

BIG LOTS INC  
Form DEF 14A  
April 12, 2007

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  Soliciting Material Under Rule 14a-12
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials

Big Lots, Inc.

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

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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

4) Proposed maximum aggregate value of transaction:

-----  
5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which

the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or

schedule and the date of its filing.

-----  
1) Amount previously paid:

---

2) Form, Schedule or Registration Statement No.:

---

3) Filing Party:

---

4) Date Filed:

---

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

April 12, 2007

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Big Lots, Inc., which will be held at our corporate offices located at 300 Phillipi Road, Columbus, Ohio, on May 31, 2007, beginning at 9:00 a.m. EDT.

The following pages contain the formal 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 of Shareholders.

Your vote is important. Whether or not you plan to attend the Annual Meeting of Shareholders, you are urged to complete, date and sign the enclosed proxy card and return it in the enclosed envelope or vote online as soon as possible. If you attend the Annual Meeting of Shareholders, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card or voted online.

On behalf of the Board of Directors, we would like to express our appreciation for your continued interest in the affairs of Big Lots, Inc.

STEVEN S. FISHMAN  
*Chairman,  
Chief Executive Officer and President*

---

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

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD MAY 31, 2007**

Notice is hereby given that the Annual Meeting of Shareholders of Big Lots, Inc. will be held at our corporate offices located at 300 Phillipi Road, Columbus, Ohio, on May 31, 2007, beginning at 9:00 a.m. EDT. At the Annual Meeting of Shareholders, the holders of outstanding Big Lots, Inc. common shares will act on the following matters:

1. The election of nine directors of Big Lots, Inc.;
2. The ratification of the appointment of Deloitte & Touche LLP as our independent auditor for the fiscal year ending February 2,

2008; and

3. The transaction of such other business as may properly come before the meeting.

Only shareholders of record at the close of business on April 2, 2007 are entitled to notice of and to vote at the Annual Meeting of Shareholders and any postponement or adjournment thereof.

By Order of the Board of Directors,

CHARLES W. HAUBIEL II  
*Senior Vice President, General Counsel  
and Corporate Secretary*

April 12, 2007  
Columbus, Ohio

---

**Your vote is important. Shareholders are urged to vote online or complete, date and sign the enclosed proxy card and return it in the enclosed envelope to which no postage need be affixed if mailed in the United States. If you attend the Annual Meeting of Shareholders, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy or voted online.**

---

**BIG LOTS, INC.**

**PROXY STATEMENT**

**TABLE OF CONTENTS**

<b>ABOUT THE ANNUAL MEETING</b>	<b>1</b>
<b>Purpose of the Annual Meeting</b>	<b>1</b>
<b>Shareholder Voting Rights</b>	<b>1</b>
<b>Registered Shareholders and Beneficial Shareholders</b>	<b>1</b>
<b>Attendance at the Annual Meeting</b>	<b>2</b>
<b>How to Vote</b>	<b>2</b>
<b>Householding</b>	<b>2</b>
<b>Electronic Delivery of Proxy Materials and Annual Report</b>	<b>2</b>
<b>Tabulation of the Votes</b>	<b>3</b>
<b>Board's Recommendation</b>	<b>3</b>
<b>Vote Required to Approve a Proposal</b>	<b>3</b>
<i>Proposal One</i>	<b>3</b>
<i>Other Matters</i>	<b>3</b>
<b>Quorum</b>	<b>3</b>
<b>PROPOSAL ONE: ELECTION OF DIRECTORS</b>	<b>4</b>
<b>GOVERNANCE OF BIG LOTS</b>	<b>5</b>
<b>Current Members of the Board of Directors</b>	<b>5</b>
<b>Board Meetings in Fiscal 2006</b>	<b>5</b>
<b>Role of the Board's Committees</b>	<b>5</b>
<i>Audit Committee</i>	<b>5</b>
<i>Compensation Committee</i>	<b>6</b>
<i>Nominating/Corporate Governance Committee</i>	<b>6</b>
<b>Presiding Member of the Board</b>	<b>6</b>
<b>Determination of Director Independence</b>	<b>6</b>

