

BIG LOTS INC  
Form DEF 14A  
April 08, 2004

**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**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement                                    | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement                          |  |
| <input type="checkbox"/> Definitive Additional Materials                                |  |
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**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.  
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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

April 8, 2004

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders, which will be held at the Company's corporate office located at 300 Phillipi Road, Columbus, Ohio, on Tuesday, May 18, 2004, 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 you plan to attend the Annual Meeting of Shareholders or not, you are urged to complete, date and sign the enclosed proxy card and return it in the enclosed envelope. 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.

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

MICHAEL J. POTTER  
*Chairman,  
Chief Executive Officer and President*

ALBERT J. BELL  
*Vice Chairman and  
Chief Administrative Officer*

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

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD MAY 18, 2004**

Notice is hereby given that the Annual Meeting of Shareholders of Big Lots, Inc. will be held at the Company's corporate office located at 300 Phillipi Road, Columbus, Ohio, on Tuesday, May 18, 2004, beginning at 9:00 a.m. EDT. At the meeting, the holders of the Company's outstanding common shares will act on the following matters:

1. The election of nine directors of the Company; and
2. Any other business as may properly come before the meeting.

Only shareholders of record at the close of business on March 26, 2004, are entitled to notice of and to vote at the Annual Meeting of Shareholders and any postponements or adjournment thereof.

By order of the Board of Directors,

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

April 8, 2004  
Columbus, Ohio

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**Your vote is important. Shareholders are urged to 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.**

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**BIG LOTS, INC.**

**PROXY STATEMENT**

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

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***PROXY STATEMENT***

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board ) of Big Lots, Inc., an Ohio corporation (the Company ), for use at the Annual Meeting of Shareholders to be held on May 18, 2004 (the Annual Meeting ). The Notice of Annual Meeting of Shareholders, this Proxy Statement and the accompanying proxy card, together with the Company s Annual Report to Shareholders for the fiscal year ended January 31, 2004 ( fiscal 2003 ), are first being mailed to shareholders on or about April 8, 2004.

**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 elect the Company s directors and transact such other business as may properly come before the meeting. In addition, management will report on the performance of the Company.

**Shareholder Voting Rights**

Only those shareholders of record at the close of business on March 26, 2004, the record date for the Annual Meeting, are entitled to receive notice of and to vote at the Annual Meeting. At the record date, the Company had outstanding 117,403,510 common shares, \$.01 par value per share. Each of the outstanding common shares is entitled to one vote on each matter considered at the Annual Meeting, or any postponement or adjournment of the meeting. The holders of common shares have no cumulative voting rights in the election of directors. All voting shall be governed by the Code of Regulations of the Company pursuant to the General Corporation Law of the State of Ohio.

**Attendance at the Annual Meeting**

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

**How to Vote**

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If you complete and properly sign the accompanying proxy card and return it to the Company, it will be voted only as you direct. If you are a registered shareholder and attend the Annual Meeting, you may deliver your completed proxy card in person. Street name shareholders who wish to vote at the Annual Meeting will need

to obtain a proxy form from the institution that holds their shares. Additionally, street name shareholders may be able to instruct the institution how to vote by telephone or electronically, so please contact your broker or nominee to determine availability and applicable deadlines.

A proxy may be revoked at any time before it is exercised by filing with the Secretary of the Company 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. The powers of the proxy holders will be suspended if you attend the Annual Meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

### **Tabulation of the Votes**

Tabulation shall be performed by National City Bank, the Company's Transfer Agent, as inspected by duly appointed officers of the Company.

### **Board's Recommendation**

Unless you give other instructions on your proxy card, 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 item in this Proxy Statement. In summary, the Board recommends a vote FOR election of the nominated slate of directors (see Proposal One). With respect to any other matter that properly comes before the Annual Meeting, the proxy holders will vote as recommended by the Board.

