $0.7 million of timing-related income tax uncertainties anticipated to reverse in 2013. Unrecognized tax benefits in the amount of $19.0 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

For a discussion of the KB Bankruptcy Lease Obligations, see note 14 to the accompanying consolidated financial statements. Because the KB Toys business filed for bankruptcy again in December 2008 and liquidated all of its store operations, we accrued a contingent liability on our balance sheet at January 30, 2010, for 31 KB Toys store leases for which we may have an indemnification or guarantee obligation and a former KB Toys corporate office lease for which we took an assignment in 2009. During the fourth quarter of 2013, we re-evaluated our liability and determined the likelihood of an unfavorable settlement had become remote; therefore at February 1, 2014, we had no contingent liability related to this matter. Because of uncertainty inherent in the assumptions used to estimate this liability, our estimated liability could ultimately prove to be understated and could result in a material adverse impact on our financial condition, results of operations, and liquidity.

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. During 2013, we announced our intentions to wind down the operations of our Canadian segment and have since implemented a markdown strategy in order to most efficiently execute the liquidation of the inventory in our Canadian segment. We have reduced the value of the inventory in our Canadian segment at February 1, 2014 to a level that reflects our net realizable value based on estimated cash proceeds prior to closing, which represents our estimate of its market value.

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 2014, 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 individual store, historical results. Thus, the shrink accrual rates will be adjusted throughout the January to July inventory cycle based on actual results. At February 1, 2014, a 10% difference in our shrink reserve would have affected gross margin, operating profit and income from continuing operations before income taxes by approximately $3.4 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 annual impairment reviews of our long-lived assets at the store level, or when other impairment indicators are present. Generally, all other property and equipment is reviewed for impairment at the enterprise level. When we perform the 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, 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 through 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. 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.

In our U.S. segment, we identified seven stores and two stores, in 2013 and 2012, respectively, with impairment indicators as a result of our annual store impairment tests. For our U.S. stores, we recognized impairment charges of $1.3 million and $0.6 million in 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 2013 or 2012.

Our December 2013 announcement of the Canadian Wind Down was a triggering event for an impairment review of the long-lived assets in our Canadian segment. As a result of the wind down, our Canadian segment will no longer generate sales or operating cash inflows after the end of the first quarter of 2014; therefore, we determined that we would not be able to recover the book value of our property and equipment and tradename intangible assets in our Canadian segment. As such, we recorded an impairment charge of $7.0 million in 2013, which consisted of $6.5 million associated with reducing the value of our property to its estimated salvage value and $0.5 million associated with the full impairment of our tradename intangible assets. During 2012, we identified four Canadian stores in our impairment review, which resulted in a fourth quarter impairment charge of $0.4 million.

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 2011, we reviewed our operational needs surrounding travel and determined that we needed to replace an aircraft due in part to the repair costs and declining reliability of the aging aircraft. As a result of this decision, we both purchased a new aircraft to meet our needs and placed an older aircraft in the market as available-for-sale. We recorded a $2.2 million impairment charge on the held-for-sale aircraft, based on market conditions at the time the decision was executed.

Share-Based Compensation

We grant stock options, non-vested restricted stock awards, and performance share units to our employees under shareholder approved incentive plans. Share-based compensation expense was $13.2 million, $17.9 million, and $25.0 million in 2013, 2012, and 2011, respectively. Future share-based compensation expense for stock options is dependent upon the number and terms of future stock option awards and many estimates, judgments and assumptions used in arriving at the fair value of stock options. Future share-based compensation expense for the non-vested restricted stock awards 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, and many estimates, judgments and assumptions used in arriving at the fair value of performance share units. Future share-based compensation expense related to stock options, non-vested restricted stock, and performance share units may vary materially from the currently amortizing awards.

We estimate the fair value of our stock options 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. Expected volatility is based on historical and current implied volatilities from traded options on our common shares and those of our peers. The dividend yield rate on our common shares is assumed to be zero since we have not paid dividends and have no current plans to do so. 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 application of the binomial model and includes assumptions such as the expected employee exercise behavior and our expected forfeiture rate, which is based on analysis of historical data.

Compensation expense for non-vested restricted stock awards are recorded over the estimated vesting period based on the estimated achievement date of the performance criteria. An estimated target achievement date is determined at the time 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.

Compensation expense for performance share units is recorded over the estimated vesting period based on the estimated achievement date of the performance criteria. An estimated target achievement date is determined at the time of the award based on performing certain Monte Carlo simulation. 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 provincial 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 derecognized 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 and expected return on plan assets. 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 is primarily a long-term, prospective rate of return. The weighted average discount rate used to determine the net periodic pension cost for 2013 was 4.6%. A 1.0% decrease in the discount rate would increase net periodic pension cost by $0.6 million. The long-term rate of return on assets used to determine net periodic pension cost in 2013 was 5.1%. 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.

During 2013, we reclassified $1.0 million, net of tax, from other comprehensive income to expense in our consolidated statement of operations. We also recognized a benefit of $0.1 million, net of tax, to other comprehensive income in 2013, which was principally driven by the recognition of $0.1 million (pretax) in settlement charges as participants elected more lump sum payments than originally estimated. At February 1, 2014, the accumulated other comprehensive income amount associated with the plans, which was principally unrealized actuarial loss, was an $8.5 million loss, net of tax. During 2013, and in future periods, we expect to reclassify approximately $1.2 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 2013, 2012 and 2011, we would expect that the pretax expense related to future settlements would be in the range of $0.3 million to $1.8 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 and dental 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 exposure 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 February 1, 2014 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 $1.9 million.

Costs Associated with Exit or Disposal Activities
Our accruals for costs associated with exit or disposal activities arise from management's decision to wind down certain operations and require significant judgment, the use of estimates, and the interpretation and application of complex accounting principles. The accruals for costs associated with exit or disposal activities primarily consist of contract termination costs, principally related to operating leases, and severance benefits. For our contract termination cost estimates, management utilizes the advice and input of outside real estate specialists when determining its valuation of the liabilities. The accruals for contract termination costs and severance benefits factor in many variables including, but not limited to, expected vacancy periods, tenancy rates per square foot, buy-out scenarios, costs of capital, operating performance during the wind down period, and forfeitures. A 10% change in our accrued liabilities for costs associated with exit disposal activities at February 1, 2014 would have affected selling and administrative expenses, operating profit, and income from continuing operations before income taxes by approximately $0.4 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 13, and note 14 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 $77.0 million under the 2011 Credit Agreement at February 1, 2014. 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.

Through the operations of Big Lots Canada, we are subject to market risks associated with foreign currency exchange rate fluctuations between the Canadian Dollar and the U.S. Dollar. An increase or decrease of 1% in foreign currency exchange rates 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 February 1, 2014, based on criteria established in *Internal Control - Integrated Framework (1992)* 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 in Item 9A. 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 February 1, 2014, based on the criteria established in *Internal Control - Integrated Framework (1992)* 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 February 1, 2014 of the Company and our report dated April 1, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP

Dayton, Ohio
April 1, 2014

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 February 1, 2014 and February 2, 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended February 1, 2014. 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 February 1, 2014 and February 2, 2013, and the results of their operations and their cash flows for each of the three years in the period ended February 1, 2014, 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 February 1, 2014, based on the criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 1, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Dayton, Ohio
April 1, 2014

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

	2013	2012	2011
Net sales	$ 5,301,912	$ 5,367,165	$ 5,159,249
Cost of sales (exclusive of depreciation expense shown separately below)	3,236,606	3,254,837	3,096,200
Gross margin	2,065,306	2,112,328	2,063,049
Selling and administrative expenses	1,759,745	1,708,160	1,629,218
Depreciation expense	115,122	106,137	90,135
Operating profit	190,439	298,031	343,696
Interest expense	(3,339)	(4,192)	(3,530)
Other income (expense)	(1,213)	51	(173)
Income from continuing operations before income taxes	185,887	293,890	339,993
Income tax expense	61,118	116,921	133,835
Income from continuing operations	124,769	176,969	206,158
Income from discontinued operations, net of tax expense of $351, $195 and $710 in fiscal years 2013, 2012 and 2011, respectively	526	152	906
Net income	$ 125,295	$ 177,121	$ 207,064
Earnings per common share - basic			
Continuing operations	$ 2.17	$ 2.96	$ 3.02
Discontinued operations	0.01	—	0.01
	$ 2.18	$ 2.96	$ 3.03
Earnings per common share - diluted			
Continuing operations	$ 2.15	$ 2.93	$ 2.97
Discontinued operations	0.01	—	0.01
	$ 2.16	$ 2.93	$ 2.98

