



Big Lots, Inc.  
4900 E. Dublin-Granville Road  
Columbus, Ohio 43081

May 1, 2020

Dear Big Lots' Shareholder:

We cordially invite you to attend the 2020 Annual Meeting of Shareholders of Big Lots, Inc. The Annual Meeting will be held virtually on Wednesday, June 10, 2020, beginning at 9:00 a.m., Eastern Time. Due to public health concerns related to the coronavirus (COVID-19) pandemic and to support the health and welfare of our shareholders and associates, the Annual Meeting will be held in a completely virtual format through a live webcast. **You will not be able to attend the Annual Meeting physically.** At our virtual Annual Meeting, shareholders will be able to attend, vote and submit questions by visiting [www.virtualshareholdermeeting.com/BIG2020](http://www.virtualshareholdermeeting.com/BIG2020). We believe that the virtual format will provide a consistent experience to our shareholders and allow all shareholders to participate in the Annual Meeting regardless of location.

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

Your vote is important and we encourage you to attend and participate in the virtual Annual Meeting. For additional information regarding how to attend and participate in the virtual meeting format, please see "Attendance and Participation at the Virtual Annual Meeting" on page 2 of the Proxy Statement. Whether or not you plan to attend the virtual Annual Meeting, we urge you to vote as soon as possible. If you attend the virtual Annual Meeting and wish to participate by voting electronically during the virtual Annual Meeting, you may revoke your previously submitted proxy as described in the Proxy Statement.

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

Respectfully submitted,

JAMES R. CHAMBERS  
*Chairman*

BRUCE K. THORN  
*President and Chief Executive Officer*



## NOTICE OF 2020 ANNUAL MEETING OF SHAREHOLDERS

Wednesday, June 10, 2020

9:00 a.m. Eastern Time

Virtual Meeting Site: [www.virtualshareholdermeeting.com/BIG2020](http://www.virtualshareholdermeeting.com/BIG2020)

We are pleased to invite you to the 2020 Annual Meeting of Shareholders of Big Lots, Inc. The Annual Meeting will be held virtually on Wednesday, June 10, 2020, beginning at 9:00 a.m., Eastern Time. Due to public health concerns related to the coronavirus (COVID-19) pandemic and to support the health and welfare of our shareholders and associates, the Annual Meeting will be held in a completely virtual format through a live webcast. **You will not be able to attend the Annual Meeting physically.** At our virtual Annual Meeting, shareholders will be able to attend, vote and submit questions by visiting [www.virtualshareholdermeeting.com/BIG2020](http://www.virtualshareholdermeeting.com/BIG2020). We believe that the virtual format will provide a consistent experience to our shareholders and allow all shareholders to participate in the Annual Meeting regardless of location.

The Annual Meeting is being held for the following purposes:

1. To elect as directors the eleven nominees named in our accompanying Proxy Statement;
2. To consider and vote upon a proposal to approve the Big Lots 2020 Long-Term Incentive Plan;
3. To approve, on an advisory basis, the compensation of our named executive officers;
4. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2020; and
5. To transact such other business as may properly come before the Annual Meeting.

Only shareholders of record at the close of business on the record date, April 23, 2020, are entitled to notice of and to vote at the Annual Meeting and any postponement or adjournment thereof. Further information regarding voting rights and matters to be voted upon is presented in the accompanying Proxy Statement.

By Order of the Board of Directors,

Ronald A. Robins, Jr.

*Executive Vice President, General Counsel and Corporate Secretary*

May 1, 2020

Columbus, Ohio

**Your vote is important. Shareholders are urged to vote online. If you attend the virtual Annual Meeting and wish to participate by voting electronically during the virtual Annual Meeting, you may revoke your previously submitted proxy as described in the Proxy Statement. To attend and participate in the virtual Annual Meeting, you will need the control number included on your proxy card or voting instruction form. For additional information regarding how to participate in the virtual meeting format, please see "Attendance and Participation at the Virtual Annual Meeting" on page 2 of the Proxy Statement.**

**BIG LOTS, INC.'S NOTICE OF 2020 ANNUAL MEETING OF SHAREHOLDERS, PROXY STATEMENT, FORM OF PROXY AND 2019 ANNUAL REPORT TO SHAREHOLDERS ARE AVAILABLE ONLINE AT PROXYVOTE.COM.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 10, 2020.**

Big Lots, Inc.'s Notice of 2020 Annual Meeting of Shareholders, Proxy Statement, form of proxy and 2019 Annual Report to Shareholders are available online at PROXYVOTE.COM.

**ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS**

Instead of receiving paper copies of our future proxy statements, proxy cards and annual reports to shareholders in the mail, shareholders may elect to receive such documents electronically via email or the Internet. Receiving your proxy materials electronically saves us the cost of printing and mailing documents to you and reduces the environmental impact of our shareholder communications. Shareholders may sign up to receive or access future shareholder communications electronically as follows:

- *Shareholders of Record.* If you are a registered shareholder, you may consent to electronic delivery when voting for the Annual Meeting on the Internet at [www.proxyvote.com](http://www.proxyvote.com).
- *Beneficial Shareholders.* If your Common Shares are not registered in your name, review the information provided to you by your broker, bank or other shareholder of record or contact your broker, bank or other shareholder of record for information on electronic delivery service.

**BIG LOTS, INC.**

**PROXY STATEMENT**

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## PROXY STATEMENT

The Board of Directors (“Board”) of Big Lots, Inc., an Ohio corporation (“we,” “us,” “our,” the “Company” or “Big Lots”), is furnishing you this proxy statement (this “Proxy Statement”) to solicit proxies for use at the 2020 Annual Meeting of Shareholders of Big Lots to be held virtually on Wednesday, June 10, 2020 beginning at 9:00 a.m., Eastern Time (including any adjournments, postponements or continuations thereof, the “Annual Meeting”). Due to public health concerns related to the coronavirus (COVID-19) pandemic and to support the health and welfare of our shareholders and associates, the Annual Meeting will be held in a completely virtual format through a live webcast. **You will not be able to attend the Annual Meeting physically.** We believe that the virtual format will provide a consistent experience to our shareholders and allow all shareholders to participate in the Annual Meeting regardless of location.

At our virtual Annual Meeting, shareholders will be able to attend, vote and submit questions by visiting [www.virtualshareholdermeeting.com/BIG2020](http://www.virtualshareholdermeeting.com/BIG2020). To participate (e.g., submit questions and/or vote) in the virtual Annual Meeting, you will need the control number included in your proxy card or voting instruction form.

This proxy statement is dated May 1, 2020, and on or about May 1, 2020, we began mailing this Proxy Statement and the accompanying form of proxy to our shareholders of record at the close of business on April 23, 2020. Our Annual Report to Shareholders for our fiscal year ended February 1, 2020 (“fiscal 2019”), which includes our Annual Report on Form 10-K for fiscal 2019, is being mailed together with this Proxy Statement and an accompanying proxy card.

## 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, our shareholders will be asked to:

- (1) elect eleven directors to serve until the 2021 Annual Meeting of the Shareholders of the Company;
- (2) approve the Big Lots 2020 Long-Term Incentive Plan (“2020 LTIP”);
- (3) approve, on an advisory basis, the compensation of our named executive officers, as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and the narrative discussion accompanying the tables (“say-on-pay resolution”);
- (4) ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for our fiscal year ending January 30, 2021 (“fiscal 2020”); and
- (5) transact such other business as may properly come before the Annual Meeting.

Under our governing documents, no other business may be raised by shareholders at the Annual Meeting unless proper and timely notice has been given to us by the shareholders seeking to bring such business before the meeting.

### Virtual-Only Meeting Format

Due to the ongoing public health considerations associated with the COVID-19 pandemic, and because the health, safety and well-being of our employees and shareholders is of utmost importance to us, we will be holding our 2020 annual meeting of shareholders in a virtual-only meeting format.

## Shareholder Voting Rights

Only those shareholders of record at the close of business on April 23, 2020, the record date for the Annual Meeting (“Record Date”), are entitled to receive notice of, and to vote at, the Annual Meeting. At the Record Date, the Company had 39,228,802 common shares, \$0.01 par value per share (“Common Shares”) outstanding. Each of the outstanding Common Shares entitles the holder thereof to one vote on each matter to be voted upon at the Annual Meeting or any postponement or adjournment thereof. The holders of our Common Shares have no cumulative voting rights in the election of directors. All voting at the Annual Meeting will be governed by our Amended Articles of Incorporation, our Amended Code of Regulations and the Ohio General Corporation Law.

## Registered Shareholders and Beneficial Shareholders

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

## Attendance and Participation at the Virtual Annual Meeting

### **Annual Meeting Access Instructions**

Because the Annual Meeting will be held in a completely virtual format through a live webcast, there is no physical meeting location. To attend and participate (e.g., submit questions and/or vote) in the virtual Annual Meeting, holders of Common Shares as of the Record Date, or their duly appointed proxies, should access the live webcast of the Annual Meeting at [www.virtualshareholdermeeting.com/BIG2020](http://www.virtualshareholdermeeting.com/BIG2020). For additional information regarding how to vote at the virtual Annual Meeting, see “How to Vote at the Annual Meeting” below.

To attend and participate in the virtual Annual Meeting, you will need the control number included on your proxy card or voting instruction form. Access to the webcast of the Annual Meeting will open approximately 15 minutes before the scheduled start time of the Annual Meeting. We recommend that you log in to the Annual Meeting several minutes before its scheduled start time. An audio recording of the entire virtual Annual Meeting will be available in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) after the meeting.

We will have technicians available to assist you with any difficulties you may have accessing the virtual Annual Meeting. If you encounter any difficulties accessing the virtual Annual Meeting or during the Annual Meeting, a phone number will be available for you to call at the registration start time on [www.virtualshareholdermeeting.com/BIG2020](http://www.virtualshareholdermeeting.com/BIG2020).

### **Submission of Questions to Annual Meeting**

Shareholders as of the Record Date for the Annual Meeting who attend and participate in the virtual Annual Meeting may submit questions at [www.virtualshareholdermeeting.com/BIG2020](http://www.virtualshareholdermeeting.com/BIG2020) for the question and answer session that will immediately follow the adjournment of the Annual Meeting. In both cases, shareholders must have the control number included on their proxy card or voting instruction form to submit questions. As with the physical annual meetings of shareholders we have held in the past, we will use reasonable efforts to answer all questions relevant to meeting matters during the virtual Annual Meeting, subject to time constraints and the rules of conduct for the Annual Meeting.

## How to Vote and Revoke Your Vote

### **Registered Holders**

After receiving our proxy materials, you may vote your Common Shares by completing, dating and signing the proxy card included with the materials and returning it in accordance with the instructions

provided. You will also have the opportunity to vote your Common Shares online at [www.proxyvote.com](http://www.proxyvote.com) until June 9, 2020 at 11:59 p.m., Eastern Time. When voting online, you must follow the instructions posted on the website and you will need the control number included on your proxy card. Your Common Shares will be voted as you direct if (1) you properly complete your proxy online or (2) you complete, date, sign and return your proxy card no later than 11:59 p.m., Eastern Time, on June 9, 2020. You may also vote your Common Shares at the virtual Annual Meeting as described below in “How to Vote at the Annual Meeting.”

A registered shareholder may revoke any proxy at any time before it is exercised by filing with our Corporate Secretary a written notice of revocation or duly executing and delivering to us a proxy bearing a later date. A registered shareholder may also revoke a proxy by attending and participating in the virtual Annual Meeting and voting electronically. Attending the virtual Annual Meeting will not by itself revoke a previously submitted proxy.

### **Beneficial Owners**

Beneficial shareholders have the right to direct the broker, bank or other holder of record that is the registered holder of their Common Shares on how to vote their Common Shares by following the voting instructions included in the materials they receive from their registered holder. Beneficial shareholders should follow the procedures and directions set forth in such voting instructions to instruct their registered holder how to vote those Common Shares or revoke previously given voting instructions. Please contact your broker, bank or other holder of record to determine the applicable deadlines.

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

### **How to Vote at the Annual Meeting**

Shareholders as of the Record Date for the Annual Meeting who attend and participate in the virtual Annual Meeting by visiting [www.virtualshareholdermeeting.com/BIG2020](http://www.virtualshareholdermeeting.com/BIG2020) may vote their shares electronically at the virtual Annual Meeting even if they have previously submitted their vote. Shareholders must have the control number included on their proxy card or voting instruction form to vote their shares electronically at the virtual Annual Meeting.

What is a “proxy”?

A proxy is your legal designation of another person to vote the stock you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card.

### **Householding**

SEC rules allow multiple shareholders residing at the same address the convenience of receiving a single copy of the Annual Report to Shareholders and Proxy Statement if they consent to do so (we refer to this process as “householding”). Householding is permitted only in certain circumstances, including when you have the same last name and address as another shareholder. If the required conditions are met, and SEC rules allow, your household may receive a single copy of the Annual Report on Form 10-K and Proxy Statement. Upon request, we will promptly deliver a separate copy of the Annual Report on Form 10-K and Proxy Statement to a shareholder at a shared address to which a single copy of the document(s) was delivered. Such a request should be made in the same manner as a revocation of consent for householding.



You may revoke your consent for householding at any time by contacting Broadridge Financial Solutions, Inc. (“Broadridge”), either by calling 1-866-540-7095, or by writing to: Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. You will be removed from the householding program within 30 days of receipt of your instructions at which time you will be sent separate copies of the Annual Report on Form 10-K and Proxy Statement.

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

#### Board’s Recommendations

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

1. FOR the election of the director nominees identified in Proposal One;
2. FOR the approval of the 2020 LTIP (see Proposal Two);
3. FOR the approval, on an advisory basis, of the compensation of our named executive officers, as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K, including the Compensation Disclosure and Analysis, compensation tables and the narrative discussion accompanying the tables (see Proposal Three); and
4. FOR the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2020 (see Proposal Four).

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

#### Quorum

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

#### Vote Required to Approve a Proposal

##### **Proposal One**

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

A properly executed proxy marked as withholding authority with respect to the election of one or more nominees for director will not be voted with respect to the nominee or nominees for director indicated and



will have the same effect as a vote against the nominee or nominees. Broker non-votes will not be considered votes cast for or against or withheld from a director nominee's election at the Annual Meeting.

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

### **Other Matters**

For purposes of Proposal Two, Proposal Three and Proposal Four, the affirmative vote of the holders of a majority of the outstanding Common Shares will be required for approval. The votes received with respect to Proposal Three and Proposal Four are advisory and will not bind the Board or the Company. A properly executed proxy marked "abstain" with respect to Proposal Two, Proposal Three, and Proposal Four will not be voted with respect to such matter, although it will be counted for purposes of determining the number of Common Shares necessary for approval of Proposal Two, Proposal Three and Proposal Four. Accordingly, an abstention will have the same effect as a vote against Proposal Two, Proposal Three and Proposal Four. If no voting instructions are given (excluding broker non-votes), the persons named as proxy holders on the proxy card will vote the Common Shares in accordance with the recommendation of the Board.

### Tabulation

Votes will be counted by an independent inspector of election appointed for the Annual Meeting by the Board.

### Appraisal or Dissenters' Rights

Shareholders of the Company will not have rights of appraisal or similar dissenters' rights with respect to any of the matters identified in this Proxy Statement to be acted upon at the Annual Meeting.

### Results

We will announce preliminary results promptly once they are available and will report final results in a filing with the U.S. Securities and Exchange Commission (the "SEC") on a Current Report on Form 8-K. You can access both Form 8-Ks and our other reports we file with the SEC at our website at <https://www.biglots.com/corporate/investors/sec-filings> or at the SEC's website at [www.sec.gov](http://www.sec.gov). The information provided on these websites is for informational purposes only and is not incorporated by reference into this Proxy Statement.

### Who Can Help Answer Any Questions?

Shareholders who have questions about matters to be voted on at the Annual Meeting or who desire additional copies of this Proxy Statement or additional proxy or voting instruction cards should contact our proxy solicitor, Innisfree M&A Incorporated at: (877) 800-5187.

## PROPOSAL ONE: ELECTION OF DIRECTORS

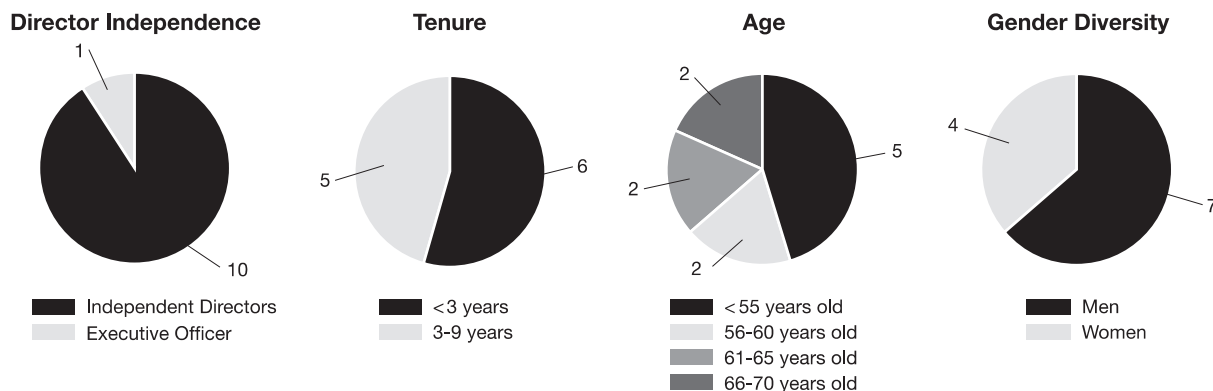
The Board has nominated the eleven persons set forth in the table below for election as directors at the Annual Meeting. At the Annual Meeting, the Common Shares represented by proxies will be voted, unless otherwise specified, for the election of the eleven director nominees named below. Proxies cannot be voted at the Annual Meeting for more than eleven persons. Directors are elected to serve until the next annual meeting of shareholders and until their respective successors are elected and qualified, or until their earlier death, resignation or removal.

All of the nominees set forth below have consented to being named in this Proxy Statement and to serve as directors of the Company if elected. It is expected that all nominees proposed by the Board will be able to serve on the Board if elected. However, if before the Annual Meeting one or more of the Board's nominees are unable to serve or for good cause will not serve (a situation that we do not anticipate), the proxy holders will vote the proxies for the remaining nominees and for substitute nominees chosen by the Board. If any substitute nominees are designated, we will file an amended proxy statement that, as applicable, identifies the substitute nominees, discloses that such nominees have consented to being named in the revised proxy statement and to serve as directors if elected, and includes certain biographical and other information about such nominees required by the rules of the SEC, but, should any of them decline or be unable to serve, proxies may be voted for another person nominated as a substitute by the Board.

There are no family relationships, of first cousins or closer, among the Company's directors and executive officers, by blood, marriage or adoption.

The following information is furnished with respect to each of the nominees of the Company, including information regarding their business experience, director positions held currently or at any time during the last five years, involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the Nominating / Corporate Governance Committee and the Board to determine that the nominees should serve as our directors. Other than as set forth in this Proxy Statement, no principal occupation of any of the Board's nominees has been at any corporation or organization that is a parent, subsidiary or other affiliate of the Company.

Set forth below is certain information related to the nominees.



## Summary of Director Nominee Core Experiences and Skills

*Our Board possesses a deep and broad set of skills and experiences that facilitate strong oversight and strategic direction for a leading retailer.* The following chart summarizes the competencies of each director nominee to be represented on our Board.

EXPERIENCE/SKILLS	Chambers	Clarke	DiGrande	Goldstein	Gottschalk	Jamison	Kingsbury	McCormick	Reardon	Schoppert	Thorn
Retail Experience	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
EComm Experience	✓		✓	✓	✓	✓	✓	✓		✓	✓
Public Company CEO/COO/ CFO/CHRO	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Regulatory Compliance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Financial/Accounting	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Corporate Governance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Other Public Company Board	✓	✓			✓	✓	✓	✓	✓	✓	

The lack of a “✓” for a particular item does not mean that the director does not possess that qualification, characteristic, skill or experience. Each of our Board members have experience and/or skills in the enumerated areas, however, the ✓ is designated to indicate that a director has a particular strength in that area.



Age: 62  
 Director since: 2012  
 Committees:  
 • None

### JAMES R. CHAMBERS

Chairman of the Board of Big Lots, Inc.

Mr. Chambers served as President and Chief Executive Officer and director of Weight Watchers International, Inc. (weight management services provider) from 2013 to late 2016. Since his retirement from Weight Watchers International, Inc. in 2016, he has been serving as a professional director.

Mr. Chambers previously served as President of the US Snacks and Confectionery business unit and General Manager of the Immediate Consumption Channel of Kraft Foods Inc. (food manufacturer) until 2011. Mr. Chambers also served as President and CEO of Cadbury Americas (confectionery manufacturer) until 2010 and as the President and Chief Executive Officer of Remy Amerique, Inc. (spirits manufacturer). Prior to his employment with Remy Amerique, Inc., Mr. Chambers served as the Chief Executive Officer of Paxonix, Inc. (online branding and packaging process solutions business), the Chief Executive Officer of Netgrocer.com (online grocery retailer) and the Group President of Information Resources, Inc. (global market research provider). Mr. Chambers spent the first 17 years of his career at Nabisco (food manufacturer), where he held leadership roles in sales, distribution, marketing and information technology, culminating in the role of President, Refrigerated Foods. Mr. Chambers previously served as a director of B&G Foods (food manufacturer) for seven years where he served on its nominating and governance committee and served on the compensation committee and as a director of Weight Watchers International, Inc.

**Qualifications:** Mr. Chambers’ qualifications to serve on the Board include his extensive cross-functional packaged goods industry experience, his extensive leadership experience as a chief executive officer, his 20-year track record in general management and his experience serving on the boards of other public companies.

**Other Directorships:** TIAA Board of Trustees since 2015, where he chairs the audit committee and serves on the human resources committee and the risk and compliance committee.



Age: 49

Director since: 2020

Committees:

- Nominating /  
Corporate Governance
- Capital Allocation  
Planning

### ANDREW C. CLARKE

Mr. Clarke is the former Chief Financial Officer of C.H. Robinson, Inc. (one of the world's largest third party logistics and supply chain management providers), a role he held from June 2015 to March 2019. Since his retirement from C.H. Robinson, Inc. in March 2019, he has been serving as a professional director.