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

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

For purposes of Proposal One, the nine director nominees having the highest votes cast shall be elected. Votes will be cast for only those nominees for whom authority is given. Abstentions will be treated as shares not voted with respect to Proposal One, and will not be calculated in the tabulation. A properly executed proxy marked withhold authority with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

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

For purposes of other matters that may properly come before the Annual Meeting, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the proposal will be required for approval. A properly executed proxy marked abstain with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote. If no instructions are given, the persons named as proxy holders on the proxy card will vote the common shares in accordance with the recommendations of the Board.

If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise discretionary voting power with respect to some of the matters to be acted upon. If you do not give your broker or nominee specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. Shares represented by such broker non-votes will 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 vote at the Annual Meeting will constitute a quorum, permitting the meeting to conduct its business. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of votes considered to be present at the Annual Meeting.

**PROPOSAL ONE: ELECTION OF DIRECTORS**

At the Annual Meeting, the common shares of the Company represented by the proxies will be voted, unless otherwise specified, for the election as directors of the nine nominees named below. All nine nominees are currently directors of the Company. Proxies cannot be voted at the Annual Meeting for more than nine persons, although additional nominations can be made by shareholders at the meeting.

Set forth below is certain information relating to the nominees for election as directors.

<b>Name</b>	<b>Age</b>	<b>Principal Occupation for the Past Five Years</b>	<b>Director Since</b>
Albert J. Bell	43	Vice Chairman and Chief Administrative Officer of the Company; former Executive Vice President, General Counsel and Secretary of the Company.	2000
Sheldon M. Berman	63	Chairman, Chief Executive Officer and President, Xtream Creative, Inc. (business planning, marketing planning, and advertising services).	1994
David T. Kollat	65	President and Founder, 22, Inc. (research and management consulting).	1990
Brenda J. Lauderback	53	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	46	Independent financial consultant; retail stock analyst, Coker & Palmer (securities brokerage services); former Vice President and Chief Financial Officer, Intimate Brands, Inc. (retail stores).	2003
Ned Mansour	55	Former President, Mattel, Inc. (designer, manufacturer and marketer of toy products).	2003
Michael J. Potter	42	Chairman, Chief Executive Officer and President of the Company; former Executive Vice President and Chief Financial Officer of the Company.	2000
Russell Solt	56	Former Executive Vice President and Chief Financial Officer, West Marine, Inc. (specialty retailer and catalog company); former Senior Vice President and Chief Financial Officer, West Marine, Inc.; former President, Venture Stores (discount retailer).	2003
Dennis B. Tishkoff	60	Chairman and Chief Executive Officer, Drew Shoe Corporation (manufacture, import and export, retail and wholesale footwear); President, Tishkoff and Associates, Inc. (retail consultant); former President and Chief Executive Officer, Shoe Corporation of America (retail footwear). Shoe Corporation of America filed for bankruptcy on June 14, 1999.	1991

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

## GOVERNANCE OF THE COMPANY

### Current Members of the Board of Directors

The members of the Board on the date of this Proxy Statement, and the committees of the Board on which they serve, are identified below. The Board has standing Audit, Nominating and Compensation, and Corporate Governance Committees. All committees report on their activities to the Board.

Director	Audit Committee	Nominating and Compensation Committee	Corporate Governance Committee
Albert J. Bell			
Sheldon M. Berman			*
David T. Kollat		**	*
Brenda J. Lauderback	*		
Philip E. Mallott	**	*	
Ned Mansour			**
Michael J. Potter			
Russell Solt	*		
Dennis B. Tishkoff		*	