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

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

	2013	2012	2011
Net income	$ 125,295	$ 177,121	$ 207,064
Other comprehensive income (loss):			
Foreign currency translation	(3,589)	(383)	(1,050)
Amortization of pension, net of tax benefit of $(665), $(921), and $(703), respectively	1,005	1,403	1,066
Valuation adjustment of pension, net of tax (benefit) expense of $(1,589), $(766), and $3,337, respectively	2,403	1,169	(5,065)
Total other comprehensive income (loss)	(181)	2,189	(5,049)
Comprehensive income	$ 125,114	$ 179,310	$ 202,015

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)

	February 1, 2014	February 2, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68,629	$ 60,581
Inventories	914,965	918,023
Deferred income taxes	59,781	37,696
Other current assets	77,686	74,330
Total current assets	1,121,061	1,090,630
Property and equipment - net	569,682	593,562
Deferred income taxes	5,106	—
Goodwill	—	13,522
Other assets	43,750	55,912
Total assets	$ 1,739,599	$ 1,753,626
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 365,772	$ 393,652
Property, payroll, and other taxes	73,334	74,973
Accrued operating expenses	57,167	53,788
Insurance reserves	37,607	36,861
KB bankruptcy lease obligation	—	3,069
Accrued salaries and wages	29,175	26,753
Income taxes payable	14,392	40,538
Total current liabilities	577,447	629,634
Long-term obligations	77,000	171,200
Deferred income taxes	—	2,693
Deferred rent	76,364	73,658
Insurance reserves	55,755	63,332
Unrecognized tax benefits	17,975	16,335
Other liabilities	33,631	38,632
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 57,548 shares and 57,269 shares, respectively	1,175	1,175
Treasury shares - 59,947 shares and 60,226 shares, respectively, at cost	(1,670,041)	(1,677,610)
Additional paid-in capital	562,447	551,845
Retained earnings	2,021,357	1,896,062
Accumulated other comprehensive loss	(13,511)	(13,330)
Total shareholders' equity	901,427	758,142
Total liabilities and shareholders' equity	$ 1,739,599	$ 1,753,626

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 29, 2011	73,894	$ 1,175	43,601	$ (1,079,130)	$ 523,341	$ 1,511,877	$ (10,470)	$ 946,793
Comprehensive income	—	—	—	—	—	207,064	(5,049)	202,015
Purchases of common shares	(11,063)	—	11,063	(363,957)	—	—	—	(363,957)
Exercise of stock options	500	—	(500)	12,800	(2,391)	—	—	10,409
Restricted shares vested	271	—	(271)	6,731	(6,731)	—	—	—
Tax benefit from share-based awards	—	—	—	—	2,701	—	—	2,701
Share activity related to deferred compensation plan	7	—	(7)	32	247	—	—	279
Share-based employee compensation expense	—	—	—	—	24,993	—	—	24,993
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

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

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

	2013	2012	2011
Operating activities:			
Net income	$ 125,295	$ 177,121	$ 207,064
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	102,196	95,602	82,851
Deferred income taxes	(32,138)	12,482	10,456
Non-cash share-based compensation expense	13,183	17,879	24,993
Excess tax benefit from share-based awards	(123)	(8,144)	(2,701)
Non-cash impairment charge	21,091	984	2,242
(Gain) loss on disposition of property and equipment	(3,036)	432	1,376
Pension expense, net of contributions	3,378	3,810	2,023
Change in assets and liabilities, excluding effects of acquisition and foreign currency adjustments:			
Inventories	1,385	(92,721)	(54,512)
Accounts payable	(27,468)	43,460	31,555
Current income taxes	(28,538)	9,844	10,293
Other current assets	420	(4,078)	(6,082)
Other current liabilities	4,350	397	(16,465)
Other assets	10,300	(17,894)	(4,098)
Other liabilities	8,039	41,959	29,476
Net cash provided by operating activities	198,334	281,133	318,471
Investing activities:			
Capital expenditures	(104,786)	(131,273)	(131,293)
Cash proceeds from sale of property and equipment	7,260	912	867
Purchase of business, net of cash acquired	—	—	1,835
Return from restricted account	—	—	8,000
Other	31	4	(121)
Net cash used in investing activities	(97,495)	(130,357)	(120,712)
Financing activities:			
Net proceeds from borrowings under bank credit facility	(94,200)	105,300	65,900
Payment of notes payable	—	—	(16,664)
Payment of capital lease obligations	(1,089)	(1,321)	(1,953)
Proceeds from the exercise of stock options	4,884	33,288	10,409
Excess tax benefit from share-based awards	123	8,144	2,701
Payment for treasury shares acquired	(214)	(304,038)	(363,957)
Deferred bank credit facility fees paid	(895)	—	(2,970)
Other	195	353	279
Net cash used in financing activities	(91,196)	(158,274)	(306,255)
Impact of foreign currency on cash	(1,595)	(468)	(496)
Increase (Decrease) in cash and cash equivalents	8,048	(7,966)	(108,992)
Cash and cash equivalents:			
Beginning of year	60,581	68,547	177,539
End of year	$ 68,629	$ 60,581	$ 68,547

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 the largest broadline closeout retailer in the U.S. At February 1, 2014, we operated 1,570 stores in the United States of America ("U.S.") and Canada. Our goal is to strengthen and build upon our leadership position in broadline closeout retailing by providing our customers with great savings on brand-name closeouts and other value-priced merchandise.

During the first quarter of 2014, we ceased all operations in Canada. Please see the Canadian Segment section of note 13 to the consolidated financial statements for further information on the wind down of our operations in Canada.

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 2013 ("2013") is 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. Fiscal year 2011 ("2011") was comprised of the 52 weeks that began on January 30, 2011 and ended on January 28, 2012.

Segment Reporting

We manage our broadline closeout retailing business based on two segments: the U.S. and Canada.

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 and variable rate demand notes, 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 seven days, and at February 1, 2014 and February 2, 2013, totaled $24.5 million and $24.6 million, respectively.

Restricted Cash

Our restricted cash served as collateral, in place of an irrevocable stand-by letter of credit, to provide financial assurance that we would fulfill our obligations with respect to cash requirements associated with self-insurance. The cash was on deposit with our insurance carrier.

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 February 1, 2014 and February 2, 2013.

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 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 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 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 our most common initial lease term 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. 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 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 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.

Goodwill
Instead of being amortized, goodwill is tested for impairment annually and whenever events or changes in circumstances indicate the carrying value of the asset may not be recoverable. We use an income approach and a market approach in determining fair value for purposes of goodwill impairment tests. We perform our annual impairment testing during our second fiscal quarter of each year.

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, resulting 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 any 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 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 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 and dental 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 and/or segments. 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, expected vacancy periods, tenancy rates per square foot, buy-out scenarios, costs of capital, operating performance during the wind down period, and forfeitures. 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 from the use of 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 2013, 2012, and 2011, we recognized in net sales on our consolidated statements of operations breakage of $0.2 million, $0.5 million, and $0.6 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 $170.5 million, $165.3 million, and $159.6 million for 2013, 2012, and 2011, 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 incentive 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 and 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 $98.6 million, $101.1 million, and $98.5 million for 2013, 2012, and 2011, 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 options that we expect to vest. We estimate forfeitures based on historical information. 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 straight-line over the vesting period. We estimate 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 is based on historical and current implied volatilities from traded options on our common shares. The dividend yield on our common shares is assumed to be zero since we have not paid dividends and have no current plans to do so in the future. 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.