Previously, Mr. Clarke served as Chief Executive Officer and President at Panther Expedited Services, Inc. (n/k/a Panther Premium Logistics), a wholly owned subsidiary of ArcBest Corporation (logistics provider with expertise in ground expedite, air freight, international air and ocean freight and air charter) from July 2006 to February 2013. Prior to that, Mr. Clarke served as Chief Financial Officer, Senior Vice President and Treasurer at Forward Air Corporation (diversified transportation services corporation) from 2001 to 2006. From 2000 to 2001, Mr. Clarke served as Senior Vice President, Chief Financial Officer and Treasurer at Logtech Corporation (transportation technology company), a subsidiary of Forward Air. Before that, Mr. Clarke worked in corporate finance analyst roles at financial services companies Deutsche Bank Alex. Brown and A.G. Edwards & Sons, Inc. Mr. Clarke has served as a director of several public companies, including Blount International, Inc. from April 2010 until it was acquired in April 2016, Pacer International, Inc. and Forward Air Corporation.

**Qualifications:** Mr. Clarke's qualifications to serve on the Board include his experience as a C-suite executive, including 10 years of experience as Chief Financial Officer of a public company, in addition to his other public company board expertise.

**Other Directorships:** Element Fleet Management Corp (fleet management services company) since June 2018.



Age: 53

Director since: 2018

Committees:

- Audit
- Nominating /Corporate  
Governance

### SEBASTIAN J. DIGRANDE

Mr. DiGrande is the former Executive Vice President of Strategy and Chief Customer Officer for Gap Inc. from May 2016 until 2019, where he led the company's E-Commerce/Digital business, which focused on strategy, consumer and market insights, customer data and analytics, digital and customer marketing, payments, loyalty, and franchise teams. Prior to joining Gap, Inc., Mr. DiGrande was a Senior Partner and Managing Director for The Boston Consulting Group from 1996 to April 2016. He was also a leader in BCG's Technology, Marketing and Digital Innovation efforts. Since 2019, he has been serving as a professional director.

**Qualifications:** Mr. DiGrande's qualifications to serve on the Board include his extensive experience in senior management roles including leading one of the largest E-Commerce/Digital business operations, his extensive consulting background and his qualification as an "audit committee financial expert," as defined by applicable SEC rules.



Age: 37  
Director since: 2020  
Committees:  
• Audit  
• Capital Allocation  
Planning

### AARON GOLDSTEIN

Mr. Goldstein has served as a Partner and Portfolio Manager at Macellum Capital Management since April 2014. Prior to that, Mr. Goldstein served as an Analyst at Millennium Management LLC, a New York-based pooled investment fund, from March 2013 to May 2013. Previously, he served as an Analyst at Scopus Asset Management, L.P., a hedge fund, from June 2012 to February 2013. Before that, Mr. Goldstein served as a Vice President at JPMorgan Chase & Co. (American multinational investment bank and financial services holding company) from March 2008 to June 2012. From May 2005 to March 2008, Mr. Goldstein served as an Analyst at The Bear Stearns Companies, Inc. (global investment bank, securities trading and brokerage firm). In 2013, he also served as a consultant to Telsey Advisory Group LLC (research, trading, banking and consulting brokerage firm focused on the consumer sector).

**Qualifications:** Mr. Goldstein’s qualifications to serve on the Board include his 15 years of experience investing in the consumer and retail sector, together with his financial background.



Age: 59  
Director since: 2015  
Committees:  
• Audit (Chair)  
• Compensation

### MARLA C. GOTTSCHALK

Ms. Gottschalk is the former Chief Executive Officer of The Pampered Chef, Ltd. (marketer of kitchen tools, food products and cookbooks), where she also previously served as President and Chief Operating Officer. Since her retirement from The Pampered Chef, Ltd. in 2013, she has been serving as a professional director.

Ms. Gottschalk served as Senior Vice President of Financial Planning and Investor Relations for Kraft Foods, Inc. (food manufacturer), where she also previously served as Executive Vice President and General Manager of the Post Cereal division and Vice President of Marketing and Strategy of the Kraft Cheese division.

**Qualifications:** Ms. Gottschalk’s qualifications to serve on the Board include her extensive experience in operations and strategic management, her qualification as an “audit committee financial expert,” as defined by applicable SEC rules, her extensive leadership experience as a chief executive officer, her expertise in the food industry and her experience serving on the boards of other public companies.

**Other Directorships:** Potbelly Corporation (food retailer) since 2009, where she is chair of the audit committee and a member of the compensation committee; Reynolds Consumer Products (consumer products) since 2020, where she is chair of the audit committee; Underwriter Laboratories since 2009, where she is chair of the compensation committee and serves on the nominating and governance committee; and Ocean Spray Cranberries, Inc. since 2014, where she serves on the nominating and governance committee and the audit committee.



## CYNTHIA T. JAMISON

Ms. Jamison served as Chief Financial Officer or Chief Operating Officer of several companies during her tenure from 1999 to 2009 at Tatum, LLC (executive services firm). From 2005 to 2009, she led the CFO services practice and was a member of the firm's operating committee. After retiring from Tatum, Ms. Jamison subsequently served as Chief Financial Officer of AquaSpy, Inc. from 2009 to 2012 (provider of soil moisture sensors to monitor soil moisture levels). Since her retirement from AquaSpy Inc. in 2012, she has been serving as a professional director.

Age: 60

Director since: 2015

Committees:

- Compensation
- Nominating /Corporate Governance (Chair)
- Capital Allocation Planning

Ms. Jamison has also served as Chief Financial Officer of Chart House Enterprises (food retailer) and held various financial positions at Allied Domecq Retailing USA, Kraft General Foods and Arthur Anderson LLP. Ms. Jamison previously served as a director of B&G Foods, Inc. (food manufacturer and distributor) from 2004 to 2015, where she served as chair of the audit committee. She previously held board seats at Horizon Organic Holdings from 2001 to 2003 and Cellu Tissue, Inc.

**Qualifications:** Ms. Jamison's qualifications to serve on the Board include her extensive experience in financial and accounting matters, including public company reporting, as well as strategy and capitalization expertise, her qualification as an "audit committee financial expert," as defined by applicable SEC rules, and her key management, leadership, financial and strategic planning, corporate governance and public company executive and board experience.

**Other Directorships:** Tractor Supply Company (farm and ranch retailer) since 2002, where she has served as chairman since 2014; Darden, Inc. (food retailer) since 2014, where she serves as chair of the audit committee and a member of the compensation committee; and Office Depot, Inc. (office supply retailer) since 2013, where she is chair of the audit committee and a member of the corporate governance and nominating committee.



Age: 67  
Director since:  
Nominated  
in April 2020  
Committees:  
None

### **THOMAS A. KINGSBURY**

Mr. Kingsbury served as President, Chief Executive Officer and a member of the Board of Directors of Burlington Stores, Inc. from 2008 to 2019. He also served as Executive Chairman of the Board of Directors of Burlington Stores, Inc. from September 2014 to January 2020.

Mr. Kingsbury previously served as Senior Executive Vice President of Information Services, E-Commerce, Marketing and Business Development of Kohl's Corporation from August 2006 to December 2008. Mr. Kingsbury also held various management positions with The May Department Stores Company commencing in 1976, including President and Chief Executive Officer of the Filene's division from 2000 to 2006.

**Qualifications:** Mr. Kingsbury qualifications to serve on the board include his valuable perspectives and unique insights developed from more than 40 years of experience in the retail industry, providing him with a comprehensive understanding of customer dynamics and shifting consumer preferences, his broad-based retail experience and extensive experience in senior leadership positions, including his service as a former president and chief executive officer and as a current director of a publicly traded retail company and his qualification as an "audit committee financial expert," as defined by applicable SEC rules.

**Other Directorships:** Tractor Supply Company since 2017, where he serves on the Corporate Governance and Nominating Committee and the Compensation Committee and B.J.'s Wholesale Club, Inc. since 2020, where he serves on the Compensation Committee.





Age: 64  
Director since: 2018  
Committees:  
• Audit  
• Compensation

### CHRISTOPHER J. MCCORMICK

Mr. McCormick is the former President and Chief Executive Officer of L.L. Bean, Inc. (clothing and outdoor recreation equipment retailer). He joined L.L. Bean, Inc. in 1983 and held a number of leadership positions in Advertising and Marketing, prior to his tenure as President and Chief Executive Officer from 2001 until March 2016. Since his retirement from L.L. Bean, Inc. in 2016, he has been serving as a professional director. Mr. McCormick previously served as a director of Sun Life Financial, Inc. (financial services company) from 2017 to 2019, where he served as a member of the compensation committee and nominating corporate governance committee.

**Qualifications:** Mr. McCormick’s qualifications to serve on the Board include his extensive leadership experience as a chief executive officer of a retail company, his service on the boards of other public companies and his qualification as an “audit committee financial expert,” as defined by applicable SEC Rules.

**Other Directorships:** Levi Strauss & Co. (clothing retailer) since 2016, where he is a member of the audit committee and the finance committee.



Age: 67  
Director since: 2015  
Committees:  
• Compensation (Chair)  
• Nominating /Corporate Governance

### NANCY A. REARDON

Ms. Reardon is the former Senior Vice President and Chief Human Resources and Communications Officer of Campbell Soup Company (food manufacturer). Since her retirement from Campbell Soup Company in 2012, she has been serving as a professional director.

Additionally, Ms. Reardon served as Executive Vice President of Human Resources for Comcast Cable Communications, Inc. (telecommunications provider) from 2002 to 2004. Prior to that, Ms. Reardon served as Partner and Executive Vice President, Human Resources and Corporate Affairs for Borden Capital Management Partners from 1997 to 2002, where she developed financial and merger and acquisition skills through her involvement in multiple transactions for a portfolio of operating companies. Ms. Reardon previously served as a director of Warnaco Group, Inc. (apparel retailer) where she served as a member of the audit committee and the compensation committee.

**Qualifications:** Ms. Reardon’s qualifications to serve on the Board include her extensive experience in senior management roles, her experience on the boards of other private and charitable organizations, her experience leading human resources departments and in communications and public affairs, her leadership skills and her skills in human capital management, talent development and succession planning.

**Other Directorships:** Signet Jewelers Limited (jewelry retailer) since 2018, where she chairs the compensation committee.



Age: 53

Director since: 2015

Committees:

- Audit
- Nominating /Corporate Governance
- Capital Allocation Planning (Chair)

### WENDY L. SCHOPPERT

Ms. Schoppert is the former Executive Vice President and Chief Financial Officer of Sleep Number Corporation (bedding retailer and manufacturer) from June 2011 to February 2014, where she also served as Chief Information Officer and led Marketing, Digital, International, and New Channel Development. Since her retirement from Sleep Number Corporation in 2014, she has been serving as a professional director.

Prior to joining Sleep Number, Ms. Schoppert led US Bank's Private Asset Management team from 2004 to 2005 and served as Head of Product, Marketing & Corporate Development for U.S. Bank's Asset Management division from 2002 to 2004. Ms. Schoppert began her career in the airline industry, serving in various financial, strategic and general management leadership positions at American Airlines, Northwest Airlines and America West Airlines. Ms. Schoppert also previously served as a director Gaia, Inc. (formerly Gaiam, Inc.) from 2013 to 2018.

**Qualifications:** Ms. Schoppert's qualifications to serve on the Board include her qualification as an "audit committee financial expert," as defined by applicable SEC Rules, her extensive retail experience across finance, information technology, digital and marketing, and her significant financial leadership and expertise with respect to the oversight of financial reporting and disclosure for public companies.

**Other Directorships:** The Hershey Company (a global confectionery company) since 2017, where she serves on the audit committee and finance & risk management committee, and Bremer Financial Corporation (a financial services firm) since 2017, where she chairs the audit committee and serves on the compensation committee.



Age: 53

Director since: 2018

Committees:

- Capital Allocation Planning (nonvoting member)

### BRUCE K. THORN

Mr. Thorn is our President and Chief Executive Officer. Before joining Big Lots in September 2018, he served as President (since 2017) and Chief Operating Officer (since 2015) of Tailored Brands, Inc. (a leading specialty retailer of men's tailored clothing and formalwear) until 2018. Mr. Thorn also previously held various enterprise-level roles with PetSmart, Inc. (a pet supply retailer), most recently as Executive Vice President, Store Operations, Services and Supply Chain, as well as leadership positions with The Gap, Inc., Cintas Corp, LESCO, Inc. and The United States Army.

**Qualifications:** Mr. Thorn's qualifications to serve on the Board include his day-to-day leadership as President and Chief Executive Officer of Big Lots, strong leadership skills, proven management capabilities and more than 25 years of diverse retail and services experience.

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

## GOVERNANCE

The following table sets forth some of our key governance policies and practices we have implemented to advance the objectives and long term interests of our shareholders:

### Governance Highlights

- *Ten of our eleven current directors are independent*
- *Annual election of all directors and Majority Voting Standard*
- *Proxy Access for our shareholders*
- *Executive session of non-employee directors at all board meetings*
- *All committees composed of independent directors*
- *Annual board and committee self-evaluations*
- *Four of our ten independent director nominees are women*
- *Annual shareholder engagement*
- *We have a non-executive chairman*
- *Mandatory Board Retirement at age 72*
- *Limit of 4 public company directorships Board members may hold*
- *Director orientation and continuing education*

### Board Leadership and Independent Chairman of the Board

The Board is currently composed of the individuals identified in Proposal One, except for Mr. Kingsbury, who is not an existing director, and Mr. Berger, who is retiring and not standing for reelection at the Annual Meeting. Mr. Berger and each of the director nominees (other than Mr. Thorn, our Chief Executive Officer (“CEO”) and President), qualifies as an independent (as defined by the applicable NYSE rules) non-employee director (“non-employee directors”). Mr. Chambers, a non-employee director, serves as non-executive Chairman of the Board (“Chairman”). The Board believes it should have the flexibility to establish a leadership structure that works best for us at a particular time, and it reviews that structure from time to time, including in the context of a change in leadership. The Chairman works with management to plan the agendas for meetings of the Board, chairs the Board meetings, and is responsible for briefing our CEO, as needed, concerning executive sessions of the independent members of the Board. The Chairman also determines when additional meetings of the Board are needed. Additionally, the Chairman communicates informally with other directors between meetings of the Board to foster free and open dialogue among directors.

### Board Meetings in Fiscal 2019

The Board held four meetings during fiscal 2019. During fiscal 2019, each director attended at least 75% of the aggregate of the total number of meetings of the Board and the committees on which he or she served (in each case, held during the periods that he or she served). Except for Messrs. Clarke, Goldstein and Kingsbury, who did not stand for election at our 2019 Annual Meeting of Shareholders, all of our directors attended our 2019 annual meeting of shareholders, as required by our Corporate Governance Guidelines. In addition, the non-employee directors met in executive session at each of the Board’s meetings.

### Role of the Board’s Committees

The Board has standing Audit, Compensation, Nominating / Corporate Governance, and Capital Allocation Planning Committees. The Board established the Capital Allocation Planning Committee in April 2020 and its role is currently being formalized by the Board. Each of these committees reports its activities to the Board.

#### *Audit Committee*

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

- (1) the integrity of the financial reports and other financial information provided by us to our shareholders and others;

- (2) our compliance with legal and regulatory requirements;
- (3) the engagement of our independent registered public accounting firm and the evaluation of the firm's qualifications, independence and performance;
- (4) the performance of our system of internal controls;
- (5) the oversight of the performance of the internal audit function;
- (6) our audit, accounting and financial reporting processes generally; and
- (7) the evaluation of enterprise risk issues.

All members of the Audit Committee are independent as required by the Audit Committee's charter and by the applicable NYSE and SEC rules. The Board has determined that each member of the Audit Committee is "financially literate," as required by NYSE rules, and each of Messrs. Goldstein, DiGrande and McCormick and Ms. Gottschalk, Jamison and Schoppert is an "audit committee financial expert," as defined by applicable SEC rules.

The functions of the Audit Committee are further described in its charter, which is available in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption. The Audit Committee met eight times during fiscal 2019.

### ***Compensation Committee***

The Compensation Committee discharges the responsibilities of the Board relating to the administration of our compensation programs, including the compensation program for our executive leadership team ("Leadership Team"). Our Leadership Team is composed of the current executives named in the Summary Compensation Table ("named executive officers") and other executives reporting to our CEO.

The responsibilities of the Compensation Committee include:

- (1) establishing our general compensation philosophy;
- (2) overseeing the development of our compensation programs;
- (3) approving goals and objectives for the incentive compensation awarded to the Leadership Team;
- (4) reviewing and recommending to the Board the other compensation for our CEO and the Leadership Team;
- (5) in coordination with the Nominating / Corporate Governance Committee, monitoring issues associated with CEO succession planning and management development;
- (6) administering our compensation programs; and
- (7) reporting on the entirety of the executive compensation program to the Board.

The Compensation Committee annually conducts a compensation risk assessment. The purpose of the assessment is to identify risks arising from the Company's compensation policies, practices and programs and the controls in place to mitigate any such risks. The Compensation Committee determined that our compensation policies are consistent with our overall risk structure and that we award a significant portion of our Leadership Teams compensation on the accomplishment of financial performance goals that are measured over a three-year period. Because operating profit, earnings per share and return on invested capital are the performance measures used in connection with a significant portion of the incentive compensation awards, we believe associates are encouraged to take a balanced approach that focuses on corporate profitability and performance, rather than other measures such as revenue targets, which may incent associates to drive sales levels without regard to cost structure. If the Company is not profitable at a reasonable level, there are limited or no payouts under the bonus programs and restricted stock units may not vest.

The Company has internal controls over the measurement and calculation of the performance measures, including operating profit, earnings per share, return on invested capital, sales and net income.

These controls, and the auditing of the Company's financial statements by an independent registered public accounting firm, are designed to keep the Company, including its compensation programs, from being susceptible to manipulation by associates. In addition, our associates are subject to the Company's Code of Business Conduct and Ethics which covers, among other things, accuracy of books and records.

During fiscal 2019, Mses. Gottschalk and Reardon and Messrs. Berger and McCormick served on our Compensation Committee. All members of the Compensation Committee are independent as required by the Compensation Committee's charter and NYSE rules.

The functions of the Compensation Committee are further described in its charter, which is available in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption. The Compensation Committee met four times during fiscal 2019.

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

The responsibilities of the Nominating / Corporate Governance Committee include:

- (1) recommending individuals to the Board for nomination as members of the Board and its committees;
- (2) taking a leadership role in shaping our corporate governance policies and practices, including recommending to the Board changes to our Corporate Governance Guidelines and monitoring compliance with such guidelines;
- (3) developing and recommending to the Board appropriate criteria for determining director independence;
- (4) in coordination with the Compensation Committee, monitoring issues associated with CEO succession planning and management development;
- (5) overseeing the evaluation of the Board and CEO; and
- (6) reviewing the compensation of the members of the Board and recommending any changes to such compensation to the Board for its approval.

During fiscal 2019, Mses. Jamison, Reardon and Schoppert and Messrs. Berger and DiGrande served on our Nominating / Corporate Governance Committee. All members of the Nominating / Corporate Governance Committee are independent as required by the Committee's charter and NYSE rules.

The functions of the Nominating / Corporate Governance Committee are further described in its charter, which is available in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption. The Nominating / Corporate Governance Committee met four times during fiscal 2019.

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

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



company experience and the need for committee expertise. Before commencing a search for a new director nominee, the Nominating / Corporate Governance Committee confers with the Board regarding the factors it intends to consider in its search.

In identifying potential candidates for Board membership, the Nominating / Corporate Governance Committee considers recommendations from the Board, shareholders and management, as well as proxy access candidates. Any shareholder who wishes to recommend a prospective director nominee to the Board must send written notice to: Chair of the Nominating / Corporate Governance Committee, Big Lots, Inc., 4900 E. Dublin-Granville Road, Columbus, Ohio 43081. The written notice must include the prospective nominee's name, age, business address, principal occupation, ownership of our Common Shares, information that would be required under the rules of the SEC in a proxy statement soliciting proxies for the election of such prospective nominee as a director, and any other information that is deemed relevant by the recommending shareholder. Shareholder recommendations that comply with these procedures and that meet the factors outlined above will receive the same consideration that the recommendations of the Board and management receive.

Pursuant to its written charter, the Nominating / Corporate Governance Committee has the authority to retain consultants and search firms to assist in the process of identifying and evaluating director candidates and to approve the fees and other retention terms for any such consultant or search firm. The Nominating / Corporate Governance Committee did not retain any consultant or search firm in connection with the selection of the Board's nominees for election as directors at the Annual Meeting, as they are all currently members of the Board.

#### **Director Vote Standard and Policy**

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

#### **Determination of Director Independence**

The Board affirmatively determined that, Mr. Berger and all of the directors nominated for election at the Annual Meeting other than Mr. Thorn are independent of Big Lots, its subsidiaries and its management under the standards set forth in the NYSE rules, and no director nominee has a material relationship with Big Lots, its subsidiaries or its management aside from his or her service as a director.

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

In addition, all members of the Board's standing Audit Committee meet the independence standards required by the Audit Committee's charter and by the applicable NYSE and SEC rules. All members of the Compensation Committee meet the independence standards required by the Compensation Committee's charter and NYSE rules.

The charters for the Board's Audit, Compensation and Nominating / Corporate Governance Committees in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption.

### **Related Person Transactions**

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

Pursuant to our written related person transaction policy, the Nominating / Corporate Governance Committee evaluates "related person transactions." Consistent with SEC rules, we consider a related person transaction to be any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which Big Lots or a subsidiary thereof is, was or will be a participant:

- (1) involving more than \$120,000; and
- (2) in which any of our directors, nominees for director, executive officers, holders of more than five percent of our Common Shares or their respective immediate family members had, has or will have a direct or indirect material interest.

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

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

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



Additionally, each director, nominee for director and executive officer must complete an annual questionnaire that requires written disclosure of any related person transaction. The responses to these questionnaires are reviewed by the Nominating / Corporate Governance Committee and our General Counsel to identify any potential conflicts of interest or potential related person transactions. The son-in-law of Lisa Bachmann, our Executive Vice President, Chief Merchandising and Operating Officer, is employed by Big Lots as a senior buyer and in fiscal 2019 received compensation greater than \$120,000 but less than \$150,000.

### **Oversight of Corporate Strategy**

The Board actively oversees management's establishment and execution of corporate strategy, including major business and organizational initiatives, annual budget and long-term strategic plans, capital allocation priorities and potential corporate development opportunities. At the Board and committee meetings and throughout the year, the Board regularly receives information and formal updates from our management and actively engages with the Leadership Team with respect to our corporate strategy, oversight of corporate culture and human capital management. The Board's independent directors also hold regularly scheduled executive sessions at which strategy is discussed.