\* Member of Committee

\*\* Committee Chair

### Board Meetings in Fiscal 2003

Five meetings of the Board of Directors were held during fiscal 2003. During the period for which he or she was a director in fiscal 2003, each director attended at least 75% of all meetings of the Board and the committees of which he or she served. It is the policy of the Company that each nominee standing for election be present at the Company's Annual Meeting of Shareholders, and each director listed above did attend the Company's most recent Annual Meeting of Shareholders held in May 2003. Under the Company's Corporate Governance Guidelines, each director is expected to dedicate sufficient time and attention to ensure the diligent performance of his or her duties, including by attending meetings of the shareholders of the Company, 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 the integrity of the financial reports and other financial information provided by the Company to its shareholders and others; the Company's compliance with legal and regulatory requirements; the engagement of the independent auditor and the evaluation of the independent auditor's qualifications, independence and performance; the performance of the Company's system of internal controls; and the Company's audit, accounting and financial reporting processes generally. All members of the Audit Committee are independent as required by the Committee's charter and by the applicable New York Stock Exchange ( NYSE ) and Securities and Exchange Commission ( SEC ) rules. Philip E. Mallott and Russell Solt serve as the Audit Committee's financial experts and the Board has determined that both

satisfy the standards for audit committee financial expert as required by the SEC under the Sarbanes-Oxley Act of 2002. The charter of the Audit Committee is available as Appendix I to this Proxy Statement and on the Company's website at [www.biglots.com](http://www.biglots.com) under the Investor Relations Governance caption. The Audit Committee met eight times during fiscal 2003.

### ***Nominating and Compensation Committee***

The Nominating and Compensation Committee is responsible for recommending individuals to the Board for nomination as members of the Board and its committees, and to discharge the responsibilities of the Board relating to the administration of the Company's compensation programs. The Nominating and Compensation Committee is involved in establishing the Company's general compensation philosophy, and oversees the development and implementation of compensation programs. All members of the Nominating and Compensation Committee are independent as required by the Committee's charter and the NYSE rules.

The functions of the Nominating and Compensation Committee are further described in its charter and in the Selection of Nominees by the Board and Executive Compensation Report sections of this Proxy Statement. The charter of the Nominating and Compensation Committee is available on the Company's website at [www.biglots.com](http://www.biglots.com) under the Investor Relations Governance caption. The Nominating and Compensation Committee met three times during fiscal 2003.

### ***Corporate Governance Committee***

The primary function of the Corporate Governance Committee is to assist the Board and take a leadership role in shaping the Company's corporate governance policies and practices, including recommending to the Board the Corporate Governance Guidelines applicable to the Company and monitoring Company compliance with the same. All members of the Corporate Governance Committee are independent as required by the Committee's charter and the NYSE rules. The charter of the Corporate Governance Committee is available on the Company's website at [www.biglots.com](http://www.biglots.com) under the Investor Relations Governance caption. The Corporate Governance Committee met once during fiscal 2003.

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

In fiscal 2003, the Board created a new position of presiding director, whose primary responsibility is to preside over periodic executive sessions of the Board in which management directors and other members of management do not participate. The role of presiding director is rotated among the non-management members of the Board. The presiding director shall be responsible for establishing an agenda for the session over which he or she chairs and, upon the conclusion of an executive session of the Board, will meet with the Company's Chief Executive Officer and address any issues raised during the session.

### **Determination of Director Independence**

In August 2003, the Board adopted its Corporate Governance Guidelines. The Guidelines adopted by the Board comply with the NYSE rules. The Guidelines can be found on the Company's website at [www.biglots.com](http://www.biglots.com) under the Investor Relations Governance caption. A copy may also be obtained, without charge, upon written request of the Company's Corporate Secretary.

Pursuant to the Guidelines, the Board undertook its annual review of director independence in February 2004. During this review, the Board considered transactions and relationships between each director, his or her affiliates, and any member of his or her immediate family and the Company, its subsidiaries, and members of senior management, including those reported under the Certain Relationships and Related Transactions section of this Proxy Statement. The purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent.



As a result of this review, the Board affirmatively determined that all of the directors nominated for election at the Annual Meeting are independent of the Company and its management under the standards set forth by the NYSE rules, with the exception of Messrs. Potter and Bell. Messrs. Potter and Bell are considered inside directors because of their employment as senior executives of the Company.