Compensation expense for non-vested restricted stock awards and performance share units 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 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.

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 and non-vested restricted stock awards, 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
The functional currency of our international subsidiary is the local currency of the country in which the subsidiary is located. We have one foreign subsidiary domiciled in Canada. 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. The effect of exchange rate fluctuations on translation of assets and liabilities is included as a component of shareholders' equity in accumulated other comprehensive income (loss). Gains and losses from foreign currency transactions, which are included in other income (expense), were a loss of $1.2 million for 2013, immaterial for 2012, and a loss of $0.4 million for 2011.

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 2013, 2012, and 2011:

(In thousands)		2013		2012		2011
Supplemental disclosure of cash flow information:						
Cash paid for interest, including capital leases	$	2,687	$	3,369	$	2,742
Cash paid for income taxes, excluding impact of refunds	$	122,672	$	95,596	$	114,406
Gross proceeds from borrowings under the bank credit facility	$	1,330,100	$	1,448,800	$	846,300
Gross payments of borrowings under the bank credit facility	$	1,424,300	$	1,343,500	$	780,400
Non-cash activity:						
Assets acquired under capital leases	$	—	$	392	$	2,925
Accrued property and equipment	$	5,296	$	6,824	$	8,711
Notes payable assumed in acquisition	$	—	$	—	$	16,664

Reclassifications

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. As such, we have reclassified our results for all periods presented. Please see the Wholesale Business section of note 13 and note 14 to the consolidated financial statements for further discussion of the wind down and the costs incurred during 2013.

Merchandise Categories
In the fourth quarter of 2013, we realigned select merchandise categories to be consistent with the realignment of our merchandising team and changes to our management reporting in our U.S. segment. We moved our toys, books, and sporting goods departments out of the Hardlines & Toys category and into our Seasonal category. We moved our table top, food preparation, stationary, gift wrap, and greeting card departments out of our Home category and into our Hard Home. Additionally, we moved our home décor and frames departments out of our Home category and into our Furniture category. We subsequently renamed the remaining classifications in our Home category as Soft Home. We also renamed our Furniture category to Furniture & Home Décor. Furthermore, we renamed our Electronics & Other category to Electronics & Accessories.

Also in the fourth quarter of 2013, we separated several of our existing merchandise departments into new departments to be consistent with the realignment of our merchandising team and changes to our management reporting. Prior to the fourth quarter of 2013, our Food category consisted of our food and specialty food departments. We separated our food department into two separate departments named candy & snacks and beverage & grocery. In our Home category, we separated our domestics department into six new departments named fashion bedding, utility bedding, bath, window, decorative textile, and flooring.

Our U.S. segment now uses the following 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 flooring departments. The Hard Home category includes our small appliances, table top, food preparation, stationary, 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. In order to provide comparative information, we have reclassified our results into the new alignment for all periods presented.

Recent Accounting Standards
There are currently no new accounting pronouncements with a future effective date that are of significance, or potential significance, to us.

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:

(In thousands)	February 1, 2014	February 2, 2013
Land and land improvements	$ 50,830	$ 50,797
Buildings and leasehold improvements	835,117	803,267
Fixtures and equipment	692,152	674,684
Computer software costs	128,787	114,572
Transportation equipment	26,763	27,303
Construction-in-progress	6,791	23,759
Property and equipment - cost	1,740,440	1,694,382
Less accumulated depreciation and amortization	1,170,758	1,100,820
Property and equipment - net	$ 569,682	$ 593,562

Property and equipment - cost includes $4.2 million and $4.2 million at February 1, 2014 and February 2, 2013, respectively, to recognize assets from capital leases. Accumulated depreciation and amortization includes $3.2 million and $2.2 million at February 1, 2014 and February 2, 2013, respectively, related to capital leases.

During 2013, 2012, and 2011 respectively, we invested $104.8 million, $131.3 million, and $131.3 million of cash in capital expenditures and we recorded $115.1 million, $106.1 million, and $90.1 million of depreciation expense.

We incurred $7.8 million, $1.0 million, and $2.2 million in asset impairment charges in 2013, 2012, and 2011, respectively. The charges in 2013 principally related to the write-down of long-lived assets in our Canadian segment as a result of our announced intention to wind down the operations of our Canadian segment. As there will be no expected future cash flows from our Canadian segment 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. Additionally, in 2013, we wrote down the value of long-lived assets at seven U.S. 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 one U.S. store and four Canadian stores identified as part of our annual store impairment review. The charges in 2011 relate to asset impairments from the valuation of the Company's oldest airplane.

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"). The 2011 Credit Agreement replaced the $500 million three-year unsecured credit facility we entered into on April 28, 2009 ("2009 Credit Agreement"). We did not incur any material termination penalties in connection with the termination of the 2009 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 February 1, 2014, we had $77.0 million of borrowings outstanding under the 2011 Credit Agreement and $5.6 million was committed to outstanding letters of credit, leaving $617.4 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 $21.2 million and $20.7 million at February 1, 2014 and February 2, 2013, 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 1,515 of our retail stores, 0.5 million square feet of warehouse space, 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:

(In thousands)	2013	2012	2011
Minimum leases	$ 329,654	$ 309,526	$ 284,697
Contingent leases	391	460	637
Total rent expense	$ 330,045	$ 309,986	$ 285,334

Future minimum rental commitments for leases, excluding closed store leases, real estate taxes, CAM, and property insurance, at February 1, 2014, were as follows:

Fiscal Year		*(In thousands)*
2014	$	260,921
2015		213,657
2016		173,486
2017		127,602
2018		92,941
Thereafter		134,505
Total leases	$	1,003,112

We have obligations for capital leases for office equipment, included in accrued operating expenses and other liabilities on our consolidated balance sheet. Scheduled payments for all capital leases at February 1, 2014, were as follows:

Fiscal Year		*(In thousands)*
2014	$	930
2015		86
2016		2
2017		—
2018		—
Thereafter		—
Total lease payments	$	1,018
Less amount to discount to present value		(8)
Capital lease obligation per balance sheet	$	1,010

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 employee and director stock options and non-vested restricted stock awards. Stock options outstanding that were excluded from the diluted share calculation because their impact was antidilutive at the end of 2013, 2012, and 2011 were as follows:

(In millions)	**2013**	**2012**	**2011**
Antidilutive stock options excluded from dilutive share calculation	2.8	1.9	1.5

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 number of shares of non-vested restricted stock that were antidilutive, as determined under the treasury stock method, is 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:

(In thousands)	2013	2012	2011
Weighted-average common shares outstanding:			
Basic	57,415	59,852	68,316
Dilutive effect of stock options and restricted common shares	543	624	1,103
Diluted	57,958	60,476	69,419

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 only nonqualified stock options, restricted stock, and performance 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 number of common shares available for issuance under the 2005 LTIP consisted of: (1) an initial allocation of 1,250,000 common shares; (2) 2,001,142 common shares, the number of common shares that were available under the predecessor Big Lots, Inc. 1996 Performance Incentive Plan ("1996 LTIP") upon its expiration; (3) 2,100,000 common shares approved by our shareholders in May 2008; and (4) an annual increase equal to 0.75% of the total number of issued common shares (including treasury shares) as of the start of each of our fiscal years during which the 2005 LTIP was in effect. 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 2013, 2012, and 2011, but did, as discussed below, receive restricted stock awards under the 2012 and 2005 LTIPs.

Share-based compensation expense was $13.2 million, $17.9 million and $25.0 million in 2013, 2012, and 2011, respectively. We use 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 is assumed to be zero since we have not paid dividends and have no current plans to do so in the future.