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

The Board and its committees play an important role in overseeing the identification, assessment and mitigation of risks that are material to us. In fulfilling this responsibility, the Board and its committees regularly consult with management to evaluate and, when appropriate, modify our risk management strategies. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed about such risks through committee reports. The Board oversees the conduct of our business and the assessment of our business and other enterprise risks to evaluate whether the business is being properly managed. The Board also oversees the processes for maintaining our integrity with regard to our financial statements and other public disclosures, and compliance with law and ethics.

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

### **Corporate Governance Guidelines**

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

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

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

performing similar functions), if any, in the Investor Relations section of our website (www.biglots.com) under the “Corporate Governance” caption.

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

During fiscal 2019, Mses. Gottschalk and Reardon and Messrs. Berger and McCormick served on our Compensation Committee. No member of our Compensation Committee serves, or at any time has served, as one of our officers or employees or has, or during fiscal 2019, had a material interest in any related person transaction, as defined in Item 404 of Regulation S-K. None of our executive officers serves or, during fiscal 2019, served as a member of the board of directors or compensation committee of any other company that has or had an executive officer serving as a member of the Board or our Compensation Committee.

### **Communications with the Board**

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

*Call:* (866) 834-7325

*Write:* Big Lots Board of Directors, 4900 E. Dublin-Granville Road, Columbus, Ohio 43081

*Online* <http://biglotsbigvoice.com>

*Message:*

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

### **Summary of the Settlement Agreement**

On April 22, 2020, the Company entered into a settlement agreement (the “Settlement Agreement”) with Macellum Opportunity Fund LP, Macellum Management, LP, Macellum Advisors GP, LLC, Ancora Merlin Institutional, LP, Ancora Merlin, LP, Ancora Catalyst Institutional, LP, Ancora Catalyst, LP, Ancora SPV I LP, Ancora SPV I SPC Ltd — Segregated Portfolio C and Ancora Advisors LLC (collectively, the “Investor Group”).

Effective upon execution and delivery of the Settlement Agreement, the Board appointed each of Aaron Goldstein (the “Macellum Designee”) and Andrew Clarke (together with the Macellum Designee, the “Investor Group Designees”) to the Board. The Board has (i) appointed each of the Investor Group Designees to at least one standing committee of the Board and (ii) formed a new capital allocation planning committee, which shall be composed of each of the Investor Group Designees, the Company’s Chief Executive Officer, Bruce K. Thorn (as nonvoting member), Cynthia T. Jamison and Wendy L. Schoppert (who will chair the committee). Effective upon execution and delivery of the Settlement Agreement, the Investor Group withdrew its notice of intent to nominate director candidates for election to the Board at the Annual Meeting.

The Settlement Agreement further provides, among other things, that:

- The Company will nominate Thomas A. Kingsbury as a nominee for election to the Board at the Annual Meeting of shareholders. Mr. Kingsbury will be invited as a guest to all meetings of the Board held prior to the Annual Meeting.

- At the Annual Meeting, one incumbent director will not stand for reelection and as of the conclusion of the Annual Meeting, the size of the Board will be no larger than eleven members through the Standstill Period (as defined below) unless approved by the Company's shareholders in connection with certain extraordinary transactions.
- The Company will hold the Annual Meeting by June 15, 2020 and the 2021 annual meeting of shareholders (the "2021 Annual Meeting") by May 31, 2021.
- In the event the Investor Group's beneficial ownership falls below 3% in the aggregate of the Company's outstanding Common Shares, the Macellum Designee (or any replacement thereof pursuant to the Settlement Agreement) will tender his resignation to the Board (without any replacement rights).
- As long as the Investor Group beneficially owns 3% or more of the Company's Common Shares, if either Investor Group Designee ceases to be a director of the Company for any reason, the Investor Group may propose replacement directors that are reasonably acceptable to the Board, subject to certain exceptions and approval of such replacement by the Nominating / Corporate Governance Committee of the Board.
- The Investor Group will be subject to customary standstill restrictions, including, among others, with respect to acquiring beneficial ownership of more than 12.5% of Common Shares in the aggregate, proxy solicitations and related matters, public proposals for extraordinary transactions and other changes; subject to certain carveouts;
- The Investor Group will vote all of its Common Shares in accordance with the Board's recommendations for the election, removal and/or replacement of directors (a "Director Proposal") and all other proposals except for (i) proposals with respect to certain extraordinary transactions; (ii) proposals with respect to implementation of takeover defenses; and (iii) proposals (except for a Director Proposal) for which either Institutional Shareholder Services, Inc. or Glass Lewis & Co., LLC make voting recommendations that differ from the Board's recommendations.
- Each party agrees not to make any public or private defaming or disparaging statements about the other party, subject to certain exceptions.
- Each party agrees not to institute any lawsuit, action, suit, claim or other proceeding before any court against the other party, subject to certain exceptions.
- Macellum and the Macellum Designee have entered into a confidentiality agreement with the Company, in the form attached to the Settlement Agreement.
- The Settlement Agreement will terminate upon the end of the "Standstill Period", which is the earlier of (i) February 28, 2021 and (ii) 30 days prior to the nomination deadline set forth in the Company's proxy statement, code of regulations or other public disclosure. The Company has agreed to give notice to the Investor Group at least 30 days prior to the end of the Standstill Period whether the Board intends to renominate the Investor Group Designees. If the Board irrevocably offers in such notice to renominate the Investor Group Designees and the Investor Group accepts such renomination prior to the end of the Standstill Period, then the Standstill Period will be automatically extended until the earlier of (i) February 28, 2022 and (ii) 30 days prior to the nomination deadline for the 2022 annual meeting of shareholders. If the Investor Group does not accept such offer, the Standstill Period will terminate as originally scheduled and the Macellum Designee will resign from the Board upon delivery of any notice of intent to nominate directors at the 2021 Annual Meeting. The Investor Group has agreed to give the Company notice of any intent to nominate directors at the 2021 Annual Meeting by no later than the date that is 30 days following the termination of the Standstill Period, and if it fails to deliver any such notice by such date, no member of the Investor Group will be permitted to nominate directors at, or solicit proxies for, the 2021 Annual Meeting.
- The Company will reimburse the Investor Group for its reasonable, documented out-of-pocket fees and expenses incurred in connection with the Annual Meeting and the subject matter of the Settlement Agreement up to an amount of \$475,000 in the aggregate.

The summary above is qualified in its entirety by reference to the full text of the Settlement Agreement, a copy of which is filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on April 23, 2020.

## **DIRECTOR COMPENSATION**

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

### **Retainers and Charitable Contributions**

During fiscal 2019, Messrs. Berger, Chambers, DiGrande and McCormick and Ms. Gottschalk, Jamison, Reardon and Schoppert qualified as non-employee directors and, as a result, received compensation for their Board service. Due to our employment of Mr. Thorn in fiscal 2019, he did not qualify as non-employee directors and they did not receive compensation for his services as a director. The compensation received by Mr. Thorn as an employee is shown in the Summary Compensation Table included in this Proxy Statement.

We pay our non-employee directors retainers and fees on a quarterly basis. From the beginning of fiscal 2019 through May 30, 2019, the annual retainers we paid to non-employee directors consisted of: (1) an annual retainer of \$85,000 for each non-employee director other than the nonexecutive chair; (2) an annual retainer of \$170,000 for the nonexecutive chair; (3) an additional annual retainer of \$30,000 for the chair of the Audit Committee; (4) an additional annual retainer of \$25,000 for the chair of the Compensation Committee; (5) an additional annual retainer of \$20,000 for the chair of the Nominating / Corporate Governance Committee (6) an additional annual retainer of \$15,000 for each other member of the Audit Committee; (7) an additional annual retainer of \$12,500 for each other member of the Compensation Committee; and (8) an additional annual retainer of \$10,000 for each other member of the Nominating / Corporate Governance Committee. Effective May 30, 2019, the Board made the following changes to the annual retainers we pay to non-employee directors: (1) the additional annual retainer for the Audit Committee chair increased to \$35,000; and (2) the additional retainer for each other member of the Audit Committee increased to \$17,500. Each term during which our non-employee directors serve on the Board, we donate an aggregate annual amount of up to \$15,000 to charitable organizations nominated by the non-employee director and make matching charitable donations in an aggregate annual amount of up to \$15,000 to charitable organizations to which the non-employee director makes contributions.

### **Restricted Stock Units**

In June 2019, our nonexecutive chair received a restricted stock unit award having a grant date fair value equal to approximately \$210,000 (7,616 Common Shares) and our other non-employee directors received a restricted stock unit award having a grant date fair value equal to approximately \$145,000 (5,259 Common Shares). The restricted stock unit awards were made under the terms of the Big Lots 2017 Long-Term Incentive Plan ("2017 LTIP") and will be settled in our Common Shares on the earlier to occur of (1) the trading day immediately preceding the Annual Meeting or (2) the non-employee director's death or disability (as defined in the 2017 LTIP). The non-employee director will forfeit the restricted stock units if the non-employee director ceases to serve on the Board before either settlement event occurs. Our non-employee directors may defer all or any portion of their restricted stock unit award until the earlier to occur of (1) the date specified by the non-employee director, (2) the non-employee director's death or disability or (3) the date the non-employee director ceases to serve as a member of the Board. The non-employee directors must make any deferral election on or before December 31 of the year preceding the grant of the restricted stock unit award (e.g., December 31, 2018 for awards granted in 2019) or, in the case of a newly elected director, within thirty days of the date they become eligible to participate in the 2017 LTIP.

## Director Compensation Table for Fiscal 2019

The following table summarizes the total compensation for fiscal 2019 for each of our non-employee directors.

Name (a)	Fees Earned or Paid in Cash (\$)(b)	Stock Awards (\$)(1)(2)(c)	Option Awards (\$)(d)	Non-Equity Incentive Plan Compensation (\$)(e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(f)	All Other Compensation (\$)(3)(g)	Total (\$)(h)
Mr. Berger . . . . .	107,500	144,991	—	—	—	21,500	273,991
Mr. Chambers . . . . .	170,000	209,973	—	—	—	20,000	399,973
Mr. DiGrande . . . . .	111,250	144,991	—	—	—	27,500	283,741
Ms. Gottschalk . . . . .	130,000	144,991	—	—	—	17,000	291,991
Ms. Jamison . . . . .	121,250	144,991	—	—	—	15,000	281,241
Mr. McCormick . . . . .	113,750	144,991	—	—	—	15,000	273,741
Ms. Reardon . . . . .	120,000	144,991	—	—	—	13,000	277,991
Ms. Schoppert . . . . .	111,250	144,991	—	—	—	23,350	281,591

- (1) Amounts in this column reflect the aggregate grant date fair value of the restricted stock unit awards granted to the non-employee directors in fiscal 2019 as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“ASC 718”). The full grant date fair value of the fiscal 2019 restricted stock unit award granted to our nonexecutive chair and each non-employee director was based on individual awards of 7,616 and 5,259 Common Shares, respectively, at a per common share value of \$27.57 on the grant date. In accordance with ASC 718 and the 2017 LTIP, the per common share grant date value is the closing price of our Common Shares on the NYSE on the grant date.
- (2) As of February 1, 2020, Mr. Chambers held 7,616 shares of restricted stock units and Meses. Gottschalk, Jamison, Reardon and Schoppert and Messrs. Berger, DiGrande and McCormick held 5,259 shares of restricted stock units.
- (3) Amounts in this column reflect both matching contributions and payments made by us during fiscal 2019 to charitable organizations nominated by the specified directors.

## STOCK OWNERSHIP

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

The following table sets forth certain information with regard to the beneficial ownership of our Common Shares by each holder of more than five percent of our Common Shares, each director, each of the current and former executive officers named in the Summary Compensation Table, and all executive officers and directors as a group. The assessment of holders of more than five percent of our Common Shares is based on a review of and reliance upon their respective filings with the SEC. Except as otherwise indicated, all information is as of April 16, 2020.

Name and Address of Beneficial Owner or Identity of Group <sup>(1)</sup>	Amount and Nature of Beneficial Ownership <sup>(2)</sup>	Percent of Outstanding Common Shares
Lisa M. Bachmann . . . . .	96,388	*
Jeffrey P. Berger . . . . .	16,166	*
James R. Chambers . . . . .	29,271	*
Andrew C. Clarke . . . . .	0	*
Sebastian J. DiGrande . . . . .	8,484	*
Marla C. Gottschalk . . . . .	17,704	*
Aaron Goldstein . . . . .	0	*
Cynthia T. Jamison . . . . .	15,854	*
Timothy A. Johnson . . . . .	0	*
Thomas A. Kingsbury . . . . .	0	*
Christopher J. McCormick . . . . .	8,484	*
Jonathan E. Ramsden . . . . .	0	*
Nancy A. Reardon . . . . .	15,854	*
Ronald A. Robins, Jr. . . . .	24,811	*
Michael A. Schlonsky . . . . .	64,780	*
Wendy L. Schoppert . . . . .	15,854	*
Bruce K. Thorn . . . . .	32,994	*
BlackRock, Inc. <sup>(3)</sup> . . . . .	6,082,678	15.6%
The Vanguard Group, Inc. <sup>(4)</sup> . . . . .	4,487,260	11.5%
Ancora Advisors, LLC Macellum Capital Management, LLC <sup>(5)</sup> . . . . .	3,848,655	9.8%
LSV Asset Management <sup>(6)</sup> . . . . .	2,423,238	6.2%
Dimensional Fund Advisors LP <sup>(7)</sup> . . . . .	2,245,526	5.8%
All directors, nominees and executive officers as a group (17 persons) . . . . .	346,644	*

\* Represents less than 1.0% of the outstanding Common Shares.

(1) Unless otherwise indicated, the address for each director and officer is c/o Big Lots, Inc., 4900 E. Dublin-Granville Road, Columbus, Ohio, 43081.

(2) Each person named in the table has sole voting power and sole dispositive power with respect to all Common Shares shown as beneficially owned by such person, except as otherwise stated in the footnotes to this table. The amounts set forth in the table include Common Shares that may be acquired within 60 days of April 1, 2020 through the vesting of restricted stock units awards as follows: Mr. Berger: 5,529; Mr. Chambers: 7,616; Mr. DiGrande: 5,529; Ms. Gottschalk, 5,529; Ms. Jamison: 5,529; Mr. McCormick: 5,529; Ms. Reardon: 5,529; and Ms. Schoppert: 5,529.



- (3) In its Schedule 13G/A filed on February 4, 2020, BlackRock, Inc., 55 East 52<sup>nd</sup> Street, New York, NY 10055, stated that it beneficially owned the number of Common Shares reported in the table as of December 31, 2019, had sole voting power over 5,966,751 of the shares and sole dispositive power over 6,082,678 of the shares, and had no shared voting power or shared dispositive power over any of the reported shares.
- (4) In its Schedule 13D/A filed on February 12, 2020, The Vanguard Group, Inc., 100 Vanguard Blvd., Malvern, PA 19355, stated that it beneficially owned the number of Common Shares reported in the table as of December 31, 2019, had sole voting power over 38,231 of the shares, had sole dispositive power over 4,448,854 of the shares, had shared dispositive power over 38,406 of the shares, and had shared voting power over 5,404 of the shares. In its Schedule 13G/A, this reporting person indicated that its wholly-owned subsidiaries, Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd., were the beneficial owners of 33,002 and 10,633 Common Shares, respectively.
- (5) Based on its Schedule 13D/A filed on April 16, 2020, a group consisting of Ancora Merlin Institutional LP, Ancora Merlin, LP, Ancora Catalyst Institutional, LP, Ancora Catalyst, LP, Ancora Catalyst SPV I LP, Ancora Catalyst SPV I SPC Ltd, Ancora Advisors, LLC and Frederick DiSanto (collectively, “Ancora”), Macellum Opportunity Fund, LP, Macellum Management, LP, Macellum Advisors GP, LLC and Jonathan Duskin (collectively, “Macellum”) and Theresa R. Backes, Suzanne Biszantz, Andrew C. Clarke, Lynne Coté, Steven S. Fishman, Aaron Goldstein, Jeremy I. Liebowitz and Cynthia S. Murray disclosed that it beneficially owned the number of shares reported in the table as of April 16, 2020. Ancora Merlin Institutional LP stated that it beneficially owned and had shared voting power and shared dispositive power over 863,814 of the shares reported in the table, and had no sole voting power or sole dispositive power over any of the reported shares. Ancora Merlin, LP stated that it beneficially owned and had shared voting power and shared dispositive power over 90,054 of the shares reported in the table, and had no sole voting power or sole dispositive power over any of the reported shares. Ancora Catalyst Institutional, LP stated that it beneficially owned and had shared voting power and shared dispositive power over 784,711 of the shares reported in the table, and had no sole voting power or sole dispositive power over any of the reported shares. Ancora Catalyst, LP stated that it beneficially owned and had shared voting power and shared dispositive power over 59,368 of the shares reported in the table, and had no sole voting power or sole dispositive power over any of the reported shares. Ancora Catalyst SPV I LP stated that it beneficially owned and had shared voting power and shared dispositive power over 612,056 of the shares reported in the table, and had no sole voting power or sole dispositive power over any of the reported shares. Ancora Catalyst SPV I SPC Ltd stated that it beneficially owned and had shared voting power and shared dispositive power over 512,040 of the shares reported in the table, and had no sole voting power or sole dispositive power over any of the reported shares. Each of Ancora Advisors, LLC and Frederick DiSanto stated that it and he beneficially owned and had shared voting power and shared dispositive power over 2,922,043 of the shares reported in the table, and had no sole voting power or sole dispositive power over any of the reported shares. Each of Macellum Opportunity Fund, LP, Macellum Management, LP, Macellum Advisors GP, LLC and Jonathan Duskin stated that it or he beneficially owned and had shared voting power and shared dispositive power over 926,612 of the shares, and had no sole voting power or sole dispositive power over any of the reported shares. The remaining members of the group had no sole or shared voting or dispositive power over any of the reported shares. The address of the principal office of Ancora is 6060 Parkland Boulevard, Suite 200, Cleveland, Ohio 44124. The address of the principal office of Macellum is 99 Hudson Street, 5<sup>th</sup> Floor, New York, New York 10013. The principal business address of Ms. Backes is 1518 E. Verde Blvd., San Tan Valley, Arizona 85140. The principal business address of Ms. Biszantz is c/o Centric Brands Inc., 1500 N. El Centro, Los Angeles, California 90028. The principal business address of Mr. Clarke is 57 Groveland Terrace, Minneapolis, Minnesota 55403. The principal business address of Ms. Coté is 40 Myles Standish Blvd., Taunton, Massachusetts 02780. The principal business address of Mr. Fishman is 2618 Bulrush Lane, Naples, Florida 34105. The principal business address of Mr. Liebowitz is 138 W. 17th Street, #10, New York, New York 10011. The principal business address of Ms. Murray is 9959 Brassie Road, Naples, Florida 34108.
- (6) In its Schedule 13G filed on February 11, 2020, LSV Asset Management, 155 North Wacker Drive, Suite 4600, Chicago, IL 60606, stated that it beneficially owned the number of Common Shares reported in the table as of December 31, 2019, had sole voting power over 1,514,288 of the shares and sole



dispositive power over 2,423,238 of the shares, and had no shared voting power or shared dispositive power over any of the reported shares.

- (7) In its Schedule 13G filed on February 12, 2020, Dimensional Fund Advisors LP, Building One, 6300 Bee Cave Road, Austin, TX 78746, stated that it beneficially owned the number of Common Shares reported in the table as of December 31, 2019, had sole voting power over 2,168,842 of the shares and sole dispositive power over 2,245,526 of the shares, and had no shared voting power or shared dispositive power over any of the reported shares.

## PROPOSAL TWO: APPROVAL OF THE BIG LOTS 2020 LONG-TERM INCENTIVE PLAN

### Background

On March 4, 2020, the Board proposed, based on the recommendation of the Compensation Committee (which we refer to as the “Committee” throughout this discussion of Proposal Two), that our shareholders approve the 2020 LTIP. If our shareholders approve the 2020 LTIP, it will become effective on June 10, 2020, and will replace the 2017 LTIP which will be frozen and no new awards will be granted thereunder. The Board recommends that shareholders approve the 2020 LTIP.

The 2020 LTIP is designed to support our long-term business objectives in a manner consistent with our compensation philosophy. The Board believes that by allowing us to continue to offer our employees long-term equity and performance-based compensation through the 2020 LTIP, we will promote the following key objectives of our compensation program:

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

As with the 2017 LTIP, the 2020 LTIP is an omnibus plan that provides for a variety of types of Awards to maintain flexibility. The 2020 LTIP will permit grants of (1) non-qualified stock options (“NQSOs”), (2) incentive stock options (“ISOs”) as defined in Section 422 of the Internal Revenue Code of 1986, as amended and including applicable rules, regulations and authoritative interpretations thereunder (“IRC”), (3) stock appreciation rights (“SARs”), (4) restricted stock, (5) restricted stock units, (6) deferred stock units, (7) performance shares, (8) performance share units, (9) performance units, (10) cash-based awards, and (11) other stock-based awards (NQSOs, ISOs, SARs, restricted stock, restricted stock units, deferred stock units, performance shares, performance share units, performance units, cash-based awards and other stock-based awards are referred to collectively as “Awards”). All of our and our affiliates’ employees, outside directors and consultants are eligible to receive Awards under the 2020 LTIP.

The total number of Common Shares available for Awards under the 2020 LTIP is equal to the sum of (1) 3,600,000 newly issued Common Shares plus (2) any Common Shares subject to the 1,360,943 outstanding full value awards (648,510 restricted stock units and 712,433 performance share units) as of February 1, 2020 that on or after February 1, 2020 cease for any reason to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested and nonforfeitable Common Shares). The Board believes that this number represents a reasonable amount of potential equity dilution and provides a powerful incentive for employees to increase the value of Big Lots for all of our shareholders.

As of February 1, 2020, there were 3,307,877 Common Shares available for grant under the 2017 LTIP and 1,144,257 Common Shares underlying awards outstanding under the 2017 LTIP (612,763 of which are underlying restricted stock units and 531,494 of which are underlying performance share units). As of February 1, 2020: (1) the weighted average exercise price of the 148,751 outstanding stock options under our equity compensation plans (including under those plans that previously terminated) was \$35.93 and the weighted average remaining term was 0.1 years; and (2) there were 648,510 restricted stock unit awards and 712,433 performance share unit awards outstanding under our equity compensation plans (including those plans that previously terminated). It is our current practice to grant stock-based compensation awards to key employees on an annual basis during the first quarter of each year based on targeted dollar values that are generally competitive with market and our comparator group.