<b>Selection of Nominees by the Board</b>	7
<b>Compensation Committee Interlocks and Insider Participation</b>	7
<b>Other Directorships</b>	8
<b>Code of Business Conduct and Ethics &amp; Code of Ethics for Financial Professionals</b>	8
<b>Related Person Transactions</b>	8
<b>Communications with the Board</b>	9
<b>DIRECTOR COMPENSATION</b>	9
<b>Retainers and Fees</b>	9
<b>Stock Options</b>	9
<b>Director Compensation Table</b>	10

i

<b>STOCK OWNERSHIP</b>	11
<b>Ownership of Our Common Shares by Certain Beneficial Owners and Management</b>	11
<b>Section 16(a) Beneficial Ownership Reporting Compliance</b>	13
<b>EXECUTIVE COMPENSATION</b>	13
<b>Compensation Committee Report</b>	13
<b>Compensation Discussion and Analysis</b>	14
<b>Compensation Committee</b>	14
<b>Compensation Philosophy and Objectives</b>	14
<b>Executive Compensation Practices and Policies</b>	15
<i>Benchmarking</i>	15
<i>Individual Performance Evaluation</i>	16
<i>Linking Equity Awards with Performance</i>	16
<i>Compensation Policies</i>	16
<b>Compensation Consultant</b>	17
<b>Role of Executives in Establishing Compensation</b>	17
<b>Elements of In-Service Executive Compensation</b>	17
<i>Salary</i>	18
<i>Bonus</i>	18
<i>Equity</i>	18
<i>Personal Benefits and Perquisites</i>	20
<b>Employment Agreements</b>	20
<b>Change in Control</b>	22
<b>Retirement Plans</b>	22
<i>Pension Plan and Supplemental Pension Plan</i>	23
<i>Savings Plan and Supplemental Savings Plan</i>	24
<b>Minimum Share Ownership and Retention</b>	24
<b>Elements of Post-Termination Executive Compensation</b>	25
<b>Compensation Committee Activity</b>	26
<b>Impact of Performance on Compensation</b>	27
<b>Compensation for the Named Executive Officers in Fiscal 2006</b>	28
<b>Impact of Tax and Accounting Treatments</b>	29
<i>Internal Revenue Code Section 162(m)</i>	29
<i>Internal Revenue Code Section 409A</i>	29
<i>Statement of Financial Accounting Standards No. 123(R)</i>	30
<b>Conclusion</b>	30

<b>Summary Compensation Table</b>	30
<b>Grants of Plan-Based Awards</b>	33
<b>Outstanding Equity Awards at Fiscal Year-End</b>	34
<b>Option Exercises and Stock Vested</b>	35
<b>Pension Benefits</b>	35
<b>Nonqualified Deferred Compensation</b>	36

ii

<b>Potential Payments Upon Termination or Change in Control</b>	36
<i>Steven S. Fishman</i>	37
<i>Joe R. Cooper</i>	38
<i>Brad A. Waite</i>	38
<i>John C. Martin</i>	39
<i>Lisa M. Bachmann</i>	39
<b>AUDIT COMMITTEE DISCLOSURE</b>	40
<b>General Information</b>	40
<b>Independent Auditor</b>	40
<b>Audit and Non-Audit Services Pre-Approval Policy</b>	41
<b>Fees Paid to Independent Auditor</b>	41
<b>Audit Committee Report</b>	41
<b>PROPOSAL TWO: RATIFICATION OF THE APPOINTMENT OF DELOITTE &amp; TOUCHE LLP AS BIG LOTS' INDEPENDENT AUDITOR FOR FISCAL 2007</b>	42
<b>SHAREHOLDER PROPOSALS</b>	42
<b>ANNUAL REPORT ON FORM 10-K</b>	42
<b>PROXY SOLICITATION COSTS</b>	42
<b>OTHER MATTERS</b>	43

iii

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 Annual Meeting of Shareholders to be held on May 31, 2007 ("Annual Meeting"), at our corporate offices located at 300 Phillipi Road, Columbus, Ohio. The Notice of Annual Meeting of Shareholders, this Proxy Statement and the accompanying proxy card, together with our Annual Report to Shareholders for the fiscal year ended February 3, 2007 ("fiscal 2006"), are first being mailed to shareholders on or about April 12, 2007.

**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 elect our directors, ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm (□independent auditor□) for the fiscal year ending February 2, 2008 (□fiscal 2007□), and 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 April 2, 2007, 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 112,659,836 common shares, \$0.01 par value per share. Each of the outstanding common shares entitles the holder to one vote on each matter to be voted upon at the Annual Meeting, or any postponement or adjournment thereof. The holders of common shares have no cumulative voting rights in the election of directors. All voting shall be governed by our Code of Regulations and the General Corporation Law of the State of Ohio.