### **Certain Relationships and Related Transactions**

The Company customarily retains SBC Advertising for communications and advertising services. During fiscal 2003, the Company paid fees in the amount of \$2,909,420 to SBC Advertising. Mr. Wickham, who retired from the Board in May 2003, is the majority owner of SBC Advertising and serves as its Chairman and Chief Executive Officer.

### **Other Directorships**

Mr. Kollat is a director of The Limited, Inc., Cooker Restaurant Corp., Cheryl & Co., Select Comfort, Inc., Retail Forward, Inc., and Wolverine Worldwide, Inc. Mr. Kollat serves on the compensation committee at Cheryl & Co. and Select Comfort, Inc., and also serves on the audit committee at Wolverine Worldwide, Inc. Ms. Lauderback is a director of Irwin Financial Corporation, Wolverine Worldwide, Inc. and Louisiana Pacific Corporation. Ms. Lauderback is a member of the audit committee at Wolverine Worldwide, Inc., and serves on both the audit and compensation committees at Irwin Financial Corporation. Mr. Mallott is a director of Too, Inc., where he also serves as the chair of the audit committee. Mr. Tishkoff is a director of Drew Shoe Corporation. Mr. Mansour is a director of The Ryland Group, where he is a member of the audit and governance/nominating committees.

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

The Nominating and Compensation Committee has oversight over a broad range of issues surrounding the composition and operation of the Board. The Nominating and Compensation Committee is responsible for recommending to the Board the appropriate skills and characteristics required of Board members, based on the needs of the Company from time to time. The Nominating and Compensation Committee also evaluates prospective nominees against the standards and qualifications set out in the Company's Corporate Governance Guidelines. Although the Nominating and Compensation Committee has not approved any specific minimum qualifications, the Committee does consider factors such as the prospective nominee's relevant experience, character, intelligence, independence, commitment, judgment, prominence, diversity, age, and compatibility with the Company's Chief Executive Officer and other members of the Board. The Nominating and Compensation 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 and Compensation Committee shall confer with the full Board as to the criteria it intends to apply before the search for a new director is commenced.

In identifying potential candidates for Board membership, the Nominating and Compensation Committee considers recommendations from the Board, shareholders, and management. A shareholder who wishes to recommend a prospective nominee to the Board must send written notice to: Chair of the Nominating and Compensation Committee, 300 Phillipi Road, Columbus, Ohio 43228. The written notice shall include the prospective nominee's name, age, business address, principal occupation, beneficial ownership of the Company's 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. 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 and Compensation Committee also has the authority to retain consultants and search firms to assist in the process of identifying and evaluating candidates and to approve the fees and other retention terms for any such consultant or search firm. No such consultant or search firm has been used to date and, accordingly, no fees have been paid to any such consultant or search firm.

After completing the evaluation of a prospective nominee, the Nominating and Compensation Committee may make a recommendation to the full Board that the targeted individual be nominated by the Board, and the Board shall decide whether to approve a nominee after considering the recommendation and report of the Committee. Any invitation to join the Board will be extended through the chair of the Nominating and Compensation Committee and the Company's Chief Executive Officer, after approval by the full Board.

## **Director Compensation**

### ***Base Compensation***

Pursuant to arrangements with the Company, each director who is not an officer of the Company and who is not involved in the daily affairs of managing the Company ( outside director ) receives an annual retainer and a fee for each Board and committee meeting attended. In fiscal 2003, the annual retainer was \$30,000, and the meeting fee was \$1,000 for each Board or committee meeting attended in person and \$500 for each Board or committee meeting attended by telephone. During fiscal 2003, seven directors, Messrs. Berman, Kollat, Tishkoff, Mallott, Mansour and Solt, and Ms. Lauderback, qualified as outside directors and, thus, were parties to such arrangements. Additionally, three former directors, Messrs. William Wickham, Eric Carlborg and Michael Glazer, in exchange for their service prior to their retirements at the 2003 Annual Meeting of Shareholders, received a \$7,500 retainer and compensation for attendance at Board and committee meetings.