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	2011
Weighted-average fair value of stock options granted	$ 12.08	$ 14.15	$ 14.43
Risk-free interest rates	0.8%	0.6%	1.8%
Expected life (years)	4.2	4.2	4.2
Expected volatility	41.9%	41.1%	41.7%
Expected annual forfeiture rate	3.0%	3.0%	1.5%

The following table summarizes information about our stock options outstanding and exercisable at February 1, 2014:

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	483,603	2.0	$ 17.18	483,603	$ 17.18
20.01	30.00	163,763	1.3	23.63	162,825	23.60
30.01	40.00	1,571,187	5.1	35.82	440,437	35.84
$ 40.01	$ 50.00	1,158,750	4.6	42.59	493,250	42.22
		3,377,303	4.3	$ 34.88	1,580,115	$ 30.86

A summary of the annual stock option activity for fiscal years 2011, 2012, and 2013 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 29, 2011	3,578,683	$ 24.59		
Granted	918,500	40.85		
Exercised	(500,085)	20.81		
Forfeited	(320,675)	33.84		
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	4.3	$ 5,264
Vested or expected to vest at February 1, 2014	3,227,442	$ 34.71	4.3	$ 5,264
Exercisable at February 1, 2014	1,580,115	$ 30.86	3.0	$ 5,264

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 2011, 2012, and 2013 is as follows:

	Number of Shares	**Weighted Average Grant-Date Fair Value Per Share**
Outstanding non-vested awards other than stock options at January 29, 2011	503,784	$ 35.88
Granted	564,589	40.76
Vested	(271,784)	35.84
Forfeited	(55,300)	38.72
Outstanding non-vested awards other than stock options 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 awards other than stock options at February 2, 2013	783,609	$ 42.25
Granted	496,376	35.47
Vested	(64,784)	37.79
Forfeited	(513,300)	41.86
Outstanding non-vested awards other than stock options at February 1, 2014	701,901	$ 38.15

The non-vested restricted stock awards granted to employees (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 the second quarter of 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. The performance share units have a contractual term of seven years. If the performance goals applicable to the performance share units are not achieved prior to expiration, the awards will be forfeited.

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 2013, 2012, and 2011, we granted to each non-employee member of our Board of Directors a restricted stock award. In 2013, each had a fair value on the grant date of approximately $100,000. 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 2013, 2012, and 2011, the following activity occurred under our share-based compensation plans:

(In thousands)		2013		2012		2011
Total intrinsic value of stock options exercised	$	2,646	$	29,350	$	8,747
Total fair value of restricted stock vested	$	2,237	$	21,907	$	11,618

The total unearned compensation cost related to all share-based awards outstanding at February 1, 2014 was approximately $27.6 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 2.5 years from February 1, 2014.

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:

(In thousands)		2013		2012		2011
Service cost - benefits earned in the period	$	2,086	$	2,171	$	2,211
Interest cost on projected benefit obligation		3,041		3,292		3,496
Expected investment return on plan assets		(2,893)		(3,089)		(4,627)
Amortization of prior service cost		(34)		(34)		(34)
Amortization of transition obligation		12		13		13
Amortization of actuarial loss		1,692		2,345		1,796
Settlement loss		83		298		298
Net periodic pension cost	$	3,987	$	4,996	$	3,153

In 2013, 2012, and 2011, we incurred pretax non-cash settlement charges of $0.1 million, $0.3 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:

	2013	2012	2011
Discount rate	4.6%	5.0%	5.7%
Rate of increase in compensation levels	3.5%	3.5%	3.9%
Expected long-term rate of return	5.1%	5.5%	8.0%

The weighted-average assumptions used to determine benefit obligations were:

	2013	2012
Discount rate	5.0%	4.6%
Rate of increase in compensation levels	3.0%	3.5%

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 February 1, 2014 and February 2, 2013:

(In thousands)	February 1, 2014	February 2, 2013
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$ 70,210	$ 69,942
Service cost	2,086	2,171
Interest cost	3,041	3,292
Benefits and settlements paid	(5,035)	(6,437)
Actuarial (gain) loss	(5,424)	1,242
Projected benefit obligation at end of year	$ 64,878	$ 70,210
Change in plan assets:		
Fair market value at beginning of year	$ 59,376	$ 58,662
Actual return on plan assets	1,379	5,969
Employer contributions	609	1,182
Benefits and settlements paid	(5,035)	(6,437)
Fair market value at end of year	$ 56,329	$ 59,376
Under funded and net amount recognized	$ (8,549)	$ (10,834)
Amounts recognized in the consolidated balance sheets consist of:		
Noncurrent assets	$ —	$ —
Current liabilities	(340)	(361)
Noncurrent liabilities	(8,209)	(10,473)
Net amount recognized	$ (8,549)	$ (10,834)

The following are components of accumulated other comprehensive income and, as such, are not yet reflected in net periodic pension expense:

(In thousands)		2013		2012
Unrecognized transition obligation	$	—	$	(12)
Unrecognized past service credit		56		90
Unrecognized actuarial loss		(14,124)		(19,808)
Accumulated other comprehensive loss, pretax	$	(14,068)	$	(19,730)

We expect to reclassify $1.2 million of the actuarial loss along with immaterial amounts of transition obligation and past service credit into net periodic pension expense during 2014.

The following table sets forth certain information for the Pension Plan and the Supplemental Pension Plan at February 1, 2014 and February 2, 2013:

	Pension Plan				Supplemental Pension Plan			
(In thousands)		February 1, 2014		February 2, 2013		February 1, 2014		February 2, 2013
Projected benefit obligation	$	59,724	$	63,951	$	5,154	$	6,259
Accumulated benefit obligation		54,635		57,224		4,643		5,080
Fair market value of plan assets	$	56,329	$	59,376	$	—	$	—

We elected not to make a discretionary contribution to the Pension Plan in 2013 or in 2012. 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 2014, 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:

Fiscal Year		*(In thousands)*
2014	$	5,242
2015		5,435
2016		5,438
2017		5,334
2018		5,283
2019 - 2023	$	25,409

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 February 1, 2014 and February 2, 2013. 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 February 1, 2014 and February 2, 2013 by asset category was comprised of the following:

	February 1, 2014				February 2, 2013			
(In thousands)	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	$ 1,418	$ 1,418	$ —	$ —	$ 821	$ 821	$ —	$ —
Common / Collective Trusts								
Long Credit	44,239	—	44,239	—	30,924	—	30,924	—
High Yield	2,629	—	2,629	—	3,074	—	3,074	—
Global Real Estate	2,623	—	2,623	—	3,244	—	3,244	—
International Equities	2,172	—	2,172	—	2,643	—	2,643	—
U.S. Equity Index	2,165	—	2,165	—	2,538	—	2,538	—
U.S. Small Cap	1,075	—	1,075	—	1,254	—	1,254	—
Intermediate Credit	8	—	8	—	14,878	—	14,878	—
Total	$ 56,329	$ 1,418	$ 54,911	$ —	$ 59,376	$ 821	$ 58,555	$ —

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 2013, 2012, and 2011, we expensed $5.7 million, $5.6 million, and $5.2 million, respectively, related to our matching contributions. In connection with our nonqualified deferred compensation plan, we had liabilities of $21.4 million and $21.2 million at February 1, 2014 and February 2, 2013, respectively.

NOTE 9 – INCOME TAXES

The provision for income taxes from continuing operations was comprised of the following:

(In thousands)	2013	2012	2011
Current:			
U.S. Federal	$ 81,159	$ 91,299	$ 106,737
U.S. State and local	14,078	13,240	16,636
Non-U.S.	—	—	—
Total current tax expense	95,237	104,539	123,373
Deferred:			
U.S. Federal	(31,754)	10,333	9,207
U.S. State and local	(2,365)	2,049	1,255
Non-U.S.	—	—	—
Total deferred tax expense	(34,119)	12,382	10,462
Income tax provision	$ 61,118	$ 116,921	$ 133,835

Net deferred tax assets fluctuated by items that are not reflected in deferred expense above. The fluctuations in net deferred tax assets related to discontinued operations deferred income tax expense were a $1.9 million increase for 2013 and a $0.1 million decrease for 2012. There were no fluctuations in deferred tax assets related to discontinued operations for 2011. Fluctuations related principally to pension-related charges recorded in accumulated other comprehensive income were $2.3 million decrease, $1.7 million decrease and $2.6 million increase for 2013, 2012, and 2011, respectively. Additionally, net deferred tax assets decreased by $0.1 million in 2012 and increased by $0.2 million in 2011 as a result of the establishment of goodwill associated with the acquisition of the U.S. subsidiaries of Liquidation World Inc.