## **Registered Shareholders and Beneficial Shareholders**

If your common shares are registered in your name directly with our transfer agent, National City Bank, you are considered, with respect to those common shares, a registered shareholder. We have sent directly to registered shareholders the Notice of Annual Meeting of Shareholders, this Proxy Statement, the accompanying proxy card and our Annual Report to Shareholders for fiscal 2006.

If our common shares are held for you in a brokerage account or by a bank or other holder of record, you are considered the beneficial shareholder of the common shares held in street name. The Notice of Annual Meeting of Shareholders, this Proxy Statement, the accompanying proxy card, and our Annual Report to Shareholders for fiscal 2006 have been forwarded to you by your broker, bank or other holder of record who is considered, with respect to those common shares, the registered shareholder. As the beneficial shareholder, you have the right to direct your broker, bank or other holder of record on how to vote your common shares by using the voting instruction card included in the mailing, or by following the instructions for voting electronically, you received from your broker, bank or other holder of record.

- 1 -

---

## **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, 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 will need to bring to the Annual Meeting a copy of a brokerage statement reflecting your stock ownership as of the record date and to check in at the registration desk.

## **How to Vote**

If you are a registered shareholder, you may vote your shares by completing, dating and signing the accompanying proxy card and returning it in the enclosed envelope. You may also vote online at [www.proxyvote.com](http://www.proxyvote.com) until May 30, 2007 at 11:59 p.m. EDT. If you wish to vote online, you will need your proxy card and you must follow the instructions posted on the website. If you complete, date, sign and return your proxy card or you properly complete your proxy online, your shares will be voted as you direct. If you are a registered shareholder and attend the Annual Meeting, you may deliver your completed proxy card in person.

Beneficial shareholders who wish to vote at the Annual Meeting will need to obtain a completed proxy form from the broker, bank or other holder of record who is the registered holder of the common shares. Additionally, beneficial shareholders may be able to instruct the broker, bank or other holder of record how to vote by telephone or electronically, so please contact your broker, bank or other holder of record to determine availability and applicable deadlines.

A proxy may be revoked at any time before it is exercised by filing with our Corporate Secretary a notice of revocation or a duly executed proxy bearing a later date. A proxy may also be revoked by attending the Annual Meeting and giving notice of revocation to the secretary of the meeting, either in writing or in open meeting. Attendance at the Annual Meeting will not by itself revoke a previously granted proxy.

### **Householding**

The rules of the Securities and Exchange Commission (SEC) allow multiple shareholders residing at the same address the convenience of receiving a single copy of annual reports, proxy statements, notices of shareholder meetings, and other documents 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 regulations allow, your household may receive a single copy of annual reports, proxy statements, notices of shareholder meetings, and other documents.

You may revoke your consent for householding at any time by contacting Automatic Data Processing, Inc. (ADP), either by calling 1-800-542-1061, or by writing to: ADP, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. You will be removed from the householding program within 30 days of receipt of your instructions, at which time you will receive a separate copy of our disclosure documents.

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

### **Electronic Delivery of Proxy Materials and Annual Report**

In lieu of receiving paper copies of next year's proxy materials and annual report in the mail, shareholders may elect to receive these documents electronically via e-mail or the Internet. By opting to access these documents electronically, you will save us the cost of producing and mailing documents, reduce the amount of mail you receive, and help preserve environmental resources. To enroll in the electronic delivery service for future annual meetings of shareholders, use your proxy card information to register online at [www.proxyvote.com](http://www.proxyvote.com) by indicating that you agree to receive or access shareholder communications electronically in future years.

- 2 -

---

### **Tabulation of the Votes**

Tabulation of the votes cast at the Annual Meeting will be performed by ADP, as inspected by our duly appointed inspectors of election.

### **Board's Recommendation**

Unless you give other instructions on your proxy card (excluding broker non-votes), the persons named as proxy holders on the proxy card will vote the common shares in accordance with the recommendations of the Board. The Board's recommendation is set forth together with the description of each proposal in this Proxy Statement. In summary, the Board recommends a vote FOR election of the nominated slate of directors (see Proposal One) and FOR the ratification of Deloitte & Touche LLP as our independent auditor for fiscal 2007 (see Proposal Two). If any other matter properly comes before the Annual Meeting, or if a director nominee named in the 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.