Our average share usage rate, sometimes referred to as burn rate, over the three years ended February 1, 2020 (calculated as equity-based awards granted under our equity compensation plan for the relevant year, divided by average basic Common Shares outstanding for that year) is approximately 1.5%. The potential dilution resulting from issuing all 3,600,000 shares authorized under the 2020 LTIP, and taking into account outstanding awards, would be 17.7% on a fully-diluted basis.

The 2020 LTIP does not permit the repricing of Awards without the approval of shareholders or the granting of Awards with a reload feature.

Any dividend equivalents paid under an Award will be subject to performance conditions and service conditions, as applicable, as the Award with respect to which such dividend equivalents are to be paid.

The following summary describes the material features of the 2020 LTIP and is qualified in its entirety by reference to the complete text of the 2020 LTIP attached to this Proxy Statement as Appendix A.

### **Administration**

Subject to the terms of the 2020 LTIP, the selection of participants in the 2020 LTIP, the level of participation of each participant and the terms and conditions of all Awards will be determined by the Committee. Each member of the Committee will be an “independent director” for purposes of our Corporate Governance Guidelines, the Committee’s charter and the NYSE listing requirements; a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act; and an “outside director” as historically defined for purposes of Section 162(m). The Committee is currently composed of four directors, each of whom meets all of these criteria. Consistent with the purpose of the 2020 LTIP, the Committee will have the discretionary authority to (1) interpret the terms and intent of the 2020 LTIP, (2) adopt rules and regulations for administering the 2020 LTIP, (3) determine eligibility for Awards and (4) make determinations and take actions that the Committee deems necessary or advisable for administering of the 2020 LTIP. The Committee may delegate authority to administer the 2020 LTIP as it deems appropriate, subject to the express limitations set forth in the 2020 LTIP.

### **Limits on Awards**

The Board has reserved a number of Common Shares for issuance under the 2020 LTIP equal to the sum of (1) 3,600,000 newly issued Common Shares plus (2) any Common Shares subject to the 1,360,943 outstanding full value awards as of February 1, 2020 that on or after February 1, 2020 cease for any reason to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested and nonforfeitable Common Shares). Of this number, no more than 3,600,000 Common Shares may be issued pursuant to grants of ISOs during the term of the 2020 LTIP.

The maximum number of Common Shares subject to Awards granted during a single fiscal year to any non-employee director may not exceed \$500,000 in total value (based on the grant date fair value of such Awards for financial reporting purposes).

All Awards (other than cash-based awards and Awards of deferred stock units related to elective deferrals of cash compensation) must have a minimum vesting period of at least one year from the date of grant with no vesting prior to the first anniversary of the grant date (or 50 weeks for an Award granted to a non-employee director at the regular annual meeting of shareholders that vests at the next regular annual meeting of shareholders); except (1) in the case of the death, disability or retirement of the participant or termination of employment of a participant in connection with a change in control, and (2) with respect to up to an aggregate of 5% of the Common Shares available for grant authorized under the Plan, which may be granted (or re-granted upon forfeiture) in any form permitted under the Plan without regard to such minimum vesting requirements.

The Common Shares available for issuance under the 2020 LTIP will be our authorized but unissued Common Shares and treasury shares. Subject to the terms of the 2020 LTIP, Common Shares covered by an Award will only be counted as used to the extent they are actually issued. To the extent that any Award payable in Common Shares (1) terminates by expiration, forfeiture, cancellation, or otherwise without the issuance of such Common Shares, (2) is settled in cash in lieu of Common Shares, or (3) is exchanged with the Committee’s permission prior to the issuance of Common Shares for Awards not involving Common Shares, the Common Shares covered thereby may again be made subject to Awards under the 2020 LTIP. However, Common Shares which are (a) not issued or delivered as a result of the net settlement of a stock option or stock-settled SAR, (b) withheld to satisfy tax withholding obligations on a stock option or SAR issued under the 2020 LTIP, (c) tendered to pay the exercise price of a stock option or the grant price of a SAR under the 2020 LTIP, or (d) repurchased on the open market with the proceeds of a stock option exercise will no longer be eligible to be again available for grant under the 2020 LTIP.

## **Eligibility and Participation**

All of our and our affiliates' employees, outside directors and consultants will be eligible to participate in the 2020 LTIP. As of February 1, 2020, we and our affiliates had approximately 34,000 employees and eight outside directors. We are unable to reasonably estimate the number of consultants who will be eligible to receive awards under the 2020 LTIP. In fiscal 2019, approximately 120 employees, eight outside directors and no consultants received equity incentive awards, although this may vary from year to year. From time to time, the Committee will determine who will be granted Awards, the number of shares subject to such grants, and all other terms of Awards.

## **Types of Awards**

### ***Stock Options***

Stock options granted under the 2020 LTIP may be either NQSOs or ISOs. The exercise price of any stock option granted may not be less than the fair market value of the Company's Common Shares on the date the stock option is granted. The stock option exercise price is payable (1) in cash, (2) by tendering previously acquired Common Shares (subject to the satisfaction of the holding period set forth in the 2020 LTIP) having an aggregate fair value at the time of exercise equal to the exercise price, (3) through a broker-assisted cashless exercise, or (4) by any combination of the foregoing.

The Committee determines the terms of each stock option grant at the time of the grant. However, the aggregate fair market value (determined as of the date of the grant) of the Common Shares subject to ISOs that are exercisable by any participant for the first time in any calendar year may not be greater than \$100,000. The Committee specifies at the time each stock option is granted the time or times at which, and in what proportions, the stock option becomes vested and exercisable. No stock option shall be exercisable later than the tenth anniversary of the grant date. In general, a stock option expires upon the earlier of (1) its stated expiration date or (2) one year after the participant terminates service (except in the case of ISOs which must be exercised within three months after a termination of service, other than due to death or disability).

### ***Stock Appreciation Rights***

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

The Committee determines the vesting requirements, the form of payment and/or other terms of a SAR. Vesting may be based on the continued service of the participant for specified time periods or the attainment of a specified business performance goal established by the Committee or both. No SAR shall be exercisable later than the tenth anniversary of the grant date. In general, a SAR expires upon the earlier of (1) its stated expiration date or (2) one year after the participant terminates service. We have not issued any SARs under the 2017 LTIP and do not currently have any SARs outstanding.

### ***Restricted Stock***

A restricted stock Award represents our Common Shares that are issued subject to restrictions on transfer and vesting requirements as determined by the Committee. Vesting requirements may be based on the continued service of the participant for specified time periods and/or the attainment of a specified business performance goal established by the Committee.

Subject to the transfer restrictions and vesting requirements of the restricted stock Award, the participant has the same rights as our shareholders during the restriction period, including all voting and dividend rights, although the Committee may provide that dividends and restricted stock certificates will be held in escrow during the restriction period (and forfeited or distributed depending on whether applicable performance goals or service restrictions have been met). Also, any stock dividends will be subject to the same

restrictions that apply to the restricted stock upon which the stock dividends are issued. Unless the Committee specifies otherwise in the Award agreement, the restricted stock is forfeited if the participant terminates service before the restricted stock vests or if applicable terms and conditions have not been met at the end of the restriction period.

### ***Restricted Stock Units***

An Award of restricted stock units provides the participant the right to receive a payment based on the value of our Common Shares. Restricted stock units may be subject to such vesting requirements, restrictions and conditions to payment as the Committee determines are appropriate. Vesting requirements may be based on the continued service of the participant for a specified time period and/or on the attainment of a specified business performance goal established by the Committee. Restricted stock units are payable in cash, our Common Shares or a combination of both, as determined by the Committee.

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

### ***Deferred Stock Units***

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

### ***Performance Shares, Performance Share Units and Performance Units***

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

### ***Cash-Based Awards***

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

### ***Other Stock-Based Awards***

An Award of other stock-based awards provides the participant an equity-based or equity-related right, which may provide the participant the right to receive our Common Shares. Other stock-based awards may be subject to such vesting requirements, restrictions and conditions to payment as the Committee determines are appropriate. Vesting requirements may be based on the continued service of the participant

for a specified time period or on the attainment of a specified performance goal established by the Committee. If a participant terminates service for any reason before the other stock-based award vests, the Award will be forfeited.

### ***Performance-Based Awards***

With respect to any performance-based Award, the terms of the Award must state (1) the performance goals or measures applicable to a given performance period and (2) the method of computing the amount of compensation payable under the Award if the performance goals are attained. The performance goals applicable to performance-based Awards will be based on our performance or one or more subsidiary, affiliate, business unit, business group, business venture or legal entity on an absolute, relative, adjusted or per-share basis, individual performance goals, strategic and business unit operational goals, subjective goals and any other performance measures and goals that the Committee determines to be appropriate. The 2020 LTIP specifies that financial performance measures applicable to performance-based Awards may include, but are not limited to, earnings, profits, income (on a gross or net basis), EBIT, EBITDA, return measures, cash flow, or any other financial measure that appears as a line item in Company's filings with the Securities and Exchange Commission or the annual report to shareholders; the price per share of our Common Shares; total shareholder return; market shares; or working capital. The 2020 LTIP specifies that non-financial performance measures applicable to performance-based Awards may include, but are not limited to: productivity ratios; customer satisfaction; ESG; individual performance goals or any other performance measure or goal that the Committee determines to be appropriate. Relative performance may be measured against a group of peer companies, a financial market index or other acceptable objective and quantifiable indices.

### **Effect of Change in Control**

Awards under the 2020 LTIP are generally subject to special provisions upon the occurrence of a change in control (as defined in the 2020 LTIP). For Awards granted under the 2020 LTIP, if a change in control occurs and the participant incurs a separation of service (as defined in Section 409A of the IRC) within the 30 days preceding or the 24 months following the change in control, then: (1) all stock options and SARs outstanding as of the date of the change in control shall become fully exercisable; (2) all remaining restrictions applicable to restricted stock and restricted stock units shall lapse and such restricted stock and restricted stock units shall become free of restrictions, fully vested and transferable or redeemed, as applicable; (3) all performance goals or other conditions applicable to performance shares, performance share units or performance units shall be deemed satisfied in an amount equal to the greater of (a) the target number of performance units, performance shares, or performance share units or (b) the actual performance earned as measured on the date of the change in control, and the Common Shares or cash subject to such Award shall be fully distributable; (4) any remaining restrictions, performance goals or other conditions applicable to deferred stock units shall be deemed to be satisfied in full with the Common Shares or cash subject to such Award being fully distributable; and (5) all other stock-based awards or cash-based awards outstanding as of the date of the change in control shall become fully vested. Payments under Awards that become subject to the excess parachute rules of Section 280G of the IRC may be reduced under certain circumstances. See the "Tax Treatment of Awards — Sections 280G and 4999" subsection below for more details.

### **Limited Transferability**

All Awards or Common Shares subject to an Award under the 2020 LTIP are nontransferable except upon death, either by the participant's will or the laws of descent and distribution or through a beneficiary designation, and Awards are exercisable during the participant's lifetime only by the participant (or by the participant's legal representative in the event of the participant's incapacity).

### **Adjustments for Corporate Changes**

In the event of a reorganization, recapitalization, liquidation, merger, spin-off, stock split, stock dividend, special cash dividend or other specified changes affecting us or our capital structure, the Committee is required to make equitable adjustments that reflect the effects of such changes to the participants. Such



adjustments may relate to the number of our Common Shares available for grant, as well as to other maximum limitations under the 2020 LTIP (e.g., exercise and grant prices), and the number of our Common Shares or other rights and prices under outstanding Awards.

### **Term, Amendment and Termination**

The 2020 LTIP will expire on June 10, 2030, unless terminated earlier by the Board. Although the Board or the Committee may amend or alter the 2020 LTIP, it may not do so without shareholder approval of any amendment or alteration to the extent shareholder approval is required by law, regulation or stock exchange rule. In addition, any amendment, alteration or termination of the 2020 LTIP or an Award agreement may not adversely affect any outstanding Award to a participant without the consent of that participant other than amendments for the purpose of (1) causing the 2020 LTIP to comply with applicable law, (2) permitting us to receive a tax deduction under applicable law, or (3) avoiding an expense charge to us or our affiliates.

### **Repricing**

The 2020 LTIP does not permit the repricing of Awards without the approval of shareholders or the granting of Awards with a reload feature.

### **Federal Income Tax Treatment of Awards**

The following summary discussion of the United States federal income tax implications of Awards under the 2020 LTIP is based on the provisions of the IRC as of the date of this Proxy Statement. This summary is not intended to be exhaustive and does not, among other things, describe state, local or foreign tax consequences and such tax consequences may not correspond to the federal income tax treatment described herein. The exact federal income tax treatment of transactions could vary depending upon the specific facts and circumstances involved and participants are advised to consult their personal tax advisors with regard to all consequences arising from the grant, vesting or exercise of Awards and the disposition of any acquired Common Shares.

### ***Incentive Stock Options***

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

### ***Non-Qualified Stock Options***

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



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

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

### ***Stock Appreciation Rights***

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

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

### ***Restricted Stock***

Generally, a participant will not recognize income and we will not be entitled to a deduction at the time an award of restricted stock is made under the 2020 LTIP, unless the participant makes a Section 83(b) election described below. A participant who has not made such an election will recognize ordinary compensation income at the time the restrictions on the Common Shares lapse in an amount equal to the fair market value of the Common Shares at such time. We will generally be entitled to a corresponding deduction in the same amount and at the same time as the participant recognizes income. Any otherwise taxable disposition of the restricted stock after the time the restrictions lapse will result in a capital gain or loss to the extent the amount realized from the sale differs from the tax basis (*i.e.*, the fair market value of the Common Shares on the date the restrictions lapse).

### ***Deferred Stock Units***

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

### ***Other Awards***

The current United States federal income tax consequences of other Awards authorized under the 2020 LTIP are generally in accordance with the following: (1) the fair market value of other stock-based awards is generally subject to ordinary compensation income tax at the time the restrictions lapse, unless the participant elects to accelerate recognition as of the date of grant; and (2) the amount of cash paid (or the fair market value of the Common Shares issued) to settle restricted stock units, performance shares, performance share units, performance units and cash-based awards is generally subject to ordinary compensation income tax. In each of the foregoing cases, we will generally be entitled to a corresponding federal income tax deduction at the same time the participant recognizes ordinary compensation income.

### ***Dividend-Equivalent Rights***

Participants may be granted dividend-equivalent rights in connection with any Award other than a stock option or SAR. A participant who receives dividend-equivalent rights with respect to an Award will recognize ordinary compensation income equal to the value of cash or Common Shares delivered and we will generally be entitled to a corresponding deduction for such dividends.

### ***Section 162(m)***

Section 162(m) generally prohibits a public company from claiming a deduction on its federal income tax return for compensation in excess of \$1,000,000 paid in a given fiscal year to certain current and former executive officers, including our CEO, Chief Financial Officer and three other most highly compensated executives. While the Committee carefully considers the net cost and value of maintaining the deductibility of all compensation, it also desires the flexibility to reward our named executive officers and other key employees in a manner that enhances our ability to attract and retain individuals, as well as to create longer term value for shareholders. Accordingly, income tax deductibility is only one of several factors the Committee considers in making decisions regarding our compensation program.

### ***Sections 280G and 4999***

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

Some participants in the 2020 LTIP may receive parachute payments in connection with a change in control. If this happens, the value of each participant’s parachute payment from the 2020 LTIP must be combined with other parachute payments the same participant is entitled to receive under other agreements or arrangements with us or our subsidiaries, such as an employment agreement or a change in control agreement. If the participant is a disqualified individual and the combined value of all parachute payments is an excess parachute payment, the participant must pay an excise tax equal to 20% of the value of all parachute payments above 100% of the participant’s Base Amount. This tax is due in addition to other federal, state and local income, wage and employment taxes. Also, neither we nor any of our subsidiaries would be able to deduct the amount of any participant’s excess parachute payment and the \$1,000,000 limit on deductible compensation under Section 162(m) would be reduced by the amount of the excess parachute payment.

The 2020 LTIP addresses excess parachute payment penalties. Generally, if a participant in the 2020 LTIP receives an excess parachute payment, the value of the payment is reduced to avoid the excess parachute penalties. However, the 2020 LTIP also states that other means of dealing with these penalties will be applied if required by the terms of another written agreement (whether currently in effect or adopted in future) with us or any of our subsidiaries (such as an employment or a change in control agreement). We are

a party to an employment agreement with one of our named executive officers. Those employment agreements provide that if the payments received by the named executive officer in connection with a change in control constitute an excess parachute payment under Section 280G of the IRC, the executive's benefits under his or her employment agreement will be reduced to the extent necessary to become one dollar less than the amount that would generate such excise tax, if this reduction results in a larger after-tax amount to the executive as compared to the excise tax reimbursement method. The compensation payable on account of a change in control may be subject to the deductibility limitations of Sections 162(m) and 280G of the IRC.

**Section 83(b)**

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

**Section 409A**

Section 409A of the IRC imposes certain restrictions on amounts deferred under nonqualified deferred compensation plans and a 20% excise tax on amounts that are subject to, but do not comply with, Section 409A of the IRC. If the requirements of Section 409A are not complied with, holders of such Awards may be taxed earlier than would otherwise be the case (e.g., at the time of vesting instead of the time of payment) and may be subject to an additional 20% penalty tax and, potentially, interest and penalties. Section 409A of the IRC includes a broad definition of nonqualified deferred compensation plans, which includes certain types of equity incentive compensation. It is intended that the Awards granted under the 2020 LTIP will comply with or be exempt from the requirements of Section 409A of the IRC and the treasury regulations promulgated thereunder (and any subsequent notices or guidance issued by the Internal Revenue Service).

**Equity Compensation Plan Information**

The following table summarizes information as of February 1, 2020, relating to our equity compensation plans pursuant to which our Common Shares may be issued.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (#) (a)	Weighted-average exercise price of outstanding options, warrants, and rights (\$) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (#) (c)
Equity compensation plans approved by security holders . . . . .	1,509,694 <sup>(1)(2)</sup>	35.93 <sup>(3)</sup>	3,307,877 <sup>(4)</sup>
Equity compensation plans not approved by security holders . .	—	—	—
Total . . . . .	1,509,694	35.93 <sup>(3)</sup>	3,307,877

- (1) Includes stock options, PSUs, and restricted stock units granted under the 2017 LTIP and the 2012 LTIP.
- (2) The Common Shares issuable upon exercise of outstanding stock options granted under each shareholder-approved plan are as follows:

2017 LTIP . . . . .	—
2012 LTIP . . . . .	148,751

- (3) The weighted average exercise price only represents stock options and does not take into account the PSUs and the restricted stock units granted under the 2017 LTIP.
- (4) The Common Shares available for issuance under the 2017 LTIP are limited to 3,307,877 Common Shares. There are no Common Shares available for issuance under any of the other shareholder-approved plans.

The 2012 LTIP expired on May 24, 2017. The 2017 LTIP was approved in May 2017.

The information contained under the caption “Stock Ownership” in the 2020 Proxy Statement, with respect to the security ownership of certain beneficial owners and management, is incorporated herein by reference in response to this item.

#### **Market Value**

On January 31, 2020 (the last trading day of fiscal 2019), the closing price of the Company’s Common Shares traded on the NYSE was \$27.06 per share.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE THE 2020 LTIP.**

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

This Compensation Discussion and Analysis, or CD&A, describes the compensation program for our named executive officers for fiscal 2019, who are listed below:

**Bruce K. Thorn**

President and Chief Executive Officer

**Jonathan E. Ramsden\***

Executive Vice President, Chief Financial and Administrative Officer

**Lisa M. Bachmann**

Executive Vice President, Chief Merchandising and Operating Officer

**Michael A. Schlonsky**

Executive Vice President, Human Resources

**Ronald A. Robins, Jr.**

Executive Vice President, General Counsel and Corporate Secretary

**Timothy A. Johnson\*\***

Former Executive Vice President, Chief Administrative Officer and Chief Financial Officer

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(\*) Mr. Ramsden was appointed as our Executive Vice President, Chief Financial and Administrative Officer on August 5, 2019.

(\*\*) Mr. Johnson's employment as our Executive Vice President, Chief Administrative Officer and Chief Financial Officer ended on August 4, 2019.

### EXECUTIVE SUMMARY

#### *Company Performance in Fiscal 2019*

Fiscal 2019 was a challenging year for the Company as a result of a highly competitive and evolving retail environment, the trade war and the impact of tariffs. Fiscal 2019 was also a year of transition and restructuring, as we continued to implement on our transformative strategy that we call Operation North Star. Although our financial performance in fiscal 2019 did not meet our expectations, we remain confident that moving forward, we are on a path towards significantly improving our delivery of long-term shareholder value. As a result of our performance in fiscal 2019 and the emphasis that our executive compensation program places on performance-based compensation, the actual compensation realized by our named executive officers in fiscal 2019 was lower than the total potential target compensation awarded to our named executive officers for fiscal 2019. For example, our adjusted operating profit for fiscal 2019 was below the amount approved by our Board in our annual corporate operating plan and, therefore, our named executive officers earned a bonus between the threshold and target performance levels. In addition, we did not achieve the target adjusted diluted earnings per share ("EPS") or the target adjusted return on invested capital ("ROIC") performance goals applicable to the fiscal 2019 service period under the performance share unit awards ("PSUs") granted to our NEOs in 2017, 2018 and 2019 and, as a result, the total attainment for the fiscal 2019 service period was only 97% of target. Despite the challenges we faced in fiscal 2019, we returned \$98 million dollars to our shareholders through share repurchases and dividends.

#### *Key Executive Compensation Actions in Fiscal 2019*

- **Base Salaries for Named Executive Officers.** Our Compensation Committee (referred to as the Committee in this CD&A) did not approve any merit increases in fiscal 2019 to the base salaries of Mr. Thorn, Ms. Bachmann, Mr. Schlonsky or Mr. Johnson. Mr. Robins' base salary was increased in September 2019 by the Committee in connection with his promotion to Executive Vice President, General Counsel and Corporate Secretary. Mr. Ramsden's base salary was approved by the Committee in connection with his employment in August 2019.
- **Payouts on Performance-Based Awards.** Based on the Company's adjusted operating profit for fiscal 2019, the annual cash incentive awards for fiscal 2019 were paid at 70.99% of the target performance level. Based on the Company's EPS and ROIC over the past three years, the PSUs we granted in

fiscal 2017 vested at 35.9% of the target performance level. Based on the Company’s operating profit in fiscal 2019, one-third of the restricted stock units (“RSUs”) we granted in fiscal 2019 vested and the remaining two-thirds will vest ratably over the next two years.