### ***Stock Options***

In addition to base compensation, outside directors receive stock option grants under the Director Stock Option Plan. During fiscal 2003, seven directors received an option to acquire 10,000 common shares of the Company pursuant to the Director Stock Option Plan. The Director Stock Option Plan is administered by the Nominating and Compensation Committee pursuant to an established formula. The number of shares available under the Director Stock Option Plan initially consisted of the original allocation of 500,000 shares (781,250 shares as adjusted to account for the five for four stock splits which occurred in December 1996 and June 1997). Neither the Board nor the Nominating and Compensation Committee exercise any discretion in administering the Director Stock Option Plan, and the administration performed by the Nominating and 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 once in any six month period. Under the current formula, each of the eligible outside directors are granted annually an option to acquire 10,000 of the Company's common shares, for an exercise price equal to the fair market value on the date of grant. Each annual grant occurs on the last day of the quarterly trading period next following the Annual Meeting of Shareholders.

Options granted under the Director Stock Option Plan become exercisable over three years beginning upon the first annual anniversary of the grant date, whereby the option becomes exercisable for 20% of the shares on the first anniversary, 60% on the second anniversary, and 100% on the third anniversary. Options automatically terminate ten years and one month following the date of grant. An optionee may exercise a stock option only during specific quarterly trading periods, and only if at all times during the period beginning on the date such option was granted and ending on the day three months before the date of exercise, he or she was a director of the Company. Options granted under the Director Stock Option Plan are not transferable other than by will or the laws of descent and distribution.

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

The Company has a Code of Business Conduct and Ethics, which is applicable to all of the Company's associates, including the principal executive officer, the principal financial officer and the principal accounting officer. The Company has a separate Code of Ethics for Financial Professionals for its Chief Executive Officer, Chief Administrative Officer, and all other Senior Financial Officers (as that term is defined therein), which contains provisions specifically applicable to the individual serving in those positions. Both the Code of Business Conduct and Ethics and the Code of Ethics for Financial Officers are available on the Company's website at [www.biglots.com](http://www.biglots.com) under the Investor Relations Governance caption. The Company intends to post amendments to or waivers from its Code of Business Conduct and Ethics (to the extent applicable to the Company's directors and executive officers) or to the

Code of Ethics for Financial Officers at this location on its website.

## Shareholder Communications to the Board

Shareholders and other parties interested in communicating directly with the Board may do so by choosing one of the following options:

<i>Call the Board at:</i>	(866) 834-7325
<i>Write to the Board at:</i>	Big Lots Board of Directors, 300 Phillipi Road, Columbus, Ohio 43228-5311
<i>E-mail the Board at:</i>	<a href="http://www.ci-wackenhut.com/getreal.htm">www.ci-wackenhut.com/getreal.htm</a>

Concerns relating to the Company's 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 Corporate Governance Committee. All other matters will be received and processed by the Company's Office of the General Counsel. Those parties sending written communications to the Board will receive a written acknowledgement upon the Company's receipt of the communication. Parties submitting communications to the Board may choose to do so anonymously or confidentially.

## STOCK OWNERSHIP

### Ownership of Company Stock by Certain Beneficial Owners and Management

The following table sets forth certain information with regard to the beneficial ownership of the common shares of the Company by each holder of 5% of such shares, each director individually, each of the executive officers named in the Summary Compensation Table, and all executive officers and directors of the Company as a group. The assessment of holders of more than 5% of the Company's common shares is based on a review of filings with the SEC. Except as otherwise indicated, all information is as of January 31, 2004.