Reconciliation between the statutory federal income tax rate and the effective income tax rate for continuing operations was as follows:

	2013	2012	2011
Statutory federal income tax rate	35.0%	35.0%	35.0%
Effect of:			
State and local income taxes, net of federal tax benefit	4.0	3.4	3.4
Non-U.S. income tax rate differential	1.9	0.4	0.4
Write off of foreign goodwill	1.8	—	—
Work opportunity tax and other employment tax credits	(1.3)	(0.3)	(0.4)
Impaired investment in foreign subsidiary	(12.7)	—	—
Valuation allowance	4.2	1.2	1.0
Other, net	—	0.1	—
Effective income tax rate	32.9%	39.8%	39.4%

The impaired investment in foreign subsidiary in 2013 is primarily due to the recognition of a deferred tax benefit related to the excess tax basis in the common shares of Big Lots Canada as it has become more likely than not during the fourth quarter of 2013 that such excess will be recovered as a worthless stock deduction in the foreseeable future. In 2013, 2012, and 2011, the valuation allowance was associated with the non-U.S. deferred tax expense from our Canadian segment.

Income tax payments and refunds were as follows:

(In thousands)	2013	2012	2011
Income taxes paid	$ 122,672	$ 95,596	$ 114,406
Income taxes refunded	(551)	(2,764)	(983)
Net income taxes paid	$ 122,121	$ 92,832	$ 113,423

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:

(In thousands)	February 1, 2014	February 2, 2013
Deferred tax assets:		
Workers' compensation and other insurance reserves	$ 31,483	$ 34,118
Accrued rent	30,962	30,681
Non-U.S. net operating losses	24,430	22,098
Compensation related	24,505	21,351
Impaired investment in foreign subsidiary	23,899	—
Uniform inventory capitalization	20,708	20,654
Depreciation and fixed asset basis differences	12,727	11,475
Accrued state taxes	7,540	6,931
State tax credits, net of federal tax benefit	3,987	3,547
Pension plans	3,414	4,315
Accrued operating liabilities	2,585	2,325
KB store lease and other discontinued operations contingencies	—	1,218
Other	26,105	23,907
Valuation allowances - primarily related to Non-U.S. operations	(30,013)	(24,965)
Total deferred tax assets	182,332	157,655
Deferred tax liabilities:		
Accelerated depreciation and fixed asset basis differences	71,829	76,509
Lease construction reimbursements	16,773	16,203
Prepaid expenses	6,220	6,427
Workers' compensation and other insurance reserves	5,121	6,922
Compensation related	—	2,701
Other	17,502	13,890
Total deferred tax liabilities	117,445	122,652
Net deferred tax assets	$ 64,887	$ 35,003

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:

(In thousands)		**February 1, 2014**		**February 2, 2013**
Current deferred income taxes	$	59,781	$	37,696
Noncurrent deferred income taxes		5,106		(2,693)
Net deferred tax assets	$	64,887	$	35,003

Based on the weight of currently available evidence, we have 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.

We have the following income tax loss and credit carryforwards at February 1, 2014 (amounts are shown net of tax excluding the federal income tax effect of the state and local items):

(In thousands)			
Non-U.S.:			
Net operating loss carryforwards	$	24,430	Expires fiscal years 2026 through 2033, subject to a full valuation allowance
U.S. State and local:			
State net operating loss carryforwards		567	Expires fiscal years 2020 through 2025
California enterprise zone credits		5,865	Expires fiscal year 2023
Texas business loss credits		268	Expires fiscal years through 2025
Total income tax loss and credit carryforwards	$	31,130	

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, the vesting of restricted stock, and the vesting of performance share units. Tax benefits of $0.2 million, $8.1 million, and $2.7 million in 2013, 2012, and 2011, respectively, were credited directly to shareholders' equity related to share-based compensation deductions in excess of expense recognized for these awards.

The Company's Canadian subsidiary has an accumulated retained deficit, thus we have not provided for income taxes in the United States on undistributed earnings.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits for 2013, 2012, and 2011:

(In thousands)		**2013**		**2012**		**2011**
Unrecognized tax benefits - opening balance	$	16,019	$	16,755	$	27,250
Gross increases - tax positions in current year		991		838		2,179
Gross increases - tax positions in prior period		1,247		1,626		616
Gross decreases - tax positions in prior period		(532)		(1,928)		(9,513)
Settlements		(4)		(382)		(2,581)
Lapse of statute of limitations		(949)		(890)		(1,196)
Foreign currency translation		(122)		—		—
Unrecognized tax benefits - end of year	$	16,650	$	16,019	$	16,755

At the end of 2013 and 2012, the total amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate is $11.0 million and $10.8 million, respectively, after considering the federal tax benefit of state and local income taxes of $5.0 million and $4.6 million respectively. Unrecognized tax benefits of $0.7 million and $0.7 million in 2013 and 2012, 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.

For 2011, unrecognized tax benefits decreased by approximately $9.1 million related to our claims for welfare to work and work opportunity credits, which claims have either lapsed or are unlikely to be realized due to an unfavorable decision of U.S. Court of Appeals for the Federal Circuit against a similarly situated taxpayer. Our right to file a refund claim with respect to approximately $4.9 million of the credits has lapsed and our right to file a refund claim with respect to approximately $2 million of the credits will lapse during fiscal 2014. Our right to file a refund claim with respect to approximately $2.2 million of the credits may never lapse because the IRS has not issued a statutory notice of disallowance with respect to those claims; however, because our claims are unlikely to prevail in a different jurisdiction, we have decided not to pursue them. Therefore, we reduced our unrecognized tax benefits by the entire amount of the claims. Because these benefits were unrecognized, the decrease had no effect on income tax expense.

We recognized an expense (benefit) associated with interest and penalties on unrecognized tax benefits of approximately $0.5 million, $(0.7) million, and $(0.5) million during 2013, 2012, and 2011, respectively, as a component of income tax expense. The amount of accrued interest and penalties recorded in the accompanying consolidated balance sheets at February 1, 2014 and February 2, 2013 was $5.7 million and $5.2 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 2009 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 1, 2006 have lapsed.

We have estimated the reasonably possible expected net change in unrecognized tax benefits through January 31, 2015, 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. On December 18, 2013, the defendants 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. On March 17, 2014, the court 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 November 29, 2012, we received a grand jury subpoena from the U.S. Attorney for the Southern District of New York requesting documents relating to Mr. Fishman's trades in our common shares. We provided information in response to the subpoena in late 2012 and early 2013. Since that time, we have received no further subpoena or other request for information from the U.S. Attorney.

On December 7, 2012, we received a voluntary document request from the SEC relating to our guidance for the first quarter of fiscal 2012, internal policies, trading in our common shares by our directors and officers, and the terms of employment with Mr. Fishman. We provided information in response to the SEC request in late 2012 and early 2013. On May 20, 2013, our counsel received a letter dated May 9, 2013, from the Division of Enforcement of the SEC, which stated in relevant part: "This investigation has been completed as to your client, Big Lots, against which we do not intend to recommend any enforcement action by the Commission."

On June 13, 2013, we received a separate 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 in connection with its request.

On December 21, 2012, we received a letter from NYSE Regulation requesting information relating to Mr. Fishman's trades in our common shares, internal policies, and the inquiries being conducted by other bodies. We provided information in response to the NYSE Regulation request in 2013. NYSE Regulation last made requests for information in connection with this matter in August 2013, and we cooperated with its requests.