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

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

For purposes of Proposal One, the nine director nominees receiving the greatest number of votes cast shall be elected as directors. A properly executed proxy marked "withhold 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, although it will be counted for purposes of determining whether there is a quorum. If you are a beneficial shareholder, your broker, bank or other holder of record who is the registered holder of your common shares is permitted to vote your shares for the election of directors even if the broker, bank or other holder of record does

not receive voting instructions from you.

### **Other Matters**

For purposes of Proposal Two and any other matters that may properly come before the Annual Meeting, 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. A properly executed proxy marked  abstain with respect to any such matter will not be voted with respect to such matter, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote. If 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.

If you are a beneficial shareholder, your broker, bank or other holder of record may not be permitted to exercise discretionary voting power with respect to some of the matters to be acted upon. Thus, if you do not give your broker, bank or other holder of record specific voting instructions, your common shares may not be voted on those matters and will not be counted in determining the number of common shares necessary for approval. Common shares represented by such  broker non-votes will, however, be counted in determining whether there is a quorum.

### **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.

- 3 -

---

## **PROPOSAL ONE: ELECTION OF DIRECTORS**

At the Annual Meeting, the common shares of Big Lots 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 of Big Lots. Proxies cannot be voted at the Annual Meeting for more than nine persons.

Set forth below is certain information relating to the director nominees. 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.

<b>Name</b>	<b>Age</b>	<b>Principal Occupation for the Past Five or More Years</b>	<b>Director Since</b>
Jeffrey P. Berger	57	Executive Vice President, Global Foodservice, and President and Chief Executive Officer, Heinz North America Foodservice (manufacturer and marketer of processed food products).	2006
Sheldon M. Berman	66	Chairman, Chief Executive Officer and President, Xtream Creative, Inc. (business planning, marketing planning, and advertising services).	1994
Steven S. Fishman	56	Chairman, Chief Executive Officer and President of Big Lots; former President, Chief Executive Officer and Chief Restructuring Officer, Rhodes, Inc. (furniture retailer) <input type="checkbox"/> Rhodes, Inc. filed for bankruptcy on November 4, 2004; former Chairman and Chief Executive Officer, Frank's Nursery & Crafts, Inc. (lawn and garden specialty retailer) <input type="checkbox"/> Frank's Nursery & Crafts, Inc. filed for bankruptcy on September 8, 2004; former President and Founder, SSF Resources, Inc. (investment and consulting).	2005



Edgar Filing: BIG LOTS INC - Form DEF 14A

David T. Kollat	68	President and Founder, 22, Inc. (research and management consulting).	1990
Brenda J. Lauderback	56	Former President □ Wholesale Group, Nine West Group, Inc. (retail and wholesale footwear); former President □ Footwear Wholesale, U.S. Shoe Corporation (retail and wholesale footwear); former Vice President, General Merchandise Manager, Dayton Hudson Corporation (retail stores).	1997
Philip E. Mallott	49	Independent financial consultant; retail stock analyst, Coker & Palmer (securities brokerage services); former Vice President and Chief Financial Officer, Intimate Brands, Inc. (retail stores).	2003
Russell Solt	59	Former Director of Investor Relations, West Marine, Inc. (specialty retailer and catalog company); former Executive Vice President and Chief Financial Officer, West Marine, Inc.	2003
James R. Tener	57	Former President and Chief Operating Officer, Brook Mays Music Company (retail and wholesale music) □ Brook Mays Music Company filed for bankruptcy on July 11, 2006; former Chief Operating Officer, The Sports Authority (sporting goods retailer).	2005
Dennis B. Tishkoff	63	Chairman and Chief Executive Officer, Drew Shoe Corporation (footwear manufacturer, importer, exporter, retailer and wholesaler); President, Tishkoff and Associates, Inc. (retail consultant); former President and Chief Executive Officer, Shoe Corporation of America (footwear retailer).	1991

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

- 4 -

**GOVERNANCE OF BIG LOTS**

**Current Members of the Board of Directors**

The members of the Board as of the date of this Proxy Statement, and the committees of the Board on which they serve, are identified below. The Board has standing Audit, Compensation, and Nominating/Corporate Governance Committees. Each committee reports on its activities to the Board.