Name of Beneficial Owner or Identity of Group	Amount and Nature of Beneficial Ownership(8)(9)	Percent of Outstanding Shares
Albert J. Bell	911,758	*
Sheldon M. Berman (1)	63,188	*
David T. Kollat	139,847	*
Kent Larsson	268,723	*
Brenda J. Lauderback	25,300	*
Philip E. Mallott	2,500	*
Ned Mansour	6,000	*
Donald A. Mierzwa	341,235	*
Michael J. Potter	978,096	*
Russell Solt	2,000	*
Dennis B. Tishkoff	51,048	*
Brad A. Waite	406,731	*
Barclays Global Investors, NA (2)	6,888,695	5.88%
Capital Research and Management Company (3)	8,571,400	7.30%
Cooke & Bieler, L.P. (4)	6,392,365	5.50%
First Pacific Advisors, Inc. (5)	7,659,100	6.60%
FMR Corp. (6)	7,131,187	6.10%
Lord, Abnett & Co. (7)	10,117,743	8.65%

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All directors & executive officers as a group (17 persons)

3,290,163

2.81%

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\* Represents less than 1% of the outstanding common shares.

(1) Includes 5,468 shares owned by Xtream Creative, Inc.

(2) In its Schedule 13G filed on February 17, 2004, Barclays Global Investors, NA stated that it beneficially owned the number of shares reported in the table as of December 31, 2003, which number includes 484,228 shares beneficially owned by Barclays Global Fund Advisors; 576,671 shares beneficially owned by Barclays

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Global Investors, Ltd.; and 3,266 shares beneficially owned by Barclays Capital Securities Limited. Of the shares reported in the table above, Barclays Global Investors, NA has sole voting power and sole dispositive power over 5,974,452 shares.

- (3) In its Schedule 13G filed on February 13, 2004, Capital Research and Management Company stated that it beneficially owned the number of shares reported in the table as of December 31, 2003, had no voting power over any of the shares and sole dispositive power over all the shares.
- (4) In its Schedule 13G filed on February 11, 2004, Cooke & Bieler, L.P. stated that it beneficially owned the number of shares reported in the table as of December 31, 2003, had sole voting power over 1,255,420 of the shares, shared voting power over 3,861,250 of the shares, sole dispositive power over 1,255,420 of the shares, and shared dispositive power over 5,105,945 of the shares.
- (5) In its Schedule 13G filed on February 12, 2004, First Pacific Advisors, Inc. stated that it beneficially owned the number of shares reported in the table as of December 31, 2003, had shared voting power over 2,749,000 of the shares and shared dispositive power over all the shares.
- (6) In its Schedule 13G filed on February 17, 2004, and its accompanying materials, FMR Corp. stated that it beneficially owned the number of shares reported in the table as of December 31, 2003, which number includes 5,878,446 shares (5.03% of the common shares at that date) beneficially owned by Fidelity Management & Research Company in its capacity as investment advisor to various investment companies registered under Section 8 of the Investment Company Act of 1940; 1,217,141 shares beneficially owned by Fidelity Management Trust Company as a result of its serving as investment manager for various institutional accounts; and 35,600 shares beneficially owned by Fidelity International Limited in its capacity as investment advisor to various non-U.S. investment companies and certain institutional investors. Of the shares reported in the table above, FMR Corp. has sole voting power over 1,121,641 shares and sole dispositive power over all 7,131,187 shares.
- (7) In its Schedule 13G filed on February 4, 2004, Lord, Abnett & Co. stated that it beneficially owned the shares reported in the table as of December 31, 2003, and that it had sole voting power and sole dispositive power over all the shares.
- (8) The persons named in the table, other than Barclays Global Investors, NA (see note (2)), Capital Research and Management Company (see note (3)), Cooke & Bieler, L.P. (see note (4)), First Pacific Advisors, Inc. (see note (5)), FMR Corp. (see note (6)), Lord, Abnett & Co. (see note (7)), and as described in note (9), have sole voting power and investment power with respect to all common shares of the Company subject to the information contained in the footnotes to this table. The amounts described in the table are adjusted to account for the five for four stock splits which occurred in December 1996 and June 1997, and include shares that may be acquired within 60 days of the record date under stock options exercisable within that period. Percentage ownership was based on common shares of the Company outstanding at January 31, 2004, unless otherwise stated. Of the shares reported for Messrs. Bell, Berman, Kollat, Larsson, Mallott, Mansour, Mierzwa, Potter, Solt, Tishkoff and Waite, Ms. Lauderback, and for all directors and executive officers as a group, 874,688, 48,439, 48,439, 225,000, 0, 0, 331,562, 911,875, 0, 48,439, 384,064, 25,000, and 2,981,806, respectively, are shares which may be acquired within 60 days of the record date pursuant to exercisable stock options.
- (9) The beneficial ownership of Messrs. Bell, Larsson, Mierzwa, Potter, and Waite includes 22,294, 5,010, 6,310, 30,908, and 15,679 shares, respectively, in contributions to the Company's Supplemental Savings Plan, which contributions are reflected as investments in phantom units of the Company's common shares.