### ***Executive Compensation Program Objectives and Components***

#### *Compensation Objectives*

Our executive compensation program is designed to:

- Pay for superior results by rewarding executives for achieving short- and long-term performance goals and creating long-term shareholder value;
- Align the interests of our executives with the interests of our shareholders through performance- and equity-based compensation; and
- Attract and retain talented executives by paying compensation that is competitive with the compensation paid by the companies in our peer group.

#### *Compensation Components*

The following table summarizes the primary components of our executive compensation program and the primary purposes each component serves in furthering the objectives of our executive compensation program:

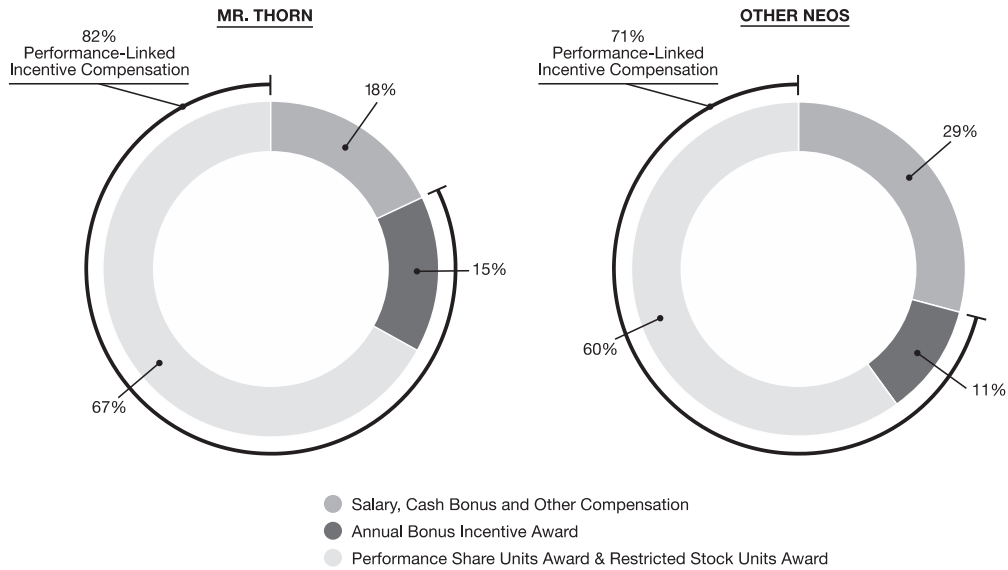
<u>Component</u>	<u>Characteristics</u>	<u>Primary Purposes</u>
<i>Base Salary</i>	Annual fixed cash compensation	Attract and retain talented executives through an annual salary that reflects the executive’s performance, experience and scope of responsibilities. Mitigate pressure to take unnecessary or excessive risks or unduly focus on the price of our Common Shares.
<i>Annual Cash Incentive Awards</i>	Annual variable performance-based cash compensation	Motivate executives to achieve performance objectives that directly relate to our annual operating and strategic goals.
<i>Long-Term Equity Incentive Awards</i>	Long-term variable equity awards granted annually as a combination of PSUs and RSUs	Align the interests of our executives with the interests of our shareholders. Motivate executives to achieve multi-year financial and strategic goals and create long-term shareholder value. Retain talented executives for the long-term.

#### *Pay-for Performance*

Pay-for-performance is the fundamental objective of our executive compensation philosophy. As a result, the Committee believes that a majority of each named executive officer’s total compensation should be at risk or variable based on our performance and/or stock price (i.e., performance-based). The following graphs show the percentage of the total compensation awarded to Mr. Thorn and our other named executive officers (who we employed at the end of fiscal 2019) for fiscal 2019 that was performance-based as disclosed in the Summary Compensation Table.



2019 COMPENSATION AWARDED



**Executive Compensation and Governance Practices and Policies**

The following table sets forth executive compensation and governance practices and policies we have implemented to advance the objectives of our executive compensation program and to align our practices and policies with industry-leading standards.

Practice	Big Lots Policy
<i>Pay-for-Performance Philosophy</i>	✓ A majority of the total target compensation opportunity of each of our named executive officers is at risk or variable based on our performance and/or stock price.
<i>Stock Ownership Requirements</i>	✓ All of our executive officers and outside directors are subject to stock ownership requirements.
<i>Clawback Policy</i>	✓ All of our executive officers are subject to a compensation clawback policy.
<i>Independent Compensation Consultant</i>	✓ The Committee engages an independent compensation consultant that reviews and advises the Committee on executive compensation. The consultant performs services solely for the Committee.
<i>Independent Board Chair</i>	✓ We maintain separate CEO and Chairman of the Board positions.
<i>Anti-Hedging and Pledging Policy</i>	✓ We do not allow our directors or Leadership Team members to enter into any hedging or pledging transactions relating to our Common Shares.
<i>Excise Tax Gross-Ups</i>	✓ We do not pay excise tax gross-ups under our employment agreement or our severance agreements in the event of a change in control.
<i>Dividends on Unearned Awards</i>	✓ We do not pay dividends on unearned performance awards.

## ***2019 Say-on-Pay Advisory Vote and Shareholder Engagement***

At our 2019 annual meeting of shareholders, our shareholders approved the compensation of our named executive officers with approximately 94% of votes cast in favor of our say-on-pay resolution. The Committee considers this vote a positive endorsement of our executive compensation program, and our shareholders' support of our 2019 say-on-pay resolution and discussions with our shareholders before our 2019 annual meeting contributed to the Committee's decision to not make significant changes to our current executive compensation program.

## **EXECUTIVE COMPENSATION PROCESS**

### ***Roles in Executive Compensation Process***

The principal roles of the Committee, our outside directors, our CEO and members of management in our executive compensation process are as follows:

<b>Responsible Party</b>	<b>Role</b>
<i>Compensation Committee</i>	Lead the process for establishing our annual executive compensation program and approve or recommend that the Board approve compensation actions.  Consult with management and the Committee's compensation consultant regarding employee benefit and compensation programs, plans and awards.
<i>All Outside Directors</i>	Conduct comprehensive evaluation of CEO performance. Approve annual executive compensation program and finalize compensation awards for the members of our Leadership Team.
<i>CEO</i>	Provide the Committee and other outside directors with an annual performance evaluation and compensation recommendation for each of the other members of our Leadership Team in the first quarter of each fiscal year based on the CEO's direct knowledge of their respective performance and contributions.
<i>Management</i>	Make recommendations to the Committee and our CEO regarding the design and administration of our employee benefit and compensation programs, plans and awards in accordance with the Committee's charter and the terms of our compensation plans.  Advise the Committee and our CEO regarding the competitiveness of existing and proposed compensation programs and the impact of accounting rules, laws and regulations on existing and proposed compensation programs.

### ***Fiscal 2019 Executive Compensation Process***

At its March 2019 meeting, the Committee:

- reviewed and discussed the continued appropriateness of our executive compensation program, including its objectives, policies, components and processes and decided to not recommend that the outside directors make any significant changes to our current executive compensation program;
- reviewed and discussed in executive session Mr. Thorn's performance, contributions and value to our business and reviewed and discussed Mr. Thorn's evaluations and compensation recommendations for the other Leadership Team members;
- reviewed and discussed comparative compensation data and considered internal pay equity by comparing the compensation of Mr. Thorn to the compensation of the other members of our Leadership Team;
- prepared its fiscal 2019 compensation recommendations for each member of our Leadership Team;

- determined that the performance trigger for the 2018 RSUs was achieved;
- determined the final performance and associated payout percentage for the 2016 PSUs; and
- determined that a bonus was not payable under the annual incentive awards for fiscal 2018 as a result of corporate performance in fiscal 2018.

At our March 2019 Board meeting:

- the Committee discussed its compensation recommendations with the other outside directors, including the underlying data and analysis and the form, amount of, and rationale for the recommended compensation; and
- the outside directors finalized the compensation awards for the Leadership Team members consistent with the Committee’s recommendations.

***Performance Evaluation Process***

The Committee and our outside directors generally consider the following objective and subjective factors when evaluating the performance of the members of our Leadership Team:

- |   |   |   |
|---|---|---|
| • long-term strategic goals                     | • short-term business goals   | • profit and revenue goals  |
| • expense goals                                 | • operating margin improvement  | • earnings per share growth   |
| • fostering teamwork and other corporate values | • optimization of organizational effectiveness and productivity                       | • capital efficiency metrics  |
| • the performance of our competitors            | • comparable store and ecommerce sales growth of the Company compared to the industry | • leadership and the development of talent                                |
|   |   | • specific business challenges and general economic and market conditions |

The Committee and the other outside directors do not assign any of these performance factors a specific weight and may consider different factors for each executive.

***Independent Compensation Consultant***

The Committee has the authority, in its sole discretion, to retain compensation consultants. In establishing executive compensation for fiscal 2019, the Committee retained Meridian Compensation Partners, LLC (“Meridian”) as its compensation consultant based on its independence, expertise and past service to the Committee. Meridian provided research, data analyses, survey information and design expertise in developing compensation programs for executives and incentive programs for eligible employees, including our 2019 Bonus Plan. Meridian kept the Compensation Committee apprised of regulatory developments and market trends related to executive compensation practices. Meridian does not determine or recommend the exact amount or form of executive compensation for any of the named executive officers. Representatives of Meridian attended meetings of the Compensation Committee.

***Peer Compensation Data***

During the course of establishing our fiscal 2019 executive compensation program, the Committee reviewed compensation data for a group of retailers similar to us with whom we believe we compete for talent (the “Retailer Peer Group”). In selecting the Retailer Peer Group, the Committee considered revenue, gross profit margin, geographic location, market capitalization and number of stores. The companies included in the Retailer Peer Group for fiscal 2019 compensation decisions were:

- |                             |                         |                     |
|-----------------------------|-------------------------|---------------------|
| • Abercrombie & Fitch       | • Dick’s Sporting Goods | • RH                |
| • Advance Auto Parts        | • DSW                   | • Ross Stores       |
| • American Eagle Outfitters | • Express               | • Tractor Supply    |
| • Ascena Retail Group       | • Foot Locker           | • Urban Outfitters  |
| • Bed Bath & Beyond         | • L Brands              | • Williams – Sonoma |
| • Burlington Stores         |                         |                     |

As a secondary reference, the Committee also reviewed executive compensation data regarding a broader group of retail companies included in a compensation survey provided by Equilar. We believe it is important to consult both sets of information because the compensation survey for the broader group includes compensation information on more executives and provides a more extensive basis on which to compare the compensation of the Leadership Team members, particularly those Leadership Team members whose responsibilities, experience and other characteristics are not directly comparable to the executives included in the publicly-available reports of the Retailer Peer Group.

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

As discussed in this CD&A, we determine compensation subjectively based on numerous factors. We do not benchmark or target our compensation at any particular level in relation to the compensation of the peer groups. Rather, the peer group data provides a point of reference and market check.

## COMPONENTS OF OUR EXECUTIVE COMPENSATION PROGRAM

We seek to achieve the objectives of our executive compensation program by awarding the following primary components of compensation to our executive officers:

<u>Component</u>	<u>Characteristics</u>	<u>Fiscal 2019 Metric</u>
<i>Base Salary</i>	Annual fixed cash compensation	Annual performance review
<i>Annual Cash Incentive Awards</i>	Annual variable performance-based cash compensation	Adjusted operating profit
<i>Long-Term Equity Incentive Awards</i>	Long-term variable equity awards granted annually as a combination of PSUs and RSUs	PSUs – EPS and ROIC performance during three annual service periods  RSUs – Vest ratably over three years upon satisfaction of operating profit performance requirement after year one

We believe each of these individual compensation components and the total mix of compensation components are necessary to provide a competitive executive compensation program and advance the objectives of our executive compensation program.

### ***Base Salary***

The Committee annually reviews and establishes the base salary for each named executive officer, subject to the minimum salary requirements set forth in the employment agreement described below in "Agreements with Named Executive Officers — Employment Agreement". The Committee determines adjustments to the base salaries of our named executive officers based on each executive's performance, experience, scope of responsibilities and base salary in comparison to our other employees and similarly positioned executives in our Retailer Peer Group and the anticipated future contributions of the executive. The Committee did not assign any specific weighting to these factors. For fiscal 2019, the Committee approved the following salaries for the named executive officers, which became effective on March 31, 2019:

Name	Fiscal 2019 Salary (\$)
Mr. Thorn . . . . .	\$1,100,000
Mr. Ramsden* . . . . .	\$ 700,000
Ms. Bachmann . . . . .	\$ 786,775
Mr. Schlonsky . . . . .	\$ 513,600
Mr. Robins** . . . . .	\$ 473,800
Mr. Johnson*** . . . . .	\$ 616,325

- (\*) Mr. Ramsden was appointed as our Executive Vice President, Chief Financial and Administrative Officer on August 5, 2019.
- (\*\*) Mr. Robins' base salary was increased to \$500,000 in September 2019 in connection with his promotion to Executive Vice President, General Counsel and Corporate Secretary.
- (\*\*\*) Mr. Johnson's employment as our Executive Vice President, Chief Administrative Officer and Chief Financial Officer ended on August 4, 2019.

***Annual Cash Incentive Awards***

Each of our named executive officers participates in our annual cash incentive award program under the 2019 Bonus Plan. The amount of the annual cash incentive award earned by each named executive officer is based entirely on our corporate performance. On an annual basis with respect to our annual cash incentive award program, the Committee (1) selects one or more performance measures, (2) establishes threshold, target and maximum performance goals for each performance measure and (3) establishes for each named executive officer a percentage of base salary that is earned at the threshold, target and maximum performance levels (with linear interpolation between the specified payout percentages). No annual cash incentive award is earned if we do not meet the threshold performance goal. See the "Bonus and Equity Plans" discussion following the Summary Compensation Table for more information regarding our annual cash incentive awards.

*Fiscal 2019 Performance Measure*

The Committee and the other outside directors selected adjusted operating profit as the performance measure for the annual cash incentive awards for fiscal 2019 because they believe it represents a key indicator of the strength of our operating results and financial condition and incentivizes the participants in our annual cash incentive award program to achieve strong earnings growth.

*Fiscal 2019 Performance Goals*

The Committee and other outside directors established the performance goals for the adjusted operating profit performance measure based on the annual corporate operating plan established by the Board for fiscal 2019. The minimum performance goal was set at the minimum acceptable level for adjusted operating profit in our annual corporate operating plan for fiscal 2019 while the target and maximum performance goals were respectively set at and above the projected operating profit in our annual corporate operating plan for fiscal 2019.

*Fiscal 2019 Payout Percentages*

The Committee and the other outside directors maintained the same annual cash incentive award payout percentages for our named executive officers for fiscal 2019 that applied for fiscal 2018 primarily because they continued to believe that the payout percentages were appropriate to accomplish our executive compensation objectives for fiscal 2019.

The following table sets forth for fiscal 2019 the performance goal established for each performance level and the payout percentage established for each named executive officer for each performance level:

Fiscal 2019 Performance Levels	Payout Percentage (% of salary)						
	Performance Goal (\$)	Mr. Thorn	Mr. Ramsden	Ms. Bachmann	Mr. Schlonsky	Mr. Robins	Mr. Johnson
Below Threshold . . . . .	0 – \$197,537,270	0	0	0	0	0	0
Threshold . . . . .	\$197,537,271	62.5	30	30	30	30	30
Target . . . . .	\$220,477,400	125	60	60	60	60	60
Maximum . . . . .	\$241,538,752	250	120	120	120	120	120

*Fiscal 2019 Annual Cash Incentive Awards*

To calculate the amount of the annual incentive awards earned under the 2019 Bonus Plan, if any, we first calculate the applicable financial measure for purposes of our financial statements. We then adjust the measure to eliminate the effect of selective events, transactions or accrual items described in the 2019 Bonus Plan. The Committee approves such adjustments at the same time it establishes the corporate performance goals and annual incentive award payout percentages applicable to the award. These adjustments may increase or decrease the corporate performance amount achieved. Consistent with prior years, the Committee exercised negative discretion to reduce the corporate performance amount achieved for fiscal 2019 to exclude certain accrual items that would have otherwise increased such amount. The Committee decided to exclude these accrual items principally because they were anticipated as part of the annual corporate operating plan upon which the financial measure and corporate performance goals were established for fiscal 2019, and not because of any corporate or individual performance factors.

The following table sets forth for fiscal 2019 the payout percentage achieved and the annual cash incentive award earned by each named executive officer:

Name	Payout Percentage (% of salary)	Annual Cash Incentive Award (\$)
Mr. Thorn . . . . .	88.7%	\$976,113
Mr. Ramsden . . . . .	25.4%	\$177,519
Ms. Bachmann . . . . .	42.6%	\$335,119
Mr. Schlonsky . . . . .	42.6%	\$218,763
Mr. Robins . . . . .	42.6%	\$212,970
Mr. Johnson . . . . .	28.1%	\$173,088

Our operating profit for fiscal 2019 was below our operating plan as established by our Board and management and therefore, our named executive officers earned a bonus between the threshold and target performance levels.

*Long-Term Equity Incentive Compensation*

For fiscal 2019, we awarded PSUs and RSUs to each of our named executive officers. Each named executive officer received 60% of their equity awards in the form of PSUs and 40% in the form of RSUs. Mr. Ramsden received an additional RSU award in connection with his employment with the Company. The Committee determined the value of the equity awards granted to our named executive officers, and the allocation of the equity awards between PSUs and RSUs, based on:

- management’s estimate of the number of Common Shares underlying the equity awards to be granted during fiscal 2019;
- historical grant information;
- comparative compensation data;
- retention factors;



- corporate performance (particularly operating profit, net income, selling and administrative expenses and EPS against planned and prior performance);
- individual performance;
- the executive’s level of responsibility;
- the potential impact that the executive could have on our operations and financial condition;
- the market price of our Common Shares; and
- the recommendations for the value of the equity awards granted to the other named executive officers.

The Committee did not utilize a particular formula in making these determinations, although Company and individual performance were the most significant factors in determining the value of the equity awards granted to our named executive officers in fiscal 2019. See “Performance Evaluation Process” above for more information regarding how we evaluate performance.

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

*PSU Award Process*

The Committee annually awards a target number of PSUs to our named executive officers subject to (1) the attainment of performance goals applicable to specified performance measures during a three-year performance cycle consisting of three annual service periods and (2) the named executive officer’s continued employment through the end of the performance cycle. For the 2019 PSU award, a percentage of the target number of PSUs (i.e., the vesting factor) vests based on our average attainment of the performance goals applicable to the performance measures during the three-year performance cycle (with linear interpolation between the performance levels) as described in the following chart:

Performance Level	3-Year Average Performance Attainment	Vesting Factor
Threshold . . . . .	80%	50%
Target . . . . .	100%	100%
Maximum . . . . .	120%	150%

To calculate the attainment of the performance goals, we first calculate the applicable performance measures derived from our financial statements and then adjust the performance measures to eliminate the effect of selected events, transactions or accrual items described in the Big Lots 2017 Long-Term Incentive Plan (“2017 LTIP”) and approved by the Committee when it establishes the performance goals. These adjustments may increase or decrease the amount achieved for the performance measure.