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 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 1998, an action was filed against us in the District Court, 224th Judicial District, in Bexar County, Texas ("State Court") by a plaintiff claiming she was injured when she fell in one of our stores ("Rivera matter"). The Rivera matter was removed to the U.S. District Court for the Western District of Texas ("Federal Court") and the claim was fully litigated. Ultimately, the Federal Court granted summary judgment in our favor in January 2000. The plaintiff re-filed the same complaint in April 2000 in the State Court and then obtained a default judgment against us on June 20, 2000 in the amount of approximately $1.5 million plus post-judgment interest. No effort was made to collect on this judgment by the plaintiff until February 2009, when we were served with a writ of execution of judgment. Since that time, we have sought relief from the State Court, the Federal Court, and the appellate courts having jurisdiction over those trial courts. In September 2012, the Supreme Court of Texas held that the default judgment was not void, but remanded the case to the State Court for a trial on other defenses we raised. The State Court held a trial in April 2013, and the jury held against us thus enforcing the initial State Court judgment in favor of the plaintiff. As a result, we accrued a pretax charge of $5.1 million in the first quarter of 2013 to reflect the amount of the initial State Court judgment of approximately $1.5 million plus post-judgment interest from the June 2000 judgment through the end of the first quarter of 2013. On June 7, 2013, we filed with the State Court a motion for judgment notwithstanding the verdict and a motion for a new trial. The parties settled this matter for $4.4 million in July 2013. As a result, an adjustment was made to the accrual for this matter that benefited the second quarter of 2013 by $0.7 million.

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.

For a discussion of discontinued operations, including KB Toys matters, see note 14.

We are self-insured for certain losses relating to property, general liability, workers' compensation, and employee medical and dental 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 $58.5 million at February 1, 2014, 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 $464.6 million, the entirety of which represents obligations due within one year of February 1, 2014. In addition, we have a purchase commitment for future inventory purchases totaling $49.0 million at February 1, 2014. We paid $21.7 million, $19.9 million, and $28.0 million related to this commitment during 2013, 2012, and 2011, 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 $115.3 million primarily related to distribution and transportation, information technology, print advertising, energy procurement, and other store security, supply, and maintenance commitments.

NOTE 11 – ACQUISITION

On July 18, 2011, we completed our acquisition of Liquidation World Inc. Under the terms of our acquisition agreement, we invested approximately $1.9 million in cash to purchase all outstanding shares of Liquidation World Inc. As part of the acquisition, we assumed the liabilities and acquired all assets and leasehold rights of Liquidation World Inc. On July 19, 2011, we changed the name of Liquidation World Inc. to Big Lots Canada, Inc. ("Big Lots Canada"). The results of Big Lots Canada since the acquisition date are included in our consolidated financial statements.

NOTE 12 – 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:

(In thousands)	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 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 related to our Canadian segment.

In the second quarter of 2013, we performed our annual impairment review of goodwill, which resulted in no impairment.

During the third and fourth quarters of 2013, our senior management team conducted certain strategic planning activities. As a result of these planning activities, we announced our intentions to wind down the operations of our Canadian segment in the fourth quarter of 2013. The decision to the wind down was considered a triggering event for the performance of an impairment review. As the wind down will result in the elimination of future cash flows from our Canadian segment, we determined that our goodwill had been impaired; therefore, we recorded an impairment charge of $12.7 million in the fourth quarter of 2013. Please see the Canadian Segment section of note 13 to the consolidated financial statements for further discussion.

NOTE 13 - COSTS ASSOCIATED WITH WIND DOWN ACTIVITIES

Wholesale Business

During the third quarter of 2013, we announced our intention to wind down the operations of our wholesale business, within our U.S. segment, 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 $1.1 million. The severance accrual was adjusted during the fourth quarter based on the final execution of severance agreements.

During the fourth quarter of 2013, we closed the leased facilities in which we operated our wholesale business and recorded contract termination costs of approximately $0.2 million.

The following table summarizes the components of our wind down activities associated with our wholesale business and the related liabilities for 2013:

(In thousands)	Severance	Contract Termination Costs	Total
Balance at February 2, 2013	$ —	$ —	$ —
Charges	1,078	212	1,290
Adjustments	(302)	—	(302)
Payments	(254)	(212)	(466)
Period change	522	—	522
Balance at February 1, 2014	$ 522	$ —	$ 522

We anticipate no additional charges associated with the wind down of the operations of our wholesale business. As the operations of the wholesale business had ceased as of February 1, 2014, the results of operations of the wholesale business were reclassified to discontinued operations. Please see the Wholesale Business section of note 14 to the consolidated financial statements for further information.

Canadian Segment

During the fourth quarter of 2013, we announced our intention to wind down the operations of our Canadian segment. 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 this evaluation and review, we determined the Canadian segment does not fit into our strategic plan for maximizing long-term shareholder returns based on our expectations of the required investments necessary to improve the Canadian segment's financial performance, 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. The cost associated with the revaluation of inventory was recorded in our cost of sales. 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 the third paragraph of note 2 to the consolidated financial statements for further discussion. Additionally, we conducted an impairment review of our goodwill associated with our Canadian segment, determined that the goodwill had been impaired, and we recorded a $12.7 million impairment charge. Please see the final paragraph of note 12 to the consolidated financial statements for further discussion.

The wind down of our Canadian operations has been 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 a severance charge of approximately $2.7 million in our selling and administrative expenses. Additionally, with the closure of certain leased distribution centers, we recorded contract termination costs of approximately $1.3 million.

The following table summarizes the components of our wind down activities associated with our Canadian segment and the related liabilities for 2013:

(In thousands)	Severance	Contract Termination Costs	Total
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

During February 2014, we closed all stores in our Canadian segment, which will result in an estimated additional severance charge associated with this exit activity in the range of $1.0 million to $2.0 million. In addition, contract termination costs, primarily associated with our stores operating leases, will be recorded upon the cessation of our Canadian segment's operations during the first quarter of 2014, which we estimate will be in the range of $28.0 million to $31.0 million.

NOTE 14 – DISCONTINUED OPERATIONS

Our discontinued operations for 2013, 2012, and 2011, were comprised of the following:

(In thousands)	2013	2012	2011
Wholesale business	$ (4,371)	$ 423	$ 1,899
Closed stores	—	2	(19)
KB Toys matters	5,248	(78)	(264)
Total income (loss) from discontinued operations, pretax	$ 877	$ 347	$ 1,616

Wholesale Business
During the third quarter of 2013, we announced our intention to wind down the operations of our wholesale business, within our U.S. segment. 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, distributing, occupancy and overhead costs. Please see the Wholesale Business section of note 13 to the consolidated financial statements for further information of the costs incurred during 2013.

Closed Stores
In 2005, we determined that the results of 130 stores closed in 2005 should be reported as discontinued operations for all periods presented. For 2013, 2012, and 2011, the closed stores' operating income (loss) is comprised of exit-related costs, utilities, and security expenses on leased properties with remaining terms.

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 connection with the 2004 bankruptcy, KB-I rejected 226 store leases and two distribution center leases for which we believed we may have guarantee or indemnification obligations (collectively referred to as the "KB-I Bankruptcy Lease Obligations"). We recorded pretax charges for estimated KB-I Bankruptcy Lease Obligations in loss from discontinued operations of $18.1 million in years prior to 2007. We based this amount on the number of demand notices that we had received from landlords and used information received from KB-I, the bankruptcy trust, and our own lease records which date back to when we owned the KB Toys business.

In the second fiscal quarter of 2007, we recorded a gain of $2.0 million, pretax in income (loss) from discontinued operations to reflect favorable settlements related to the KB-I Bankruptcy Lease Obligations. In the fourth fiscal quarter of 2007, we recorded approximately $8.8 million in income of the KB-I Bankruptcy Lease Obligations to reduce the amount on our consolidated balance sheet to zero as of February 2, 2008. We based this reversal on the following factors: (1) we had not received any new demand letters from landlords during 2007; (2) all prior demands against us by landlords had been settled or paid or the landlords had stopped pursuing their demands; (3) the KB-I bankruptcy occurred more than four years prior to the end of 2007 and most of the lease rejections occurred more than three years prior to the end of 2007; and (4) we believed that the likelihood of new claims against us was remote, and, if incurred, the amount would be immaterial. 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 29 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, 2013. 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.

In 2009, we obtained an assignment of a lease for the former KB corporate office at which time we recorded a charge of $1.2 million, pretax in income (loss) from discontinued operations primarily related to our remaining liability for the former KB corporate office. In 2012, the KB corporate office lease obligation expired.