<b>Director</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating/Corporate Governance Committee</b>
Jeffrey P. Berger			
Sheldon M. Berman			*
Steven S. Fishman			
David T. Kollat		*	**
Brenda J. Lauderback		*	
Philip E. Mallott	**		
Russell Solt	*		*
James R. Tener	*		
Dennis B. Tishkoff		**	

\* Committee Member

\*\* Committee Chair

### **Board Meetings in Fiscal 2006**

Five meetings of the Board were held during fiscal 2006. During the period for which he or she was a director in fiscal 2006, each director attended at least 75% of all meetings of the Board and the committees on which 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 listed above attended the most recent annual meeting of shareholders held in May 2006, except for Mr. Berger, who did not become a director until August 15, 2006 when he was appointed to fill the vacancy created by Ned Mansour's health-related resignation. 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**

#### ***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 auditor and the evaluation of the independent auditor's qualifications, independence and performance; (4) the performance of our system of internal controls; and (5) our audit, accounting and financial reporting processes generally. All members of the Audit Committee are independent as required by the Audit Committee's charter and by the applicable New York Stock Exchange ("NYSE") and SEC rules. The Board has determined that Mr. Mallott and Mr. Solt each satisfies the standards for an "audit committee financial expert," as required by the SEC under the Sarbanes-Oxley Act of 2002. Each member of the Audit Committee is "financially literate," as required by NYSE rules.

The functions of the Audit Committee are further described in its charter, which is available in the Investors section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption. A copy may also be obtained, without charge, upon written request to our Corporate Secretary. The Audit Committee met 11 times during fiscal 2006.

- 5 -

---

#### ***Compensation Committee***

The Compensation Committee discharges the responsibilities of the Board relating to the administration of our compensation programs. The Compensation Committee is involved in establishing our general compensation philosophy, reviewing and implementing executive compensation and overseeing the development of our compensation programs. 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 Investors section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption. A copy may also be obtained, without charge, upon written request to our Corporate Secretary. The Compensation Committee met two times during fiscal 2006.

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

The Nominating/Corporate Governance Committee is responsible for recommending individuals to the Board for nomination as members of the Board and its committees and 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. 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 Investors section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption. A copy may also be obtained, without charge, upon written request to our Corporate Secretary. The Nominating/Corporate Governance Committee met three times during fiscal 2006.

### **Presiding Member of the Board**

The Board has a presiding director whose primary responsibility is to preside over executive sessions of the Board in which management directors and other members of management are not present. The role of presiding director is rotated among the non-management directors ("outside directors"). The presiding director is responsible for establishing an agenda for the session over which he or she presides and, upon the conclusion of an executive session of the Board, meeting with our chief executive officer ("CEO") to address any issues raised during the executive session.

### **Determination of Director Independence**

The Corporate Governance Guidelines were initially adopted by the Board in August 2003 and were amended in November 2005 and November 2006. The Corporate Governance Guidelines comply with NYSE rules. The Corporate Governance Guidelines can be found in the Investors section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption. A copy may also be obtained, without charge, upon written request to our Corporate Secretary.

Pursuant to the Corporate Governance Guidelines, the Board undertook its most recent annual review of director independence in March 2007. During this annual review, the Board considered transactions and relationships between each director, his or her affiliates, and any member of his or her immediate family and Big Lots, its subsidiaries and members of senior management. 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 all of the directors nominated for election at the Annual Meeting, with the exception of Mr. Fishman, are independent of Big Lots and its management under the standards set forth by NYSE rules and no director nominee has a material relationship with Big Lots or its management aside from his or her service as a director. Mr. Fishman is not an independent director due to his employment with Big Lots.

- 6 -

---

In determining that each of the directors other than Mr. Fishman is independent, the Board considered that, in the ordinary course of business, transactions may occur between Big Lots or its subsidiaries and companies at which some of our directors are or have been executive officers. In each such case, the amount of transactions with these companies in each of the last three years did not approach the disqualifying thresholds set forth in the NYSE rules. The Board also considered charitable contributions to not-for-profit organizations of which our directors or immediate family members are executive officers or directors, none of which approached the thresholds set forth in the NYSE rules. The Board determined that each of the relationships it considered was immaterial and did not impair the independence of any of the directors.