The Committee establishes the performance measures for each performance cycle at the beginning of each performance cycle and performance goals for each service period at the beginning of the service period. In March 2019, the Committee selected EPS and ROIC as the performance measures for the fiscal 2019 service period and established the performance goals applicable to the first service period of the fiscal 2019 PSU award performance cycle, the second service period of the fiscal 2018 PSU award performance cycle and the last service period of the 2017 PSU award performance cycle. The following table sets forth the performance goals established by the Committee for each performance measure for fiscal 2019 and the actual amount of each performance measure in fiscal 2019:

Performance Measure	Weighting	Target	Actual
EPS . . . . .	50%	\$3.72	\$3.69
ROIC . . . . .	50%	14.7%	13.9%

*Fiscal 2019 PSU Awards*

The following table sets forth the target number and grant value of the PSUs awarded to the named executive officers in fiscal 2019 (Mr. Johnson's 2019 PSU award terminated with his employment in fiscal 2019) and the performance attained for each performance measure during each completed service period in the fiscal 2019 PSU award performance cycle:

Name	Target Number of PSUs	Grant Value of PSUs
Mr. Thorn . . . . .	72,528	\$2,640,019
Mr. Ramsden . . . . .	20,770	\$ 472,518
Ms. Bachmann . . . . .	29,180	\$1,062,152
Mr. Schlonsky . . . . .	19,049	\$ 693,384
Mr. Robins . . . . .	17,573	\$ 639,657

**Fiscal 2019 PSU Award Performance Cycle Attainment**  
(2019-2021)

		Fiscal 2019	Fiscal 2020	Fiscal 2021
<i>EPS</i> . . . . .	Actual Results	\$3.69	TBD	TBD
	Target Performance Goal	\$3.72	TBD	TBD
	Performance%	99.2%	TBD	TBD
<i>ROIC</i> . . . . .	Actual Results	13.9%	TBD	TBD
	Target Performance Goal	14.7%	TBD	TBD
	Performance%	94.8%	TBD	TBD

*Fiscal 2018 PSU Awards*

The following table sets forth the target number and grant value of the PSUs awarded to the named executive officers in fiscal 2018 (Mr. Thorn did not receive a PSU award in fiscal 2018, Mr. Ramsden was not employed by the Company during fiscal 2018 and Mr. Johnson's 2018 PSU award terminated with his employment in fiscal 2019) and the performance attained for each performance measure during each completed service period in the fiscal 2018 PSU award performance cycle:

Name	Target Number of PSUs	Grant Value of PSUs
Ms. Bachmann . . . . .	21,774	\$1,031,216
Mr. Schlonsky . . . . .	14,214	\$ 673,175
Mr. Robins . . . . .	11,656	\$ 552,028

**Fiscal 2018 PSU Award Performance Cycle Attainment**  
(2018-2020)

		Fiscal 2018	Fiscal 2019	Fiscal 2020
<i>EPS</i> . . . . .	Actual Results	\$3.91	\$3.69	TBD
	Target Performance Goal	\$4.90	\$3.72	TBD
	Performance%	79.8%	99.2%	TBD
<i>ROIC</i> . . . . .	Actual Results	17.5%	13.9%	TBD
	Target Performance Goal	23.0%	14.7%	TBD
	Performance%	76.0%	94.8%	TBD

*Fiscal 2017 PSU Awards*

The following table sets forth the target number and grant value of the PSUs awarded to the named executive officers in fiscal 2017 (Mr. Thorn and Mr. Ramsden were not employed by the Company during fiscal 2017 and Mr. Johnson's 2017 PSU award terminated with his employment), the number and value of the PSUs actually earned by the named executive officer under such awards, the vesting factor applicable to such awards and the performance attained for each performance measure during each service period in the fiscal 2017 PSU award performance cycle:

<u>Name</u>	<u>Target Number of PSUs</u>	<u>Grant Value of PSUs</u>	<u>Number of PSUs Earned</u>	<u>Value of PSUs Earned</u>	<u>Vesting Factor</u>
Ms. Bachmann . . . . .	19,444	\$1,001,171	6,980	\$99,256	35.9%
Mr. Schlonsky . . . . .	12,693	\$ 653,562	4,556	\$64,786	35.9%
Mr. Robins . . . . .	10,202	\$ 525,301	3,662	\$52,074	35.9%

**Fiscal 2017 PSU Award Performance Cycle Attainment**  
(2017-2019)

		<u>Fiscal 2017</u>	<u>Fiscal 2018</u>	<u>Fiscal 2019</u>
<b>EPS</b> . . . . .	Actual Results	\$ 4.27	\$3.91	\$3.69
	Target Performance Goal	\$ 4.10	\$4.90	\$3.72
	Performance%	104.1%	79.8%	99.2%
<i>EPS Vesting Factor for 2017 PSU Awards (120.73% + (1.02)% + 95.97% / 3) = 71.89%</i>				
<b>ROIC</b> . . . . .	Actual Results	22.7%	17.5%	13.9%
	Target Performance Goal	23.5%	23.0%	14.7%
	Performance%	96.8%	76.0%	94.8%
<i>ROIC Vesting Factor for 2017 PSU Awards (83.83% + (19.78)% + 73.81% / 3) = 45.95% (As this value is below the Floor level of performance the vesting factor was reduced to 0% for this performance measure.)</i>				

*Fiscal 2019 RSU Awards*

The following table sets forth the number and grant value of the RSUs awarded to the named executive officers in fiscal 2019 (Mr. Johnson's RSU award was prorated due to his termination of employment):

<u>Name</u>	<u>Number of RSUs</u>	<u>Grant Value of RSUs</u>
Mr. Thorn . . . . .	48,351	\$1,759,976
Mr. Ramsden . . . . .	20,439	\$ 464,988
Ms. Bachmann . . . . .	19,453	\$ 708,089
Mr. Schlonsky . . . . .	12,698	\$ 462,207
Mr. Robins . . . . .	11,714	\$ 426,390
Mr. Johnson . . . . .	2,838	\$ 103,303

The RSUs awarded to our named executive officers vest ratably over three years from the grant date of the award and, are subject to (1) the participant remaining employed by us through each annual vesting date and (2) an operating profit performance component that requires us to earn at least one dollar in operating profit for the fiscal year in which the grant date occurs or in either of the two fiscal years immediately thereafter. As a result of our performance in fiscal 2019, the performance requirement for the fiscal 2019 RSU awards was met. Accordingly, except for Mr. Ramsden, one-third of the RSU awards for fiscal 2019 vested on the second trading day after we filed our Current Report on Form 8-K with the SEC reporting the

satisfaction of the performance requirement. The RSUs awarded to Mr. Ramsden in fiscal 2019 vest ratably over three years beginning on the first anniversary of the grant date (September 15, 2019).

### ***Personal Benefits and Perquisites***

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

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

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

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

The employment agreement and senior executive severance agreements described below in “Agreements with Named Executive Officers” provide our named executive officers with potential severance and change in control payments and benefits. Our equity compensation plans and related award agreements also provide for the accelerated vesting of outstanding equity awards, including PSUs and RSUs, in connection with certain termination events. The change in control provisions of the employment agreement and severance agreements provide the named executive officer certain cash payments and other benefits upon a change in control only if the executive is terminated in connection with the change in control (including a constructive termination). The Committee believes that this “double trigger” structure incentivizes our executive officers to remain objective in connection with, and not be distracted by the personal uncertainties and risks created by, an actual or proposed change in control.

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

See “Potential Payments Upon Termination or Change in Control” below for a discussion of the compensation that may be paid to our named executive officers in connection with a change in control or the termination of employment.

## ***AGREEMENTS WITH NAMED EXECUTIVE OFFICERS***

### ***Employment Agreement***

On April 29, 2013, we entered into a Second Amended and Restated Employment Agreement with Ms. Bachmann. The term of Ms. Bachmann’s employment agreement will continue as long as we employ her unless we mutually agree with her to amend or terminate the employment agreement. We considered many factors in negotiating the employment agreement with Ms., Bachmann, including: our need for her services; her level of responsibility and the potential impact that she could have on our operations and financial

condition; her skills and past (if applicable) and anticipated future performance; the compensation paid to similarly-situated executives at comparator group companies; the relationship between the compensation offered to her and paid to the other Leadership Team members; and our perception of the relative bargaining power of the parties.

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

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

The employment agreement does not require us to reimburse Ms. Bachmann for the amount of any golden parachute excise tax imposed under Section 4999 of the IRC (the "Excise Tax"). Her employment agreement provides that if the payments to be received by her in connection with a change in control constitute "excess parachute payments," her payments and benefits will be reduced to an amount equal to one dollar less than the amount that would generate an excise tax liability unless she would be in a better net after-tax position without any such reduction, in which case payments and benefits will not be reduced.

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

We have entered into a senior executive severance agreement with each of Messrs. Thorn, Ramsden, Schlonsky and Robins and several other key officers who are not parties to an employment agreement. The senior executive severance agreements expire on the first anniversary of the date of execution and automatically renew for an additional year unless we provide the executive at least 30 days' notice of non-renewal. The senior executive severance agreements provide for the following severance benefits if, within 24 months after a change in control, the executive is terminated by us (other than for cause) or as a result of a constructive termination: (1) a lump-sum payment equal to 200% of the executive's then current annual salary and target annual incentive award; (2) a lump-sum payment equal to executive's target bonus prorated for the number of days the executive worked during the applicable performance period prior to the executive's termination; and (3) for a period of two years, the executive is entitled to participate in any group life, hospitalization or disability insurance plan, health program or other executive benefit plan generally available to similarly titled executive officers. The executives are also entitled to reimbursement of legal fees and expenses they incur in seeking to enforce their rights under the agreement.

The senior executive severance agreements do not provide a gross-up payment to any participants to offset any Excise Tax.

### ***Severance Plan***

The Board adopted the Severance Plan, which covers each of our named executive officers and several of our other key executives, to provide more uniform severance payments and benefits to our executives, avoid the use of individual severance agreements and ensure that restrictive covenants apply to our key executives. The payments and benefits to which our named executive officers would be entitled to under the Severance Plan (collectively, the "Severance Benefits") if they are terminated without Cause (as defined in the Severance Plan) or as a result of a Constructive Termination (as defined in the Severance Plan) are described below in the "Potential Payments Upon Termination or Change in Control — Involuntary Termination Without Cause."

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

The Severance Plan does not provide a gross-up payment to any participants to offset any Excise Tax.

If Ms. Bachmann is entitled to benefits under the Severance Plan and to severance benefits under her employment agreement, she will receive the greater of (i) the aggregate benefits payable under the Severance Plan or (ii) the aggregate severance benefits payable under her employment agreement.

**Retirement Plans**

We maintain two retirement plans: (1) a tax-qualified defined contribution plan (“Savings Plan”); and (2) a non-qualified supplemental defined contribution plan (“Supplemental Savings Plan”). We believe that the Savings Plan and Supplemental Savings Plan are generally commensurate with the retirement plans provided by companies in our peer groups and that providing these plans enhances our ability to attract and retain qualified executives. See the “Nonqualified Deferred Compensation — Supplemental Savings Plan” section of this Proxy Statement for a discussion of our retirement plans.

**OTHER EXECUTIVE COMPENSATION POLICIES AND PRACTICES**

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

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

<u>Title</u>	<u>Multiple of Retainer or Salary</u>
Outside Director . . . . .	5x
Chief Executive Officer . . . . .	5x
Executive Vice President . . . . .	2.5x
Senior Vice President . . . . .	2x

Shares counted toward these requirements include Common Shares held directly or through a broker, Common Shares held under the Savings Plan or Supplemental Savings Plan, unvested restricted stock, unvested RSUs, unvested PSUs (at the threshold amount), deferred stock units and vested but unexercised in-the-money stock options. Each outside director that served on the Board when these requirements were adopted in March 2008 is required to meet the requirements at each annual adjustment date (the “testing date”). Outside directors and executives must meet the requirements on the first testing date for outside directors or executives following the fifth anniversary of their election, hire or promotion, as applicable. Each outside director and executive who has been on the Board or a Leadership Team member for at least five years satisfied our minimum share ownership requirements.

In addition to the minimum share ownership requirements, we do not allow our outside directors or Leadership Team members to enter into any hedging, pledging or monetization transactions involving our Common Shares.

**Anti-Hedging Policy and Clawback Policy**

Our insider trading policies prohibit our Leadership Team and members of the Board, from engaging in hedging and monetization transactions relating to Company securities, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Our insider trading policies also prohibit our Leadership Team and members of the Board, from holding Company securities in a margin account or otherwise pledging Company securities as collateral for a loan.

The Committee has adopted an incentive compensation recoupment policy, commonly referred to as a clawback policy, which applies to all cash and equity incentive-based compensation paid or awarded to an associate (including our named executive officers) on or after March 2017. Under the policy, if we determine



that we must prepare an accounting restatement due to material noncompliance with any financial reporting requirement under the U.S. federal securities laws, we will seek to recover, at the discretion of the compensation committee after it has reviewed the facts and circumstances that led to the requirement for the restatement, the amount of erroneously awarded cash and equity incentive-based compensation received by the associate during the three-year period immediately preceding the date on which we are required to prepare the restatement.

### ***Equity Grant Timing***

Pursuant to the terms of the 2017 LTIP, the grant date of equity awards must be the later of the date the terms of the award are established by corporate action or the date specified in the award agreement. Consistent with prior years, in fiscal 2019, the outside directors, after consultation with the Committee, specified that the grant date of the equity awards was the first trading day following our release of fiscal 2018 results. This future date was established to allow the market to absorb and react to our release of material non-public information, and to avoid any suggestion that the Board, the Committee or any employee manipulated the terms of the equity awards. For equity awards made throughout the fiscal year, which generally are made as a result of a hiring or promotion, the grant date is the 15<sup>th</sup> day of the month following the month of the hire or promotion date. We have no policy of timing the grant date of equity awards with the release of material non-public information, and we have not timed the release of material non-public information for the purpose of affecting the value of any equity awards.

### ***Tax and Accounting Considerations***

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

Section 162(m) generally does not allow a tax deduction to publicly-held companies for compensation over \$1 million paid in any fiscal year to certain current and former executive officers of the company. However, prior to December 2017, when the Tax Cuts and Jobs Act (“Tax Act”) was enacted into law, Section 162(m) exempted qualified performance-based compensation from this \$1 million limit if certain requirements were met. Historically, the Committee had structured the annual cash incentives and performance-based compensation awarded to covered employees in a manner intended to meet the exception from Section 162(m)’s deduction limits.

The Tax Act eliminated the qualified performance-based exception to the \$1 million deduction limit and subjects all compensation paid to the chief executive officer, the chief financial officer and the next three highest paid officers whose compensation is required to be reported in the Summary Compensation Table of the proxy statement for 2018 and beyond (each, a “Covered Employee”). Once an individual becomes a Covered Employee, that individual will remain a Covered Employee for all subsequent years. The Tax Act includes a grandfathering provision for compensation paid pursuant to a written binding contract in effect on or before November 2, 2017 that has not been modified in any material way since that date. Based on current guidance, we believe our equity awards granted on and prior to November 2, 2017 comply with the grandfathering provision and will remain deductible. However, equity awards granted after November 2, 2017 will likely be subject to the limitations on deductibility under Section 162(m).

Prior to 2019, we granted short-term annual cash incentive awards to our named executive officers under the 2006 Bonus Plan. Beginning with the 2019 fiscal year, we granted short-term annual cash incentive awards to our named executive officers under the 2019 Bonus Plan. Historically, we intended annual cash incentive awards issued to covered employees under the 2006 Bonus Plan to qualify for the performance-based compensation deduction allowed by Section 162(m). Although we still intend to grant performance-based annual compensation opportunities, amounts paid pursuant to the 2019 Bonus Plan are subject to the limitations on deductibility under Section 162(m).

## **COMPENSATION COMMITTEE REPORT**

The Compensation Committee reviewed and discussed the above CD&A with management and, based on such review and discussion, the Compensation Committee recommended to the Board that the CD&A be included in this Proxy Statement and our Annual Report on Form 10-K for fiscal 2019 (“Form 10-K”).

*Members of the Compensation Committee*

Nancy A. Reardon (Chair)

Marla C. Gottschalk

Jeffrey P. Berger

Christopher J. McCormick

**Summary Compensation Table for 2019**

Name and Principal Position <sup>(1)</sup> (a)	Year (b)	Salary (\$) <sup>(2)</sup> (c)	Bonus (\$) <sup>(3)</sup> (d)	Stock Awards (\$) <sup>(4)</sup> (e)	Non-Equity Incentive Plan Compensation (\$) <sup>(5)</sup> (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) (h)	All Other Compensation (\$) <sup>(6)(7)</sup> (i)	Total (\$) (f)
Bruce K. Thorn, . . . . . <i>President and Chief Executive Officer</i> <sup>(8)</sup>	2019	1,100,000		4,399,996	976,113	—	71,721	6,547,830
	2018	359,615	500,000	2,999,992	—	—	47,725	3,907,332
Jonathan E. Ramsden, . . . . . <i>Executive Vice President, Chief Financial and Administrative Officer</i> <sup>(9)</sup>	2019	336,539	—	937,506	177,519	—	28,997	1,480,561
Lisa M. Bachmann, . . . . . <i>Executive Vice President, Chief Merchandising and Operating Officer</i>	2019	786,775	—	1,770,241	335,119	—	196,835	3,088,970
	2018	782,807	—	3,269,227	—	—	235,106	4,287,140
	2017	760,427	—	1,668,585	378,243	—	231,466	3,038,721
Michael A. Schlonsky, . . . . . <i>Executive Vice President, Human Resources</i>	2019	513,600	—	1,155,591	218,763	—	139,672	2,027,626
	2018	511,008	—	1,620,517	—	—	135,267	2,266,792
	2017	496,390	—	1,089,219	246,909	—	156,370	1,988,888
Ronald A. Robins, Jr., . . . . . <i>Executive Vice President, General Counsel and Corporate Secretary</i>	2019	481,358	—	1,066,047	212,970	—	96,540	1,856,915
	2018	471,412	—	1,379,975	—	—	84,277	1,935,664
	2017	456,577	—	875,484	227,783	—	56,769	1,616,613
Timothy A. Johnson, . . . . . <i>Former Chief Administrative Officer and Financial Officer</i> <sup>(10)</sup>	2019	402,982	—	1,386,731	173,088	—	441,159	2,403,960
	2018	613,214	—	2,560,971	—	—	217,967	3,392,152
	2017	595,668	—	1,307,022	296,291	—	207,378	2,406,359

(1) We are a party to an employment agreement with Ms. Bachmann, the material terms of which are described in the “Agreements with Named Executive Officers — Employment Agreement” section of the CD&A. We are a party to a senior executive severance agreement with Mr. Thorn, Mr. Ramsden, Mr. Schlonsky, and Mr. Robins, the material terms of which are described in the “Agreements with Named Executive Officers — Senior Executive Severance Agreements” section of the CD&A. We are a party to an executive severance plan with each of our named executive officers, the material terms of which are described in the “Agreements with Named Executive Officers — Severance Plan” section of the CD&A.

(2) The amounts in this column reflect the salary earned by each named executive officer for fiscal 2019, fiscal 2018 and fiscal 2017.

(3) The amount in this column reflects the one-time bonus paid by the Company to Mr. Thorn upon the commencement of his employment with the Company.

- (4) The amounts in this column reflect the sum of (i) the grant date fair value of the RSUs, as determined in accordance with ASC 718, and (ii) the estimated fair value of the PSUs awarded to the named executive officers in fiscal 2019 and fiscal 2018 under the 2017 LTIP and in fiscal 2017 under the Big Lots 2012 Long-Term Incentive Plan (“2012 LTIP”). These amounts do not represent the actual amounts that will be realized by the Named Executive Officers with respect to such awards. Assumptions used in the calculation of these amounts are included in Note 7 to the Company’s audited consolidated financial statements for the fiscal year ended February 1, 2020, included in the Form 10-K.
- (5) The amounts in this column reflect annual incentive awards earned under the 2019 Bonus Plan for performance during fiscal 2019 and the 2006 Bonus Plan for performance during fiscal 2018 and fiscal 2017.
- (6) For fiscal 2019, the amounts in this column include the following compensation for the executives, as more fully described in the table included with this footnote:
- i. The reimbursement of taxes related to our payment of healthcare costs, including costs covered by the Executive Benefit Plan, long-term disability insurance premiums, and relocation expenses;
  - ii. Matching contributions made by Big Lots pursuant to the Savings Plan and the Supplemental Savings Plan, both of which are described in the narrative disclosure accompanying the Nonqualified Deferred Compensation table below;
  - iii. Healthcare costs paid by Big Lots pursuant to the Executive Benefit Plan, which is described in the “Components of our Executive Compensation Program — Personal Benefits and Perquisites” section of the CD&A;
  - iv. Premiums paid by Big Lots for life insurance, which is generally available to all full-time employees;
  - v. Premiums paid by Big Lots for long-term disability insurance, which is described in the “Components of our Executive Compensation Program — Personal Benefits and Perquisites” section of the CD&A;
  - vi. The cost to Big Lots associated with the executive’s use of an automobile or receipt of a cash allowance in lieu of an automobile;
  - vii. Matching charitable contributions made by Big Lots;
  - viii. Dividends paid on vested RSU and PSU awards; and
  - ix. Separation payments made to Mr. Johnson pursuant to the executive severance plan.

Name	Mr. Thorn	Mr. Ramsden	Ms. Bachmann	Ms. Schlonsky	Mr. Robins	Mr. Johnson
Reimbursement of Taxes (\$)	10,549	2,448	9,156	11,516	4,021	31,841
Big Lots Contributions to Defined Contribution Plans (\$)	10,154	—	11,200	11,200	11,200	11,200
Big Lots Paid Health Care under Executive Benefits Plans (\$)	8,363	4,190	9,533	12,376	7,727	37,245
Big Lots Paid Life Insurance Premiums (\$)	775	388	755	599	566	478
Big Lots Paid Long-Term Disability Insurance Premiums (\$)	1,501	625	1,501	1,501	1,501	1,126
Use of Automobile or Automobile Allowance (\$)	13,200	6,346	13,200	13,200	13,200	10,408
Severance Expenses (\$)	—	—	—	—	—	244,724
Matching Charitable Contributions (\$)	—	15,000	15,000	15,000	11,500	15,000
Dividend Payments (\$)	27,179	—	136,490	74,280	46,825	89,137
Total	71,721	28,997	196,835	139,672	96,540	441,159

- (7) We purchase tickets to entertainment and sporting venues for the primary purpose of allowing employees to use such tickets in furtherance of our business. Because we incur no incremental cost if a

named executive officer uses such tickets for purposes other than our business, such tickets are not included in the amounts in this column.

- (8) Mr. Thorn joined Big Lots as our President and CEO on September 30, 2018 and did not serve in any other capacity with Big Lots prior to such date.
- (9) Mr. Ramsden joined Big Lots as our Executive Vice President, Chief Financial and Administrative Officer on August 5, 2019 and did not serve in any other capacity with Big Lots prior to such date.
- (10) Mr. Johnson served as our Executive Vice President, Chief Administrative Officer and Financial Officer until August 4, 2019.

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

The amounts reported in the Summary Compensation Table above include awards granted to the named executive officers under the 2006 Bonus Plan, the 2019 Bonus Plan, the 2012 LTIP and the 2017 LTIP. Below is a description of the material terms of each plan and the awards made under those plans to our named executive officers, as reflected in the following Grants of Plan-Based Awards in Fiscal 2019 table.

#### ***Big Lots 2019 Bonus Plan***

The 2019 Bonus Plan provides for cash compensation paid annually when we meet or exceed pre-established minimum corporate performance amounts under one or more financial measures approved by the Compensation Committee and other non-employee directors at the start of the fiscal year. Whether we achieve the minimum corporate performance amounts is substantially uncertain at the time the corporate performance amounts and financial measures are established. No right to a minimum annual incentive award exists under the 2019 Bonus Plan, and the Compensation Committee has the discretion to cancel or decrease an annual incentive award calculated under the 2019 Bonus Plan. Payments made with respect to a fiscal year were made in the first quarter of the following fiscal year. The annual incentive awards that may be earned under the 2019 Bonus Plan range from the threshold to the maximum annual incentive award payout percentages, and include all amounts in between. The smallest target and maximum annual incentive award payout percentages that may be set annually for Ms. Bachmann is set forth in her employment agreement. The threshold annual incentive award payout percentage is pre-established annually by the Compensation Committee and the other non-employee directors and has historically been one-half of the target annual incentive award payout percentage. Subject to the terms of Ms. Bachmann's employment agreement, the Compensation Committee and the other non-employee directors retain the right to adjust the payout percentages and, in the past, have generally done so as deemed necessary to realign an executive's annual incentive award opportunity with our compensation philosophy. See the "Components of our Executive Compensation Program — Annual Cash Incentive Awards" and "Agreements with Named Executive Officers — Employment Agreement" sections of the CD&A for more information regarding the 2019 Bonus Plan and the awards made under that plan for fiscal 2019.