The addresses of the persons shown in the table above as a beneficial owner of more than 5% of the Company's common shares are as follows: Barclays Global Investors, NA, 45 Fremont Street, San Francisco, CA 94105; Capital



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Research and Management Company, 333 South Hope Street, Los Angeles, CA 90071; Cooke & Bieler, L.P., 1700 Market Street, Philadelphia, PA 19103; First Pacific Advisors, Inc., 11400 West Olympic Boulevard, Suite 1200, Los Angeles, CA 90064; FMR Corp., Fidelity Management & Research Company, and Fidelity Management Trust Company, 82 Devonshire Street, Boston, MA 02109; and Lord, Abbett & Co., 90 Hudson Street, Jersey City, NJ 07302.

## Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 ( Exchange Act ) requires the Company s directors and executive officers, and persons who own more than 10 percent of a registered class of the Company s equity securities, to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of common shares and other equity securities of the Company. Executive officers, directors and greater than 10 percent shareholders are required by the regulations of the SEC to furnish the Company with copies of all Section 16(a) forms 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 complied during fiscal 2003 with the reporting requirements of Section 16(a) of the Exchange Act.

*Notwithstanding anything to the contrary set forth in any of the Company s previous or future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 that might incorporate this Proxy Statement or future filings with the Securities Exchange Commission, in whole or in part, the Report of the Audit Committee, the Executive Compensation Report of the Company s Nominating and Compensation Committee, and the performance graph shall not be deemed to be incorporated by reference into any such filing.*

## REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors assists the Board in fulfilling its oversight responsibility with respect to the integrity of the Company s accounting, auditing and reporting processes. Annually, the Audit Committee recommends to the Board the selection of the Company s independent auditors. Deloitte & Touche LLP was selected as the Company s independent auditors for fiscal 2003. As of the date of the Proxy Statement, no independent auditor has been selected for the fiscal year ending January 29, 2005, as the Audit Committee believes it to be in the Company s best interest to delay its selection until a reasonable time following the completion of the fiscal 2003 audit.

The Audit Committee consists of three outside directors of the Board. The Company s common shares are listed on the New York Stock Exchange. The members of the Audit Committee have been reviewed by the Board and determined to be independent within the meaning of Securities and Exchange Commission regulations and the listing standards of the New York Stock Exchange.

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

the integrity of the Company s financial statements and financial reporting process, and the Company s systems of internal accounting and financial controls;

the Company s compliance with legal and regulatory requirements, including the Company s disclosure controls and procedures;

the annual independent audit of the Company s financial statements, the engagement of the independent auditor, and the evaluation of the independent auditor s qualifications, independence and performance;

the performance of the Company s 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 as Appendix I to this Proxy Statement and on the Company's website at [www.biglots.com](http://www.biglots.com) under the "Investor Relations" "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 believes it fulfilled its responsibilities thereunder in fiscal 2003.