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

The Nominating/Corporate Governance Committee has oversight over a broad range of issues surrounding 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, the Committee does consider factors such as the prospective nominee's relevant experience, character, intelligence, independence, commitment, judgment, prominence, diversity, age, and compatibility with our CEO and other members of the Board. The Nominating/Corporate Governance Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors, and the need for committee expertise. The Nominating/Corporate Governance Committee confers with the Board as to

the criteria it intends to apply before the search for a new director nominee is commenced.

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, 300 Phillipi Road, Columbus, Ohio 43228. The written notice must include the prospective nominee's name, age, business address, principal occupation, beneficial ownership of Big Lots' common shares, information that would be required under the rules of the SEC in a proxy statement soliciting proxies for the election of such prospective nominee as a director, and any other information that is deemed relevant by the recommending shareholder. Shareholder recommendations that comply with these procedures and that meet the factors outlined above will receive the same consideration that the recommendations of the Board and management receive.

Pursuant to its written charter, the Nominating/Corporate Governance Committee also 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. In fiscal 2006, an outside search firm was retained to assist in identifying and evaluating prospective Board members.

After completing the 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, and the Board would then decide whether to approve a 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 through the chair of the Nominating/Corporate Governance Committee and our CEO, after approval by the Board.

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

During fiscal 2006, Mr. Kollat, Ms. Lauderback 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 is a party to any related party transaction. None of our executive officers serve as a member of the board of directors or compensation committee of any other company that has an executive officer serving as a member of our Board or Compensation Committee.

- 7 -

---

#### **Other Directorships**

Mr. Kollat is a director of Limited Brands, Inc., Select Comfort Corporation, and Wolverine World Wide, Inc. Mr. Kollat serves on the finance committee at Limited Brands, Inc., the corporate governance and nominating committee and the audit committee at Select Comfort Corporation, and the compensation committee and the audit committee at Wolverine World Wide, Inc., where he is the chair of the audit committee. Ms. Lauderback is a director of Select Comfort Corporation, Irwin Financial Corporation, Wolverine World Wide, Inc. and Denny's Corporation. Ms. Lauderback is a member of the audit committee at Wolverine World Wide, Inc., and serves on both the audit and compensation committees at Irwin Financial Corporation. Mr. Mallott is a director of Tween Brands, Inc., where he also serves on the nominating and governance committee and as the chair of the audit committee. Mr. Tishkoff is a director of Drew Shoe Corporation.

#### **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 and employees, including the principal executive officer, the principal financial officer, and the principal accounting officer. We also have a separate Code of Ethics for Financial Professionals which is applicable to our CEO and all other senior financial officers (as that term is defined therein). Both the Code of Business Conduct and Ethics and the Code of Ethics for Financial Professionals are available in the Investors section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption. A copy may also be obtained, without charge, upon written request to our Corporate Secretary. We intend to post amendments to or waivers from the Code of Business Conduct and Ethics (to the extent applicable to our directors and executive officers) and to the Code of Ethics for Financial Professionals, if any, at this location on our website.

#### **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 also enlisted the assistance of our General Counsel and human resources management to fulfill this duty.

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

On an annual basis, each director, nominee for director and executive officer is obligated to complete a questionnaire which requires disclosure of any transaction in which Big Lots was or is to be a participant in which the director, nominee or executive officer, or any member of his or her immediate family, has a direct or indirect material interest. These questionnaires are reviewed by the Nominating/Corporate Governance Committee and our General Counsel to identify any potential conflicts of interest or other transactions that the Board should review in light of the SEC rules regarding the disclosure of transactions with related persons. Based on our most recent review in the first quarter of fiscal 2007, we believe that no such disclosure is required.

As necessary, the Board also reviews proposed transactions in which Big Lots and any other related person (e.g., a holder of more than five percent of our common shares) are participants. In the first quarter of fiscal 2007, the Board reviewed and approved a structured share repurchase transaction with Goldman Sachs & Co. ( GS&Co. ), an affiliate of Goldman Sachs Asset Management, L.P., whose beneficial ownership of our common shares is described in the Stock Ownership section of this Proxy Statement. In connection with this transaction, which is part a \$600 million publicly-announced common share repurchase program, we paid \$100 million to GS&Co. in exchange for our common shares. We may also, from time to time, engage GS&Co. as a broker to repurchase our common shares in connection with the \$600 million program.