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

The 2006 Bonus Plan provided for cash compensation paid annually when we met or exceeded pre-established minimum corporate performance amounts under one or more financial measures approved by the Compensation Committee and other non-employee directors at the start of the fiscal year. Whether we achieve the minimum corporate performance amounts is substantially uncertain at the time the corporate performance amounts and financial measures are established. No right to a minimum annual incentive award existed under the 2006 Bonus Plan, and the Compensation Committee had the discretion to cancel or decrease an annual incentive award (but not increase an annual incentive award for a covered employee (as that term was defined under Section 162(m) of the IRC on the grant date)) calculated under the 2006 Bonus Plan. Payments made with respect to a fiscal year were made in the first quarter of the following fiscal year. The annual incentive awards could be earned under the 2006 Bonus Plan ranged from the threshold to the maximum annual incentive award payout percentages, and included all amounts in between. The threshold annual incentive award payout percentage was pre-established annually by the Compensation Committee and the other non-employee directors and has historically been one-half of the target annual incentive award payout percentage. Subject to the terms of Ms. Bachmann's employment agreement, the Compensation Committee and the other non-employee directors retained the right to adjust the

payout percentages and, in the past, have generally done so as deemed necessary to realign an executive's annual incentive award opportunity with our compensation philosophy. Pursuant to the terms of the 2006 Bonus Plan, the maximum annual incentive award payable under the plan to a participant in a single fiscal year was \$4,000,000.

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

From May 23, 2012 through May 25, 2017, all employee equity awards, including those made to our named executive officers, were granted under the 2012 LTIP. The 2012 LTIP authorized the grant of (1) NQSOs, (2) ISOs as defined in Section 422 of the IRC, (3) SARs, (4) restricted stock, (5) RSUs, (6) deferred stock units, (7) performance shares, (8) PSUs, (9) performance units, (10) cash-based awards, and (11) other stock-based awards (NQSOs, ISOs, SARs, restricted stock, restricted stock units, deferred stock units, performance shares, performance share units, performance units, cash-based awards and other stock-based awards are referred to collectively as "Awards").

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

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

The PSUs awarded to our named executive officers pursuant to the 2012 LTIP covered a target number of PSUs. The PSUs will vest, if at all, after the completion of a three-year performance period, based: (1) 50% on our average EPS performance, excluding selected plan-defined items, for each of the three service periods during the performance period; (2) 50% on our average ROIC performance (net operating profit after-tax divided by invested capital for the fiscal year), excluding selected plan-defined items, for each of the three service periods during the performance period; and (3) on the named executive officer's continued employment through the end of the performance period (except in the case of death, disability or retirement).

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

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

#### *Big Lots 2017 Long-Term Incentive Plan*

All equity awards granted to our employees and non-employee directors since May 25, 2017 have been granted under the 2017 LTIP. The 2017 LTIP authorizes grants of (1) NQSOs, (2) ISOs, (3) SARs, (4) restricted



stock, (5) RSUs, (6) deferred stock units, (7) performance shares, (8) PSUs, (9) performance units, (10) cash-based awards, and (11) other stock-based awards. All of our and our affiliates' employees, outside directors and consultants are eligible to receive Awards under the 2017 LTIP.

The RSUs awarded to our named executive officers in fiscal 2019 pursuant to the 2017 LTIP covered a fixed number of RSUs. The RSUs will vest, if at all, ratably over three years from the grant date of the award if the participant remains employed by us through each annual vesting date (except in the case of death, disability, retirement, involuntary termination or constructive termination). These RSUs are also subject to an operating profit performance component that requires us to earn at least one dollar in operating profit for the fiscal year in which the grant date occurs or in either of the two fiscal years immediately thereafter.

The PSUs awarded to our named executive officers in fiscal 2019 covered a target number of PSUs. The PSUs will vest, if at all, after the completion of a three-year performance period, based: (1) 50% on our average EPS performance, excluding selected plan-defined items, for each of the three service periods during the performance period; (2) 50% on our average ROIC performance (net operating profit after-tax divided by invested capital for the fiscal year), excluding selected plan-defined items, for each of the three service periods during the performance period; and (3) on the named executive officer's continued employment through the end of the performance period (except in the case of death, disability or retirement).

The actual number of PSUs that will vest will increase to 150% of the target number if we achieve the maximum performance levels for both of the EPS and ROIC performance goals, and decrease to zero if we fail to meet the minimum performance levels for both of the performance goals. If we achieve the minimum performance levels for both of the EPS and ROIC performance goals, 50% of the target number of PSUs will vest. The percentage of the target number of PSUs that will vest for performance between the threshold and maximum performance levels will increase proportionately from 50% to 150% based on our actual performance. For the first service period of the fiscal 2019 PSU awards, the Committee established the target EPS performance level at \$3.72, and the target ROIC performance level at 14.7%.

Upon a change in control (as defined in the 2017 LTIP), all awards outstanding under the 2017 LTIP automatically become fully vested. For a discussion of the change in control provisions in Ms. Bachmann's employment agreements, our senior executive severance agreements and the 2017 LTIP, see the "Potential Payments Upon Termination or Change in Control — Rights Under Post-Termination and Change in Control Arrangements" section below. See the "Components of our Executive Compensation Program — Long-Term Equity Incentive Compensation" section of the CD&A and the "Potential Payments Upon Termination or Change in Control — Rights Under Post-Termination and Change in Control Arrangements" section below for more information regarding the equity awards made under the 2017 LTIP in fiscal 2019.



## Grants of Plan-Based Awards in Fiscal 2019

The following table sets forth each award made to our named executive officers in fiscal 2019 under the 2019 Bonus Plan and the 2017 LTIP.

Name (a)	Grant Date <sup>(1)</sup> (b)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>(2)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(3)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(4)</sup> (i)	All Other Option Awards: Number of Securities Underlying Options (#) (j)	Exercise or Base Price of Option Awards (\$/Sh.) (k)	Grant Date Fair Value of Stock and Option Awards (\$/Shr.) <sup>(5)</sup> (l)
		Threshold (\$) (c)	Target (\$) (d)	Maximum (\$) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)				
Mr. Thorn . . . . .	—	687,500	1,375,000	2,750,000	—	—	—	—	—	—	—
	3/11/19	—	—	—	36,264	72,528	108,792	—	—	—	2,640,019
	3/11/19	—	—	—	—	—	—	48,351	—	—	1,759,976
Mr. Ramsden . . . . .	—	210,000	420,000	840,000	—	—	—	—	—	—	—
	9/15/19	—	—	—	10,385	20,770	31,155	—	—	—	472,518
	9/15/19	—	—	—	—	—	—	20,439	—	—	464,988
Ms. Bachmann . . . . .	—	236,032	472,065	944,130	—	—	—	—	—	—	—
	3/11/19	—	—	—	14,590	29,180	43,770	—	—	—	1,062,152
	3/11/19	—	—	—	—	—	—	19,453	—	—	708,089
Mr. Schlonsky . . . . .	—	154,080	308,160	616,320	—	—	—	—	—	—	—
	3/11/19	—	—	—	9,524	19,049	28,573	—	—	—	693,384
	3/11/19	—	—	—	—	—	—	12,698	—	—	462,207
Mr. Robins . . . . .	—	150,000	300,000	600,000	—	—	—	—	—	—	—
	3/11/19	—	—	—	8,786	17,573	26,359	—	—	—	639,657
	3/11/19	—	—	—	—	—	—	11,714	—	—	426,390
Mr. Johnson . . . . .	—	184,898	369,795	739,590	—	—	—	—	—	—	—
	3/11/19	—	—	—	11,430	22,859	34,289	—	—	—	832,068
	3/11/19	—	—	—	—	—	—	15,238	—	—	554,663

- (1) As discussed in the “Compensation Policies & Practices — Equity Grant Timing” section of the CD&A, in fiscal 2019, the Board set the grant date for the March RSU awards and the service inception date for the PSU awards as the first trading day following our release of results from our last completed fiscal year. This future date was established to allow the market to absorb and react to our release of material non-public information, and to avoid any suggestion that the Board, the Compensation Committee or any employee manipulated the terms or timing of the equity awards. For all other awards, the Board set the grant date as the 15<sup>th</sup> day of the month following the award date.
- (2) The amounts in columns (c), (d) and (e) represent our named executive officers’ threshold, target and maximum annual incentive award levels, respectively, for fiscal 2019 pursuant to the 2019 Bonus Plan, which annual incentive award levels are further described in the “Components of our Executive Compensation Program — Annual Cash Incentive Awards” section of the CD&A.
- (3) The amounts in columns (f), (g) and (h) represent the threshold, target and maximum number of PSUs awarded pursuant to the 2017 LTIP that each named executive officer is eligible to earn depending on the level of achievement of the applicable performance metrics over the three-year performance period. For more information on PSUs, see the narrative discussion preceding this table and the “Components of our Executive Compensation Program — Long-Term Equity Incentive Compensation” section of the CD&A.

- (4) The amounts in column (i) represent RSUs awarded pursuant to the 2017 LTIP, which awards are described in the narrative discussion preceding this table and the “Components of our Executive Compensation Program — Long-Term Equity Incentive Compensation” section of the CD&A.
- (5) This column represents the full grant date fair value of the RSUs as calculated in accordance with ASC 718 and the estimated fair value of the PSUs as of the issuance date based on the probable outcome of the performance conditions.

### Outstanding Equity Awards at 2019 Fiscal Year-End

The following table sets forth, as of the end of fiscal 2019, all equity awards outstanding under our equity compensation plans for each named executive officer.

Name (a)	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price (\$) <sup>(1)</sup> (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(2)</sup> (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(4)</sup> (h)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested (#) <sup>(3)</sup> (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(4)</sup> (j)	
Mr. Thorn . . . . .	—	—	—	—	—	94,336	2,552,732	72,528	1,962,608	
Mr. Ramsden . . . . .	—	—	—	—	—	20,439	553,079	20,770	562,036	
Ms. Bachmann . . . . .	40,000	—	—	35.72	3/8/2020	—	—	—	—	
	—	—	—	—	—	49,715	1,345,288	70,398	1,904,970	
Mr. Schlonsky . . . . .	20,000	—	—	35.72	3/8/2020	—	—	—	—	
	—	—	—	—	—	32,452	878,151	45,956	1,243,569	
Mr. Robins . . . . .	—	—	—	—	—	28,945	783,252	39,431	1,067,003	
Mr. Johnson . . . . .	40,000	—	—	35.72	3/8/2020	—	—	—	—	
	—	—	—	—	—	31,629	855,881	—	—	

- (1) All stock option awards reflected in this table were made pursuant to the 2012 LTIP.
- (2) The awards reported in column (g) reflect the unvested RSUs awarded to Mr. Thorn in fiscal 2019 and fiscal 2018 under the 2017 LTIP, the unvested RSUs awarded to Mr. Ramsden in fiscal 2019 under the 2017 LTIP and the unvested RSUs awarded to our other named executive officers in fiscal 2019, fiscal 2018 and fiscal 2017 under the 2012 LTIP and 2017 LTIP. The first third of the fiscal 2018 RSU awards and the second third of the fiscal 2017 RSU awards vested during fiscal 2019. For additional information regarding the fiscal 2019 RSU awards, including the vesting terms, see the narrative discussion preceding the Grants of Plan-Based Awards in Fiscal 2019 table and the “Components of our Executive Compensation Program — Long-Term Equity Incentive Compensation” section of the CD&A.
- (3) The awards reported in column (i) reflect the following: (1) for Mr. Thorn and Mr. Ramsden, a PSU award in fiscal 2019 (each at target amount); and (2) for Ms. Bachmann, Mr. Schlonsky, and Mr. Robins, a PSU award in fiscal 2019, fiscal 2018 and fiscal 2017 (each at the target amount). If we achieve the maximum performance levels applicable to the PSU awards in fiscal 2019 and fiscal 2018, the total number of PSUs that would vest and be earned for such PSU awards would be: (1) 108,792 for Mr. Thorn; (2) 31,155 for Mr. Ramsden; (3) 76,431 for Ms. Bachmann; (4) 47,620 for Mr. Schlonsky; and (5) 43,843 for Mr. Robins. The fiscal 2017 PSU awards vested on April 1, 2020. For additional information on

the fiscal 2019 PSU awards, see the narrative discussion in the “Components of our Executive Compensation Program — Long-Term Equity Incentive Compensation” section of the CD&A.

The awards reported in column (i) were made pursuant to the 2012 LTIP and 2017 LTIP. The actual number of PSUs awarded to each named executive officer in fiscal 2019, fiscal 2018 and fiscal 2017 that will vest and be earned (if any) by each named executive officer is determined after the three-year performance period based: (1) 50% on our average EPS performance, excluding plan-defined items, for each of the three service periods during the performance period; (2) 50% on our average ROIC performance (net operating profit after-tax divided by invested capital for the fiscal year), excluding plan-defined items, for each of the three service periods during the performance period; and (3) on the named executive officer’s continued employment through the end of the performance period (except in the case of death, disability or retirement). For additional information regarding the fiscal 2019 PSU awards, including the vesting terms, see the narrative discussion preceding the Grants of Plan-Based Awards in Fiscal 2019 table and the “Components of our Executive Compensation Program — Long-Term Equity Incentive Compensation” section of the CD&A.

- (4) The market value was computed by multiplying the number of units or shares by \$27.06, the closing price of our Common Shares on February 1, 2020. If we achieve the maximum performance levels applicable to the PSU awards in fiscal 2019 and fiscal 2018, the aggregate market value for such PSU awards would be: (1) \$2,943,912 for Mr. Thorn; (2) \$843,054 for Mr. Ramsden; (3) \$2,068,223 for Ms. Bachmann; (4) \$1,288,597 for Mr. Schlonsky; and (5) \$1,186,392 for Mr. Robins. The fiscal 2017 PSU awards vested on April 1, 2020. For additional information on the fiscal 2017 PSU awards, see the narrative discussion in the “Components of our Executive Compensation Program — Long-Term Equity Incentive Compensation” section of the CD&A.

#### Option Exercises and Stock Vested in Fiscal 2019

The following table reflects all stock option exercises and the vesting of restricted stock held by each of our named executive officers during fiscal 2019.

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise (\$) <sup>(1)</sup> (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting (\$) <sup>(2)</sup> (e)
Mr. Thorn . . . . .	—	—	22,649	498,278
Mr. Ramsden . . . . .	—	—	—	—
Ms. Bachmann . . . . .	—	—	58,045	1,882,462
Mr. Schlonsky . . . . .	5,000	40,850	25,542	947,904
Mr. Robins . . . . .	—	—	16,637	615,488
Mr. Johnson . . . . .	—	—	30,651	1,137,506

- (1) The amounts shown reflect the difference between the exercise price of the option and the market price of the Common Shares at the time of exercise.
- (2) The amounts shown reflect the number of Common Shares issued to the named executive officer in settlement of the vesting of stock awards multiplied by the closing price of our Common Shares on trading day before the vesting date.

#### Nonqualified Deferred Compensation

##### *Supplemental Savings Plan*

All of our named executive officers, as well as substantially all other full-time employees, are eligible to participate in the Savings Plan, our “401(k) plan.” The Supplemental Savings Plan is maintained for those executives participating in the Savings Plan who desire to contribute more than the amount allowable under the Savings Plan. The Supplemental Savings Plan constitutes a contract to pay deferred compensation and limits deferrals in accordance with prevailing tax law. The Supplemental Savings Plan is designed to pay the

deferred compensation in the same amount as if contributions had been made to the Savings Plan. We have no obligation to fund the Supplemental Savings Plan, and all assets and amounts payable under the Supplemental Savings Plan are subject to the claims of our general creditors.

In order to participate in the Savings and Supplemental Savings Plans, an eligible employee must satisfy applicable age and service requirements and must make contributions to such plans (“Participant Contributions”). Participant Contributions are made through authorized payroll deductions to one or more of the several investment funds available under the Savings and Supplemental Savings Plans and selected at the discretion of the participant. All Participant Contributions are matched by us (“Registrant Contributions”) at a rate of 100% for the first 3% of salary contributed and 50% for the next 2% of salary contributed. Additionally, the amount of the Registrant Contribution is subject to the maximum annual compensation that may be taken into account for benefit calculation purposes under the IRC (\$280,000 for calendar year 2019). Accordingly, the maximum aggregate Registrant Contribution that could be made to a named executive officer participating in the Savings and Supplemental Savings Plans was \$11,200 for fiscal 2019.

Prior to fiscal 2017, under the Savings Plan and the Supplemental Savings Plan, 25% of the Registrant Contributions vests annually beginning on the second anniversary of the employee’s hiring. Under the Savings Plan, a participant who has terminated employment with us is entitled to all funds in his or her account, except that if termination is for a reason other than retirement, disability or death, then the participant is entitled to receive only the Participant Contributions and the vested portion of the Registrant Contributions. Under the Supplemental Savings Plan, a participant who has terminated employment with us for any reason is entitled to receive the Participant Contributions and only the vested portion of the Registrant Contributions. Under both plans, all other unvested accrued benefits pertaining to Registrant Contributions will be forfeited. Upon a change in control of Big Lots, the participant will receive a lump sum payment of all amounts (vested and unvested) under the Supplemental Savings Plan.

In fiscal 2017, the Savings Plan and Supplemental Savings Plan were amended and all Registrant Contributions in fiscal 2017 and in the future will vest immediately and a participant in the Savings Plan and Supplemental Savings Plan who has terminated employment will be entitled to all funds in his or her account.

***Nonqualified Deferred Compensation Table for Fiscal 2019***

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

Name (a)	Executive Contributions in Last FY (\$) <sup>(1)</sup> (b)	Registrant Contributions in Last FY (\$) (c)	Aggregate Earnings in Last FY (\$) <sup>(2)</sup> (d)	Aggregate Withdrawals/ Distributions (\$) (e)	Aggregate Balance at Last FYE (\$) <sup>(3)</sup> (f)
Mr. Thorn . . . . .	—	—	—	—	—
Mr. Ramsden . . . . .	—	—	—	—	—
Ms. Bachmann . . . . .	—	—	190,868	—	1,465,081
Mr. Schlonsky . . . . .	25,680	—	155,222	—	1,085,922
Mr. Robins . . . . .	—	—	30,004	—	171,377
Mr. Johnson . . . . .	105,818	—	295,331	170,128	2,426,874

- (1) The amounts in this column are included in the “Salary” column of the Summary Compensation Table for fiscal 2019.
- (2) The amounts in this column are not included in the Summary Compensation Table as these amounts reflect only the earnings on the investments designated by the named executive officer in his or her Supplemental Savings Plan account in fiscal 2019 (i.e., appreciation or decline in account value). The amounts in this column do not include any above-market or preferential earnings, as defined by Item 402(c)(2)(viii) of Regulation S-K and the instructions thereto.

- (3) \$674,532, \$87,348, \$50,226, and \$724,356 of the amounts in this column were previously reported as compensation to Ms. Bachmann, Mr. Schlonsky, Mr. Robins, and Mr. Johnson, respectively, in the Summary Compensation Table for the prior years reported.

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

The “Rights Under Post-Termination and Change in Control Arrangements” section below summarizes the rights of our named executive officers under their employment agreements and other compensation arrangements upon a change in control or in the event their employment with us is terminated.

The “Estimated Payments if Triggering Event Occurred at 2019 Fiscal Year End” section below sets forth the payments that would have been received by each executive (or his or her beneficiaries, as applicable) upon a change in control or in the event the executive’s employment with us terminated on February 1, 2020: (1) involuntarily without cause (including a constructive termination (as defined in the Severance Plan)); (2) in connection with the executive’s disability; (3) upon the executive’s death; (4) upon the executive’s retirement (only Ms. Bachmann was retirement eligible at the end of fiscal 2019); or (5) in connection with a change in control.

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

#### *Termination for Cause*

If a named executive officer who is a party to an employment agreement with us (Ms. Bachmann) is terminated for cause or due to his or her voluntary resignation, we have no obligation under the employment agreement to pay any unearned compensation or to provide any future benefits to the executive.

#### *Involuntary Termination Without Cause*

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

- a cash payment equal to the product of (1) the named executive officer’s annualized base salary in effect on the date of termination and (2) a multiple thereof;
- a cash payment equal to a prorated portion of the annual incentive award that the named executive officer would have earned for the fiscal year in which the termination occurred had such termination not occurred;
- a cash payment for outplacement assistance;
- continued coverage for the named executive officer under our health plans until the last day of the calendar month in which the post-termination restriction period applicable to the named executive officer elapses, plus the amount necessary to reimburse the named executive officer for the taxes he or she would be liable for as a result of such continued coverage; and
- upon achievement of the applicable performance trigger, except for Mr. Thorn’s 2018 RSU award, prorated vesting of all unvested, outstanding RSU awards granted to the named executive officer. If Mr. Thorn is involuntary terminated without cause, his 2018 RSU award will vest in full.

#### *Termination due to Disability or Death*

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

- the Severance Plan would entitle the named executive officer to a cash payment equal to a prorated portion of the annual incentive award that the named executive officer would have earned for the fiscal year in which the termination occurred had such termination not occurred;
- a prorated portion of the unvested PSUs granted under the 2012 LTIP and 2017 LTIP that the named executive officer would have earned had the named executive officer remained employed for the entire performance period would vest upon the certification of the applicable performance condition; and

- a prorated portion of the unvested RSUs granted under the 2012 LTIP and 2017 LTIP would vest on the termination date.

#### *Termination Upon Retirement*

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

- a prorated portion of the unvested PSUs granted under the 2012 LTIP and 2017 LTIP that the named executive officer would have earned had the named executive officer remained employed for the entire performance period would vest upon the certification of the applicable performance condition; and
- if the performance condition is satisfied before the third anniversary of the grant date, a prorated portion of the unvested RSUs granted under the 2012 LTIP and 2017 LTIP would vest on the termination date.

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

If terminated without cause (including a constructive termination) within 24 months after a change in control, the senior executive severance agreements would entitle Mr. Thorn, Mr. Ramsden, Mr. Schlonsky and Mr. Robins to (1) a lump-sum payment equal to 200% of the executive's then current annual base salary and target annual incentive award (2) a lump-sum payment equal to executive's target bonus prorated for the number of days the executive worked during the applicable performance period prior to the executive's termination and (3) continued coverage under our health plans for up to two years after the date of termination.

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

In addition, upon a change in control:

- if the change in control occurs before the third anniversary of the grant date, all unvested RSUs granted to the named executive officer under the 2012 LTIP and 2017 LTIP would vest; and
- if the change in control occurs before the end of the applicable performance period, the greater of (1) the target number of PSUs and (2) a number of PSUs calculated based on the satisfaction of the applicable performance conditions before the change in control, would vest for each named executive officer.

Upon a change in control, each participating named executive officer would also receive a lump sum payment of all vested and unvested amounts under the Supplemental Savings Plan. (See the "Nonqualified Deferred Compensation" section above for more information regarding the Supplemental Savings Plan and our named executive officers' aggregate balances under such plans at the end of fiscal 2019.)