The Audit Committee met eight times during fiscal 2003. The Committee schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its tasks. The Committee's meetings include, whenever appropriate, executive sessions with the Company's independent auditors and with the Company's internal

auditors, in each case without the presence of the Company's management. The Audit Committee also meets in executive session without the presence of anyone else, whenever appropriate.

The Audit Committee has reviewed and discussed the audited financial statements with management and Deloitte & Touche LLP. Management has the primary responsibility for the financial statements and the reporting process. The Audit Committee has discussed with Deloitte & Touche LLP the matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU Section 380), as modified or supplemented. The Audit Committee has received written disclosures and a letter from Deloitte & Touche LLP required by Independence Standards Board Standard No. 1, as modified or supplemented, and has discussed the independence of Deloitte & Touche LLP with Deloitte & Touche LLP.

The Audit Committee has also considered whether Deloitte & Touche LLP's provision of any non-audit services to the Company is compatible with maintaining the independence of Deloitte & Touche LLP. Consistent with 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 2003, 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 auditor in order to assure that the provision of those services does not impair the independent auditor'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 auditor and management to report on the actual fees incurred for each category of service at Audit Committee meetings throughout the year.

During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services which have not been approved. In those instances, the Audit Committee requires specific pre-approval before engaging the independent auditor. 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.

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

	<b>Fiscal 2003</b>	<b>Fiscal 2002</b>
Audit Fees	\$436,000	\$374,000
Audit-Related Fees (a)	\$ 67,000	\$164,000
Tax Fees (b)	\$148,000	\$145,000
All Other Fees (c)	\$ 0	\$ 4,000

(a) Principally audits of employee benefit plans and services with respect to compliance with the Sarbanes-Oxley Act of 2002.

(b) Principally tax return preparation, tax planning, and tax compliance services.

(c) Consistent with Item 9(e) of Schedule 14A of the Securities Exchange Act of 1934, the fees reported in the all other fees category for fiscal 2002 differ in this Proxy Statement from the previous year's Proxy Statement. The difference is due to the reclassification of fees from three categories (audit fees, financial information systems design and implementation fees, and all other fees) for fiscal 2002 disclosures to the four categories disclosed in the current Proxy Statement. Under the current classification, the \$313,000 of all other fees disclosed in last year's

Proxy Statement are comprised of \$164,000 of audit-related fees, \$145,000 of tax fees, and \$4,000 of all other fees, each of which are reflected in the above table.

The Audit Committee has also reviewed key initiatives and programs aimed at strengthening the effectiveness of the Company's internal and disclosure control structure. As part of this process, the Committee continued to monitor the scope and adequacy of the Company's internal auditing program, reviewing staffing levels and steps taken to implement recommended improvements in internal procedures and controls. Based on all of these discussions and a review of all the items delivered, the undersigned members of the Audit Committee recommended to the Board of Directors that it approve the inclusion of the Company's audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2004, for filing with the Securities and Exchange Commission.

Members of the Audit Committee

Philip E. Mallott, Chair

Brenda J. Lauderback  
Russell Solt

## **EXECUTIVE COMPENSATION**

### **Executive Compensation Report of the Nominating and Compensation Committee**

Compensation of the Company's executive officers is administered by the Nominating and Compensation Committee of the Board of Directors (referred to as the Committee for purposes of this Executive Compensation Report). The Committee consists of three non-employee directors who are independent within the meaning of the listing standards of the New York Stock Exchange. The Committee's responsibilities include establishing the policies and procedures applicable to the compensation of the Company's executive officers and reporting on them to the Board of Directors; recommending to the Board of Directors the salaries, incentive compensation and other remuneration of executive officers; and reviewing the salaries, compensation and other remuneration of all other senior level executives. The charter of the Committee is available on the Company's website at [www.biglots.com](http://www.biglots.com) under the Investor Relations Governance#14