- 8 -

---

## 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 the Board at:* (866) 834-7325  
*Write to the Board at:* Big Lots Board of Directors, 300 Phillipi Road, Columbus, Ohio 43228-5311  
*E-mail the Board at:* [www.ci-wackenhut.com/getreal.htm](http://www.ci-wackenhut.com/getreal.htm)

Under a process approved by the Nominating/Corporate Governance Committee for handling correspondence received by Big Lots 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 Big Lots 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 members of the Audit Committee. Concerns relating to the Board or members of senior management will be referred to the members of the Nominating/Corporate Governance Committee. Parties submitting communications to the Board may choose to do so anonymously or confidentially. Except when communications are sent anonymously or confidentially, parties sending written communications to the Board will receive a written acknowledgement upon our receipt of the communication.

## DIRECTOR COMPENSATION

### Retainers and Fees

Under the Big Lots, Inc. Non-Employee Director Compensation Package, each outside director is compensated for Board and committee participation. Prior to August 15, 2006, the retainers and fees for outside directors in fiscal 2006 consisted of: (1) an annual retainer of \$36,000; (2) an additional annual retainer of \$4,000 for the chair of the Audit Committee; (3) an additional annual retainer of \$2,000 for the chair of each of the Board's other

committees; (4) \$1,500 for each Board meeting attended in person; (5) \$1,000 for each committee meeting attended in person; (6) \$500 for each Board or committee meeting attended telephonically; and (7) the ability to nominate a charity to receive a donation of up to \$10,000 from Big Lots. Effective August 15, 2006, the annual retainer for each outside director increased to \$45,000, the annual retainer for the chair of the Audit Committee increased to \$10,000, and the annual retainer for the chairs of the Compensation Committee and the Nominating/Corporate Governance Committee increased to \$5,000. During fiscal 2006, Messrs. Berger (beginning on August 15, 2006), Berman, Kollat, Mallott, Mansour (until August 15, 2006), Solt, Tener and Tishkoff, and Ms. Lauderback qualified as outside directors and, thus, received compensation for their Board service. Due to his employment with Big Lots, Mr. Fishman did not qualify as an outside director and did not receive compensation for his service as a director. The compensation received by Mr. Fishman as an employee is shown in the Summary Compensation Table included in this Proxy Statement.

## Stock Options

In addition to the retainers and fees, outside directors receive an annual stock option grant under the Big Lots, Inc. Amended and Restated Director Stock Option Plan (the "Director Stock Option Plan"). During fiscal 2006, each of the outside directors received an option to acquire 10,000 common shares of Big Lots pursuant to the Director Stock Option Plan. The number of common shares available under the Director Stock Option Plan initially consisted of the original allocation of 500,000 common shares (781,250 shares as adjusted to account for the five-for-four stock splits which occurred in December 1996 and June 1997).

The Director Stock Option Plan is administered by the Compensation Committee. Neither the Board nor the Compensation Committee exercises any discretion in administering the Director Stock Option Plan, and the administration performed by the Compensation Committee is ministerial in nature. The formula which governs the grant of stock options to eligible participants may be amended by the Board, but not more frequently than

- 9 -

---

once in any six-month period. Under the current formula, each outside director is granted annually an option to acquire 10,000 Big Lots common shares at an exercise price equal to the closing price of our common shares on the NYSE on the grant date.

Except as discussed below, stock options granted under the Director Stock Option Plan become exercisable over three years beginning upon the first anniversary of the grant date, whereby the stock option becomes exercisable for 20% of the shares on the first anniversary, 60% on the second anniversary, and 100% on the third anniversary. Stock options automatically terminate 10 years and one month following the grant date. A director may dispose of the common shares underlying a stock option only during defined quarterly trading periods. Stock options granted under the Director Stock Option Plan are not transferable other than by will or the laws of descent and distribution.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* (the "SFAS No. 123(R)"), which requires an entity to measure the cost of services received in exchange for an award of equity instruments based on the grant date fair value of the award. On November 21, 2005, we announced that the Compensation Committee, after discussion with the Board, approved accelerating the vesting of stock options awarded on or before February 21, 2005 under the Director Stock Option Plan and the Big Lots, Inc. 1996 Performance Incentive Plan (the "1996 Incentive Plan"). The Compensation Committee did not, however, accelerate the vesting of stock options granted after February 21, 2005. Additionally, the Compensation Committee imposed a holding period that requires all directors to refrain from selling net shares acquired upon any exercise of these accelerated options until the date on which the exercise would have been permitted under the options' original vesting terms or, if earlier, the director's death, disability or termination. In addition to the perceived positive effect on morale and retention, the decision to accelerate vesting of stock options was made primarily to reduce non-cash compensation expense that would have been recorded following the adoption of SFAS No. 123(R) in fiscal 2006.