NOTE 15 – COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the components of accumulated other comprehensive loss, net of tax, during 2011, 2012, and 2013:

(In thousands)	Foreign currency translation	Pension Plan	Total accumulated other comprehensive loss
Balance at January 29, 2011	$ —	$ (10,470)	$ (10,470)
Other comprehensive income before reclassifications	(1,050)	(5,244)	(6,294)
Amounts reclassified from accumulated other comprehensive loss	—	1,245	1,245
Period change	(1,050)	(3,999)	(5,049)
Balance at January 28, 2012	(1,050)	(14,469)	(15,519)
Other comprehensive income 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 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)

The amounts reclassified from accumulated other comprehensive income associated with our pension plans have been reclassified to selling and administrative expenses in our statement of operations. Please see note 18 to the consolidated financial statements for further information on our pension plans.

NOTE 16 - SALE OF REAL ESTATE

In October 2013, we sold company-owned real property in California, on a component of which we operate a store, for $5.1 million. Concurrently with the sale, we entered into a lease agreement with the purchaser of the property which allows 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 currently. 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 17 – BUSINESS SEGMENT DATA

We manage our business as two segments: U.S. and Canada. The following tables summarize net sales, results of operations, and total assets, by segment:

(In thousands)	2013			2012			2011		
	U.S.	Canada	Total	U.S.	Canada	Total	U.S.	Canada	Total
Net sales	$ 5,124,755	$ 177,157	$ 5,301,912	$ 5,212,318	$ 154,847	$ 5,367,165	$ 5,097,144	$ 62,105	$ 5,159,249
Depreciation expense	113,228	1,894	115,122	103,146	2,991	106,137	88,324	1,811	90,135
Operating profit (loss)	229,909	(39,470)	190,439	311,724	(13,693)	298,031	355,915	(12,219)	343,696
Interest expense	(3,293)	(46)	(3,339)	(4,190)	(2)	(4,192)	(2,739)	(791)	(3,530)
Other income (expense)	(12)	(1,201)	(1,213)	2	49	51	163	(336)	(173)
Income (loss) from continuing operations before income taxes	226,604	(40,717)	185,887	307,536	(13,646)	293,890	353,339	(13,346)	339,993
Income tax expense	61,544	(426)	61,118	117,059	(138)	116,921	133,835	—	133,835
Income (loss) from continuing operations	$ 165,060	$ (40,291)	$ 124,769	$ 190,477	$ (13,508)	$ 176,969	$ 219,504	$ (13,346)	$ 206,158

(in thousands)	February 1, 2014			February 2, 2013		
	U.S.	Canada	Total	U.S.	Canada	Total
Total assets	$ 1,709,255	$ 30,344	$ 1,739,599	$ 1,681,005	$ 72,621	$ 1,753,626

Our U.S. segment uses 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 flooring departments. The Hard Home category includes our small appliances, table top, food preparation, stationary, 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. In the fourth quarter of 2013, we realigned the merchandise categories reported in our U.S. segment to be consistent with the realignment of our merchandising team. Please see the Reclassifications section of note 1 to the consolidated financial statements for further discussion.

The following table presents net sales data by segment and merchandise category:

(In thousands)	2013	2012	2011
U.S.			
Furniture & Home Décor	$ 1,072,410	$ 1,060,993	$ 1,010,007
Seasonal	958,681	971,003	982,604
Consumables	918,124	905,444	881,282
Food	747,840	742,267	723,291
Hard Home	514,232	543,954	537,092
Electronics & Accessories	486,331	556,658	550,513
Soft Home	427,137	431,999	412,355
Total U.S.	5,124,755	5,212,318	5,097,144
Canada	177,157	154,847	62,105
Net sales	$ 5,301,912	$ 5,367,165	$ 5,159,249

NOTE 18 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The selected quarterly financial data does not agree to our previously issued quarterly reports as a result of the reclassification of our wholesale business to discontinued operations during the fourth quarter of 2013. Please see the Wholesale Business section of note 14 to the consolidated financial statements for further discussion. Summarized fiscal quarterly financial data for 2013 and 2012 is as follows:

Fiscal Year 2013	**First**	**Second**	**Third**	**Fourth**	**Year**
(In thousands, except per share amounts) (a)					
Net sales	$ 1,303,614	$ 1,218,800	$ 1,143,221	$ 1,636,277	$ 5,301,912
Gross margin	515,734	478,283	445,626	625,663	2,065,306
Income (loss) from continuing operations	32,621	18,098	(6,929)	80,979	124,769
Income (loss) from discontinued operations	(288)	28	(2,588)	3,374	526
Net income (loss)	32,333	18,126	(9,517)	84,353	125,295
Earnings (loss) per share - basic:					
Continuing operations	$ 0.57	$ 0.32	$ (0.12)	$ 1.41	$ 2.17
Discontinued operations	(0.01)	—	(0.05)	0.06	0.01
	$ 0.56	$ 0.32	$ (0.17)	$ 1.47	$ 2.18
Earnings (loss) per share - diluted:					
Continuing operations	$ 0.56	$ 0.31	$ (0.12)	$ 1.39	$ 2.15
Discontinued operations	—	—	(0.05)	0.06	0.01
	$ 0.56	$ 0.31	$ (0.17)	$ 1.45	$ 2.16

Fiscal Year 2012	**First**	**Second**	**Third**	**Fourth**	**Year**
(In thousands, except per share amounts) (a)					
Net sales	$ 1,286,297	$ 1,211,378	$ 1,124,907	$ 1,744,583	$ 5,367,165
Gross margin	511,168	476,910	430,934	693,316	2,112,328
Income (loss) from continuing operations	40,819	22,193	(6,182)	120,139	176,969
Income (loss) from discontinued operations	(73)	(118)	195	148	152
Net income (loss)	40,746	22,075	(5,987)	120,287	177,121
Earnings (loss) per share - basic:					
Continuing operations	$ 0.64	$ 0.37	$ (0.11)	$ 2.10	$ 2.96
Discontinued operations	—	—	—	—	—
	$ 0.64	$ 0.37	$ (0.10)	$ 2.10	$ 2.96
Earnings (loss) per share - diluted:					
Continuing operations	$ 0.63	$ 0.36	$ (0.11)	$ 2.08	$ 2.93
Discontinued operations	—	—	—	—	—
	$ 0.63	$ 0.36	$ (0.10)	$ 2.09	$ 2.93

(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.

In the fourth quarter of 2013, we realigned the merchandise categories reported in our U.S. segment to be consistent with the realignment of our merchandising team. Please see the Reclassifications section of note 1 to the consolidated financial statements for further discussion. The following table presents net sales data by segment and merchandise category by quarter in 2013, as reclassified:

Fiscal Year 2013	**First**	**Second**	**Third**	**Fourth**	**Year**
(In thousands)					
U.S					
Furniture & Home Décor	$ 329,287	$ 220,798	$ 246,093	$ 276,232	$ 1,072,410
Seasonal	219,037	247,247	118,081	374,316	958,681
Consumables	213,826	231,356	226,420	246,522	918,124
Food	176,324	167,933	185,959	217,624	747,840
Hard Home	117,697	123,461	121,368	151,706	514,232
Electronics & Accessories	106,842	93,934	101,711	183,844	486,331
Soft Home	104,007	96,176	105,286	121,668	427,137
Total U.S.	1,267,020	1,180,905	1,104,918	1,571,912	5,124,755
Canada	36,594	37,895	38,303	64,365	177,157
Net sales	$ 1,303,614	$ 1,218,800	$ 1,143,221	$ 1,636,277	$ 5,301,912

NOTE 19 – SUBSEQUENT EVENT

On March 7, 2014, we announced that our Board of Directors authorized the repurchase of up to $125.0 million of our common shares ("2014 Repurchase Program"). Pursuant to the 2014 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 2014 Repurchase Program will be available to meet obligations under our equity compensation plans and for general corporate purposes. The 2014 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

Not applicable.

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 February 1, 2014. 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* (1992 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 February 1, 2014.

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

Not applicable.