## Director Compensation Table

The following table summarizes the compensation earned by each outside director for his or her Board service in fiscal 2006.

Name (1)	Fees Earned or			Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation		All Other Compensation	Total
	Paid in Cash	Stock Awards	Option Awards		Earnings			
	(\$)	(\$)	(\$)(2)(3)	(\$)	(\$)	(\$)(4)	(\$)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
Mr. Berger	23,250	□	9,378	□	□	□	32,628	
Mr. Berman	49,250	□	23,688	□	□	5,000	77,938	
Mr. Kollat	53,500	□	23,688	□	□	10,000	87,188	
Ms. Lauderback	48,250	□	23,688	□	□	10,000	81,938	
Mr. Mallott	59,750	□	23,688	□	□	10,000	93,438	
Mr. Mansour	30,500	□	4,822	□	□	10,000	45,322	
Mr. Solt	54,750	□	23,688	□	□	10,000	88,438	
Mr. Tener	52,750	□	23,688	□	□	□	76,438	
Mr. Tishkoff	50,000	□	23,688	□	□	10,000	83,688	

(1) Mr. Berger joined the Board on August 15, 2006, and Mr. Mansour resigned from the Board on August 15, 2006 for health-related reasons.

(2) Amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for fiscal 2006 in accordance with SFAS 123(R), excluding any estimate of forfeitures related to service-based vesting conditions, and thus may include amounts from awards granted in and prior to fiscal 2006.

- 10 -

The full grant date fair value of the fiscal 2006 stock option award made to each nominee for director, computed in accordance with SFAS 123(R), was \$79,900. See Note 7 (Stock Plans) to the consolidated financial statements and the Critical Accounting Policies and Estimates □ Stock-Based Compensation section of Management's Discussion and Analysis of Financial Condition and Results of Operations (□MD&A□) in our Annual Report on Form 10-K for fiscal 2006 (□Form 10-K□) regarding the assumptions underlying the valuation of equity awards.

(3) As of February 3, 2007, each director had the following number of common shares underlying outstanding stock options: Mr. Berger: 10,000; Mr. Berman: 75,000; Mr. Kollat: 75,000; Ms. Lauderback: 75,000; Mr. Mallott: 40,000; Mr. Mansour: 0; Mr. Solt: 40,000; Mr. Tener: 20,000; and Mr. Tishkoff: 60,000.

(4) Amounts in this column reflect payments made by us during fiscal 2006 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

Edgar Filing: BIG LOTS INC - Form DEF 14A

The following table sets forth certain information with regard to the beneficial ownership of our common shares by each holder of more than 5% of such common shares, each director, each of the executive officers named in the Summary Compensation Table, and all our executive officers and directors as a group. The assessment of holders of more than 5% of Big Lots' common shares is based on a review of and reliance upon filings with the SEC. Except as otherwise indicated, all information is as of April 2, 2007.

Name of Beneficial	Amount and Nature of Beneficial Ownership	Percent of Outstanding Common Shares
Owner or Identity of Group	(1)(2)	
Lisa M. Bachmann	121,701	*
Jeffrey P. Berger	0	*
Sheldon M. Berman (3)	71,749	*
Joe R. Cooper	81,324	*
Steven S. Fishman	325,000	*
David T. Kollat	96,065	*
Brenda J. Lauderback	57,300	*
Philip E. Mallott	24,500	*
John C. Martin	128,226	*
Russell Solt	10,000	*
James R. Tener	7,000	*
Dennis B. Tishkoff	44,609	*
Brad A. Waite	117,668	*
State Street Bank and Trust Company (4)	12,834,558	11.70%
Goldman Sachs Asset Management, L.P. (5)	10,129,049	9.30%
Barclays Global Investors, NA. (6)	7,151,604	6.54%
Cooke & Bieler, L.P. (7)	6,535,360	6.00%
Westport Asset Management, Inc. (8)	6,112,757	5.58%
American Century Companies, Inc. (9)	5,915,460	5.40%
AMVESCAP PLC (10)	5,758,131	5.26%
Putnam, LLC. (11)	5,511,531	