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 2014 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 2014 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 information contained under the caption “Stock Ownership” in the 2014 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 2014 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 2014 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	40
Consolidated Statements of Operations	42
Consolidated Statements of Comprehensive Income	43
Consolidated Balance Sheets	44
Consolidated Statements of Shareholders' Equity	45
Consolidated Statements of Cash Flows	46
Notes to Consolidated Financial Statements	47

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 10.39 are management contracts or compensatory plans or arrangements.

Exhibit No.	Document
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 (incorporated herein by reference to Exhibit 4.4 to our Form S-8 dated May 23, 2012).
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 10.2 to our Form 8-K dated March 5, 2014).
10.18	Form of Big Lots 2012 Long-Term Incentive Plan Restricted Stock Units Award Agreement (incorporated herein by reference to Exhibit 10.3 to our Form 8-K dated March 5, 2014).
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 December 5, 2008 (incorporated herein by reference to Exhibit 10.10 to our Form 10-Q for the quarter ended November 1, 2008).
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, 2008 (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated August 28, 2007).
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, 2008 (incorporated herein by reference to Exhibit 10.2 to our Form 8-K dated August 28, 2007).
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	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).
10.32	Second Amended and Restated Employment Agreement with Joe R. Cooper (incorporated herein by reference to Exhibit 10.3 to our Form 8-K dated April 29, 2013).
10.33	Amended and Restated Employment Agreement with Steven S. Fishman (incorporated herein by reference to Exhibit 10.1 to our Form 10-Q for the quarter ended November 1, 2008).

10.34	Second Amended and Restated Employment Agreement with Charles W. Haubiel II (incorporated herein by reference to Exhibit 10.4 to our Form 8-K dated April 29, 2013).
10.35	Second Amended and Restated Employment Agreement with John C. Martin (incorporated herein by reference to Exhibit 10.5 to our Form 8-K dated April 29, 2013).
10.36	Amended and Restated Employment Agreement with Robert S. Segal (incorporated herein by reference to Exhibit 10.9 to our Form 10-Q for the quarter ended November 1, 2008).
10.37	Retention Agreement with Steven S. Fishman (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated March 3, 2010).
10.38	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).
10.39	Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.12 to our Form 10-Q for the quarter ended November 1, 2008).
10.40	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).
10.41	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).
10.42	Credit Agreement among Big Lots Stores, Inc., as borrower, the Guarantors named therein, and the Banks named therein (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated April 30, 2009).
10.43	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).
10.44	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).
10.45	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).
10.46	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).
10.47	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).
10.48*	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 1st day of April 2014.

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 1st day of April 2014.

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 Solt *
Russell Solt
Director

/s/ Peter J. Hayes *
Peter J. Hayes
Director

/s/ James R. Tener *
James R. Tener
Director

/s/ Brenda J. Lauderback *
Brenda J. Lauderback
Director

/s/ Dennis B. Tishkoff *
Dennis B. Tishkoff
Director

* The above named Directors of the Registrant execute this report by Ronald D. Parisotto, their attorney-in-fact, pursuant to the power of attorney executed by the above-named Directors all in the capacities indicated and on the 5th day of March 2014, and filed herewith.

By: /s/ Ronald D. Parisotto
Ronald D. Parisotto
Attorney-in-Fact

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EXHIBIT 10.48

Big Lots, Inc. Nonemployee Director
Compensation Package and Share Ownership Requirements
May 30, 2013

Compensation Package[1]

Annual Board Retainer - Nonexecutive Chair	$160,000
Annual Board Retainer - Nonemployee Director	$70,000
Annual Committee Retainer - Audit Committee - Chair	$30,000
Annual Committee Retainer - Audit Committee - Member	$15,000
Annual Committee Retainer - Compensation Committee and Nominating/Corporate Governance Committee - Chair	$20,000
Annual Committee Retainer - Compensation Committee and Nominating/Corporate Governance Committee - Member	$10,000
Board Meeting Fee	$0
Committee Meeting Fee	$0
Telephonic Meeting Fee - All Types[2]	$750
Annual Donation by the Company to a Charitable Organization Nominated by Director	$15,000
Annual Matching Donation by the Company to an Charitable Organization Receiving a Donation from a Director	$15,000
Grant Date Fair Value of Big Lots, Inc. Common Shares Underlying Annual Grant of Restricted Stock Award[3]	$100,000

Share Ownership Requirements

Under the minimum share ownership requirements applicable to all non-employee directors and senior executives, each director must, at a minimum, own common shares having an aggregate value equal to four times (4x) his or her annual Board retainer (as is in effect at the time compliance with the requirements is evaluated). Each existing director will be required to meet the requirements on the date of the 2013 annual meeting of shareholders and at subsequent annual meetings. A newly elected director will be required to meet the requirements on the date of the first annual meeting following the fifth anniversary of his or her election. Shares counted toward these requirements include common shares held directly or through a broker, unvested restricted stock, and vested but unexercised in-the-money stock options[4].

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[1] The Board and committee retainers for chairs are in lieu of the Board and committee retainers for members.
[2] The telephonic meeting fee is to be paid only for telephonic meetings exceeding one per fiscal quarter for each committee and the Board.
[3] Equity awards are granted pursuant to the Big Lots 2012 Long-Term Incentive Plan or its successor.
[4] For vested but unexercised in-the-money stock options, only the difference in value between the then-current fair market value of the common shares and the exercise price will be counted toward the share ownership requirements.

EXHIBIT 21

SUBSIDIARIES

Name	Jurisdiction
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	DE
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
Big Lots Canada, Inc.	Alberta ,Canada
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

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following registration statements of our reports dated April 1, 2014, 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 February 1, 2014.

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
April 1, 2014

Exhibit 24

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 February 1, 2014, 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 5, 2014.

Signature	Title
/s/ Jeffrey P. Berger Jeffrey P. Berger	Director
/s/ James R. Chambers James R. Chambers	Director
/s/ Peter J. Hayes Peter J. Hayes	Director
/s/ Brenda J. Lauderback Brenda J. Lauderback	Director
/s/ Philip E. Mallott Philip E. Mallott	Director
/s/ Russell Solt Russell Solt	Director
/s/ James R. Tener James R. Tener	Director
/s/ Dennis B. Tishkoff Dennis B. Tishkoff	Director

EXHIBIT 31.1

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: April 1, 2014

By: /s/ David J. Campisi

David J. Campisi
Chief Executive Officer and President

EXHIBIT 31.2

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: April 1, 2014

By: /s/ Timothy A. Johnson

Timothy A. Johnson
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

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 February 1, 2014, 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: April 1, 2014

By: /s/ David J. Campisi

David J. Campisi
Chief Executive Officer and President

EXHIBIT 32.2

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 February 1, 2014, 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: April 1, 2014

By: /s/ Timothy A. Johnson

Timothy A. Johnson
Executive Vice President and
Chief Financial Officer

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COMPANY INFORMATION

Headquartered in Columbus, Ohio, Big Lots (NYSE: BIG) is a Fortune 500 retailer operating nearly 1,500 Big Lots® stores in 48 states. For more than three decades, we've delighted our customers with a vibrant mix of exciting brands, unique products, and closeout prices. Big Lots offers new merchandise every week at substantial savings over traditional discount retailers. Shoppers love our unexpected deals. We also carry attractive, affordable furniture, home furnishings, seasonal merchandise, and hundreds of everyday items consumers want and need. Through excellent relationships with manufacturers, high-volume purchases, and strict expense control, we pass tremendous savings on to our customers.

Transfer Agent & Registrar

Computershare Investor Services
250 Royall Street
Canton, Massachusetts 02021
800.622.6757 *(in the U.S., Canada & Puerto Rico)*
781.575.4735 *(outside the U.S., Canada & Puerto Rico)*
www.computershare.com/investor or
web.queries@computershare.com

Investment Inquiries

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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

E-Mail

talk2us@biglots.com

NOTICE OF ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 9:00 a.m. EDT on Thursday, May 29, 2014, 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.

300 Phillipi Rd.
Columbus, OH 43228
614.278.6800

www.biglots.com