#### *Change in Control Described*

Under the 2012 LTIP, the 2017 LTIP, the Supplemental Savings Plan (as to amounts earned and vested before January 1, 2005, including earnings attributable to such amounts) and the Severance Plan, a change in control generally occurs upon: (i) certain acquisitions of 20% or more of our outstanding voting securities; (ii) an unapproved change in the majority of the Board during any two-year period; or (iii) certain corporate transactions, including certain mergers, consolidations or the sale of substantially all of the Company's assets.

Under Ms. Bachmann's employment agreement, the senior executive severance agreements, the 2006 Bonus Plan, the 2019 Bonus Plan and the Supplemental Savings Plan (as to all amounts earned and vested



on or after January 1, 2005), a change in control generally occurs upon: (i) certain acquisitions of more than 50% of the total fair market value or voting power in our outstanding voting securities; (ii) certain acquisitions during a one-year period of 30% or more of our outstanding voting securities; (iii) an unapproved change in the majority of the Board during any one-year period; or (iv) the disposition, during any one-year period, of 40% or more of the total gross fair market value of all of our assets.

#### ***Estimated Payments if Triggering Event Occurred at 2019 Fiscal Year-End***

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

- Except as otherwise provided in the tables below, the amounts are calculated based on compensation levels and benefits effective at February 1, 2020, the last day of fiscal 2019.
- We have not taken into account the possibility that a named executive officer may be eligible to receive healthcare benefits from another source following his or her termination. Therefore, the amounts shown in the “Healthcare Coverage” row in the tables below reflect, consistent with the assumptions that would be used to estimate the cost of these benefits for financial reporting purposes under generally accepted accounting principles, the current monthly cost to provide continued healthcare coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) applied to each month these benefits would be provided to the named executive officer. Included in the amounts shown in the “Healthcare Coverage” row in the tables below are the related tax gross-up amounts. The amounts shown in the “Long-Term Disability Benefit” row in the tables below represent 67% of the named executive officer’s monthly salary, up to a maximum of \$25,000 per month in accordance with the long-term disability insurance we maintain for our named executive officers. This benefit is payable until the named executive officer is no longer disabled or age 65, whichever occurs earlier. Due to the speculative nature of estimating the period of time during which a named executive officer may be disabled, we have presented only one month of disability benefits in the tables below.
- The amounts in the “Accelerated Equity Awards” row under the “Termination upon Disability” and “Termination upon Death” columns in the tables below represent the value (as of the final trading day on the NYSE during fiscal 2019) of (1) a prorated portion of the unvested RSUs granted under the 2012 LTIP and 2017 LTIP, (2) a prorated portion of the unvested PSUs granted under the 2017 LTIP in fiscal 2018 and fiscal 2019, respectively, assuming that the applicable performance goals will be achieved at the target level, and (3) the PSUs granted under the 2012 LTIP in fiscal 2017, that will vest based on our actual performance. The amounts in the “Accelerated Equity Awards” row under the “Retirement” columns in the tables below represent the value (as of the final trading day of fiscal 2019) of (1) a prorated portion of the unvested RSUs granted under the 2012 LTIP and 2017 LTIP, (2) a prorated portion of the unvested PSUs granted under the 2017 LTIP in fiscal 2018 and fiscal 2019, respectively, assuming that the applicable performance goals will be achieved at the target level and (3) the PSUs granted under the 2012 LTIP in fiscal 2017 that vested based on our actual performance.
- The amounts in the “Accelerated Equity Awards” row under the “Termination in Connection with a Change in Control” and “Change in Control (without termination)” columns in the tables below include all unvested RSUs and PSUs that would have vested on an accelerated basis had a change in control occurred as of the end of fiscal 2019. These amounts do not reflect any equity awards that vested in fiscal 2019.
- The closing market price of our Common Shares on the final trading day on the NYSE during fiscal 2019 was \$27.06 per share.

*Bruce K. Thorn*

The following table reflects the payments that would have been due to Mr. Thorn in the event of a change in control and/or the termination of his employment on February 1, 2020.

	Event Occurring at February 1, 2020						
	Voluntary Termination/ For Cause (\$)	Involuntary Termination without Cause (\$)	Retirement (\$)	Termination upon Disability (\$)	Termination upon Death (\$)	Termination in Connection with a Change in Control (\$)	Change in Control (without termination) (\$)
Salary/Salary Continuation (\$)	—	2,200,000	—	—	—	2,200,000	—
Non-Equity Incentive Plan Compensation (\$)	—	976,113	—	976,113	976,113	4,125,000	—
Healthcare Coverage (\$)	—	59,314	—	—	—	59,314	—
Long-Term Disability Benefit (\$)	—	—	—	25,000	—	—	—
Outplacement Benefits (\$)	—	40,000	—	—	—	—	—
Accelerated Equity Awards (\$)	—	612,722	—	1,294,043	1,294,043	4,729,372	4,729,372
Total (\$)	—	3,888,149	—	2,295,156	2,270,156	11,113,686	4,729,372

*Jonathan E. Ramsden*

The following table reflects the payments that would have been due to Mr. Ramsden in the event of a change in control and/or the termination of his employment with us on February 1, 2020.

	Event Occurring at February 1, 2020						
	Voluntary Termination/ For Cause (\$)	Involuntary Termination without Cause (\$)	Retirement (\$)	Termination upon Disability (\$)	Termination upon Death (\$)	Termination in Connection with a Change in Control (\$)	Change in Control (without termination) (\$)
Salary/Salary Continuation (\$)	—	1,400,000	—	—	—	1,400,000	—
Non-Equity Incentive Plan Compensation (\$)	—	177,519	—	177,519	177,519	1,260,000	—
Healthcare Coverage (\$)	—	82,791	—	—	—	82,791	—
Long-Term Disability Benefit (\$)	—	—	—	25,000	—	—	—
Outplacement Benefits (\$)	—	25,000	—	—	—	—	—
Accelerated Equity Awards (\$)	—	71,464	—	144,105	144,105	1,127,478	1,127,478
Total (\$)	—	1,756,774	—	346,624	321,624	3,870,269	1,127,478

*Lisa M. Bachmann*

The following table reflects the payments that would have been due to Ms. Bachmann in the event of a change in control and/or the termination of her employment with us on February 1, 2020.

	Event Occurring at February 1, 2020						
	Voluntary Termination/ For Cause (\$)	Involuntary Termination without Cause (\$)	Retirement (\$)	Termination upon Disability (\$)	Termination upon Death (\$)	Termination in Connection with a Change in Control (\$)	Change in Control (without termination) (\$)
Salary/Salary Continuation (\$)	—	1,573,550	—	—	—	1,573,550	—
Non-Equity Incentive Plan Compensation (\$)	—	335,119	335,119	335,119	335,119	1,888,260	—
Healthcare Coverage (\$)	—	59,314	—	—	—	59,314	—
Long-Term Disability Benefit (\$)	—	—	—	25,000	—	—	—
Outplacement Benefits (\$)	—	25,000	—	—	—	—	—
Accelerated Equity Awards (\$)	—	866,537	1,779,732	1,779,732	1,779,732	3,504,021	3,504,021
Total (\$)	—	2,859,520	2,114,851	2,139,851	2,114,851	7,025,145	3,504,021

*Michael A. Schlonsky*

The following table reflects the payments that would have been due to Mr. Schlonsky in the event of a change in control and/or the termination of his employment with us on February 1, 2020.

	Event Occurring at February 1, 2020						
	Voluntary Termination/ For Cause (\$)	Involuntary Termination without Cause (\$)	Retirement (\$)	Termination upon Disability (\$)	Termination upon Death (\$)	Termination in Connection with a Change in Control (\$)	Change in Control (without termination) (\$)
Salary/Salary Continuation (\$)	—	1,027,200	—	—	—	1,027,200	—
Non-Equity Incentive Plan Compensation (\$)	—	218,763	—	218,763	218,763	924,480	—
Healthcare Coverage (\$)	—	82,791	—	—	—	82,791	—
Long-Term Disability Benefit (\$)	—	—	—	25,000	—	—	—
Outplacement Benefits (\$)	—	25,000	—	—	—	—	—
Accelerated Equity Awards (\$)	—	565,605	—	1,161,720	1,161,720	2,287,373	2,287,373
Total (\$)	—	1,919,359	—	1,405,483	1,380,483	4,321,844	2,287,373

Ronald A. Robins, Jr.

The following table reflects the payments that would have been due to Mr. Robins in the event of a change in control and/or the termination of his employment with us on February 1, 2020.

	Event Occurring at February 1, 2020						
	Voluntary Termination/ For Cause (\$)	Involuntary Termination without Cause (\$)	Retirement (\$)	Termination upon Disability (\$)	Termination upon Death (\$)	Termination in Connection with a Change in Control (\$)	Change in Control (without termination) (\$)
Salary/Salary Continuation (\$)	—	1,000,000	—	—	—	1,000,000	—
Non-Equity Incentive Plan Compensation (\$)	—	212,970	—	212,970	212,970	900,000	—
Healthcare Coverage (\$)	—	82,791	—	—	—	82,791	—
Long-Term Disability Benefit (\$)	—	—	—	25,000	—	—	—
Outplacement Benefits (\$)	—	25,000	—	—	—	—	—
Accelerated Equity Awards (\$)	—	503,668	—	1,008,564	1,008,564	1,991,728	1,991,728
Total (\$)	—	1,824,429	—	1,246,534	1,221,534	3,974,519	1,991,728

Timothy A. Johnson

The following table reflects the payments due to Mr. Johnson following his termination of employment on September 27, 2019.

	Event Occurring at September 27, 2019						
	Voluntary Termination/ For Cause (\$)	Involuntary Termination without Cause (\$)	Retirement (\$)	Termination upon Disability (\$)	Termination upon Death (\$)	Termination in Connection with a Change in Control (\$)	Change in Control (without termination) (\$)
Salary/Salary Continuation (\$)	—	1,232,650	—	—	—	—	—
Non-Equity Incentive Plan Compensation (\$)	—	173,088	—	—	—	—	—
Healthcare Coverage (\$)	—	82,791	—	—	—	—	—
Long-Term Disability Benefit (\$)	—	—	—	—	—	—	—
Outplacement Benefits (\$)	—	25,000	—	—	—	—	—
Accelerated Equity Awards (\$)	—	917,045	—	—	—	—	—
Total (\$)	—	2,430,574	—	—	—	—	—

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

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

Our executive compensation program is designed to: (1) pay for superior results by rewarding executives for achieving short- and long-term performance goals and creating long-term shareholder value; (2) align

the interests of our executives with the interests of our shareholders through performance- and equity-based compensation; and (3) attract and retain talented executives by paying compensation that is competitive with the compensation paid by the companies in our peer group. We use a balanced mix of salary, annual cash incentive awards and equity awards to promote these objectives. For a more detailed discussion of how our executive compensation program promotes these objectives and our executive compensation philosophy, including information about the fiscal 2019 compensation of our named executive officers, we encourage you to read the CD&A as well as the Summary Compensation Table and other compensation tables in this Proxy Statement and the narrative discussion accompanying the tables.

In fiscal 2019, we continued to focus on improving our financial and operating performance. Given the commitment of the Compensation Committee and other outside directors to a pay-for-performance philosophy and our focus on improving our financial and operating performance in fiscal 2019, the Compensation Committee and other outside directors structured a significant portion of the compensation awarded to our named executive officers for fiscal 2019 as “at risk” or “variable” and dependent on our performance and/or the value of our Common Shares, including:

- *Annual Cash Incentive Awards.* Each named executive officer was eligible to receive a cash performance bonus based solely on our adjusted operating profit. The Compensation Committee and other outside directors selected adjusted operating profit as the sole financial measure because they believe it represents a key indicator of the strength of our operating results and financial condition and incentivizes the participants in our annual cash incentive award program to achieve strong earnings growth. The fiscal 2019 annual incentive awards were structured so that the target bonus would be earned only if we achieved the operating profit for fiscal 2019 projected in our annual corporate operating plan. Based on our adjusted operating profit in fiscal 2019, our named executive officers earn an annual incentive award between threshold and target for fiscal 2019.
- *Performance Share Unit Awards.* All of our named executive officers received a significant portion (60%) of their equity awards in the form of PSUs. The PSUs awarded to our named executive officers in fiscal 2019 will vest, if at all, after the completion of a three-year performance period based: (1) 50% on our average EPS performance, excluding plan-defined items, for each of the three service periods during the performance period; (2) 50% on our average ROIC performance, excluding plan-defined items, for each of the three service periods during the performance period; and (3) on the named executive officer’s continued employment through the end of the performance period. The Compensation Committee and other outside directors selected EPS and ROIC as the financial measures applicable to the PSUs to incentivize our named executive officers to achieve long-term financial results that we believe will create shareholder value. Based on EPS of \$3.69 and ROIC of 17.49%, as adjusted, we achieved 99.2% of the targeted goal for EPS and 94.8% of the targeted goal for ROIC for the first service period of the performance period applicable to the PSUs awarded to our named executive officers in fiscal 2019.
- *Restricted Stock Unit Awards.* RSUs are primarily intended to align the interests of our named executive officers and our shareholders and help retain and motivate our named executive officers. The RSUs will vest ratably over three years from the grant date of the award if the participant remains employed by us through each annual vesting date and are subject to an operating profit performance component.

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

“RESOLVED, that the shareholders of Big Lots approve, on an advisory basis, the compensation of the named executive officers of Big Lots, as disclosed in Big Lots’ Proxy Statement for the 2020 Annual Meeting of Shareholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and the narrative discussion accompanying the tables.”

The vote on the approval of the compensation of our named executive officers is advisory, which means that the vote is not binding on the Board, the Compensation Committee or us. If a majority of the votes are cast against the approval of the compensation of our named executive officers, the Board and the

Compensation Committee will evaluate whether to take any actions to address the concerns of the shareholders with respect to our executive compensation program.

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

### **2019 CEO PAY RATIO**

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(u) of Regulation S-K, the Company is disclosing the following information about the relationship of the annual total compensation of our CEO and the median of the annual total compensation of our employees (other than the CEO) for our 2019 fiscal year:

- The annual compensation of our CEO (Bruce K. Thorn) was \$6,547,830.
- The annual total compensation of our median employee was \$9,871.
- The ratio of the annual total compensation of our CEO to the annual total compensation of our median employee was 663 to 1.

We identified our median employee for our fiscal year 2019 pay ratio using the methodology and the following material assumptions and adjustments. To identify the median of the annual total compensation of our active employees as of February 1, 2020, including any full-time, part-time, temporary or seasonal employees but excluding our CEO, we used total wages from our payroll records as reported to the Internal Revenue Service on Form W-2 for 2019. In making this determination, we did not annualize compensation for any full-time or part-time permanent employees who were employed on February 1, 2020 but did not work for us the entire year or make any full-time equivalent adjustments for part-time employees. We consistently applied this compensation measure and methodology to all of our employees included in the calculation.

We determined the annual total compensation for fiscal year 2019 of our median employee (who was calculated to be a part-time store associate) in the same manner that we determine the total compensation of our named executive officers for purposes of the Summary Compensation Table. With respect to the annual total compensation of our CEO for fiscal year 2019, we used the amount for fiscal 2019 reported in the “Total” column of the Summary Compensation Table.

This information is being provided for compliance purposes. Neither the Compensation Committee nor management of the Company used the pay ratio measure in making compensation decisions.



## AUDIT COMMITTEE DISCLOSURE

### General Information

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

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

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

The full text of the Audit Committee's charter is available in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption. The Audit Committee regularly reviews its responsibilities as outlined in its charter, prepares an annual agenda that addresses all of its responsibilities and conducts a self-assessment and review of the charter annually. The Audit Committee believes it fulfilled its responsibilities under the charter in fiscal 2019.

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

During fiscal 2019, our management completed an assessment of our system of internal control over financial reporting in accordance with the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was apprised of the progress of the assessment and provided oversight and advice to management during the process. In connection with its oversight, the Audit Committee received periodic updates provided by management and the independent registered public accounting firm at each regularly scheduled Audit Committee meeting. The Audit Committee also reviewed the report of management contained in our Form 10-K, as well as the independent registered public accounting firm's Report of Independent Registered Public Accounting Firm included in our Form 10-K related to its audit of (1) our financial statements and (2) the effectiveness of our internal control over financial reporting. The Audit Committee continues to oversee efforts related to our system of internal control over financial reporting and management's preparations for the assessment thereof in fiscal 2020. The Audit Committee has also reviewed key initiatives and programs aimed at strengthening the effectiveness of our internal and disclosure control structure.

### Independent Registered Public Accounting Firm

The Audit Committee engaged Deloitte & Touche LLP as our independent registered public accounting firm to audit our financial statements for fiscal 2019. Deloitte & Touche LLP has served as our independent registered public accounting firm since October 1989. The Audit Committee annually selects and evaluates our independent registered public accounting firm and reviews the scope of and plans for the audit by the independent registered public accounting firm. Some of the factors the Audit Committee considers in its evaluation include the independent auditor's qualifications, performance, independence and tenure. Based on

its evaluation and review, the Audit Committee believes that it is in the best interest of the Company to retain Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2020.

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

Pursuant to the Audit Committee’s Audit and Non-Audit Services Pre-Approval Policy, all audit and non-audit services rendered by Deloitte & Touche LLP in fiscal 2019 and fiscal 2018, including the related fees, were pre-approved by the Audit Committee. Under the policy, the Audit Committee is required to pre-approve all audit and permissible non-audit services performed by the independent registered public accounting firm to assure that the provision of those services does not impair the firm’s independence. Pre-approval is detailed as to the particular service or category of service and is subject to a specific engagement authorization. The Audit Committee requires the independent registered public accounting firm and management to report on the actual fees incurred for each category of service at Audit Committee meetings throughout the year.

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

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

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

(\$ in thousands)	Fiscal 2018 (\$)	Fiscal 2019 (\$)
Audit Fees . . . . .	1,400	1,400
Audit-Related Fees <sup>(1)</sup> . . . . .	125	20
Tax Fees . . . . .	40	40
All Other Fees <sup>(2)</sup> . . . . .	2	2
Total Fees . . . . .	1,567	1,462

(1) For fiscal 2018 and fiscal 2019, the audit-related fees principally related to implementation of new accounting standards and significant non-routine transactions.

(2) For fiscal 2018 and fiscal 2019, the other fees include fees related to online subscription fees for technical support.

## **Audit Committee Report**

The Audit Committee has reviewed and discussed the audited financial statements for fiscal 2019 with management and the independent registered public accounting firm. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 1301, as adopted by the Public Company Accounting Oversight Board. The Audit Committee has received the written communications from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with the independent registered public accounting firm its independence. Based on these reviews and discussions, the undersigned members of the Audit Committee recommended to the Board that the audited consolidated financial statements for fiscal 2019 be included in our Form 10-K for filing with the SEC.

Members of the Audit Committee:

Marla C. Gottschalk, Chair  
Sebastian J. DiGrande  
Cynthia T. Jamison  
Christopher J. McCormick  
Wendy L. Schoppert

## **PROPOSAL FOUR: RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2020**

At its March 3, 2020 meeting, the Audit Committee appointed Deloitte & Touche LLP as our independent registered public accounting firm for fiscal 2020, subject to our entry into a mutually agreed upon services contract with Deloitte & Touche LLP. The submission of this matter for approval by shareholders is not legally required; however, we believe that such submission is consistent with best practices in corporate governance and is another opportunity for shareholders to provide direct feedback on an important issue of our corporate governance. If the shareholders do not ratify the appointment of Deloitte & Touche LLP, the selection of such firm as our independent registered public accounting firm will be reconsidered by the Audit Committee.

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

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2020.**

## **SHAREHOLDER PROPOSALS**

Any proposals of shareholders that are intended to be presented at our 2021 annual meeting of shareholders must be received by our Corporate Secretary at our corporate offices on or before January 1, 2021 to be eligible for inclusion in our 2021 proxy statement and form of proxy. Such proposals must be submitted in accordance with Rule 14a-8 of the Exchange Act. If a shareholder intends to present a proposal at our 2021 annual meeting of shareholders without inclusion of that proposal in our 2021 proxy materials and written notice of the proposal is not received by our Corporate Secretary at our corporate offices on or before March 17, 2021, or if we meet other requirements of the SEC rules, proxies solicited by the Board for our 2021 annual meeting of shareholders will confer discretionary authority on the proxy holders named therein to vote on the proposal at the meeting.

Our Amended Code of Regulations permits a shareholder, or a group of shareholders, who has continuously owned at least 3% of our outstanding common shares for at least 3 years, to nominate and include in our proxy statement candidates for the Board, subject to certain requirements. Each eligible shareholder, or group of shareholders that together is an eligible shareholder, may nominate candidates for director, up to a limit of 25% of the number of directors on the Board. Any nominee must meet the qualification standards set forth in our Amended Code of Regulations. Any such notice and nomination

materials must be delivered to, or mailed to and received by, our Corporate Secretary no earlier than 150 days and no later than 120 days before the anniversary of the date that the Company issued its proxy statement for the previous year's annual meeting of shareholders; provided however, that if the date of the annual meeting has changed by more than 30 calendar days from the previous year, then the eligible shareholder must deliver the notice and nomination materials to our Corporate Secretary a reasonable time before we issue our proxy materials. Based on the anticipated one-year anniversary of the date that we issued our proxy statement for the 2020 annual meeting, an eligible shareholder wishing to nominate a candidate for election to the Board at the 2021 annual meeting must provide such notice no earlier than December 2, 2020 and no later than January 1, 2021. Any such notice and accompanying nomination materials must meet the requirements set forth in our Amended Code of Regulations, which is available in the Investor Relations section of our website ([www.biglots.com](http://www.biglots.com)) under the "Corporate Governance" caption.

#### **PROXY SOLICITATION COSTS**

This solicitation of proxies is made by and on behalf of the Board. In addition to mailing the paper copies of this Proxy Statement, the Notice of Annual Meeting of Shareholders, the Annual Report on Form 10-K and the proxy card to shareholders of record on the Record Date, the brokers and banks holding our Common Shares for beneficial holders must, at our expense, provide our proxy materials to persons for whom they hold our Common Shares in order that such Common Shares may be voted. Solicitation of proxies may also be made by our officers and regular employees personally or by telephone, mail or electronic mail. Officers and employees who assist with the solicitation will not receive any additional compensation. The cost of the solicitation will be borne by the Company. Innisfree M&A Incorporated is helping us solicit votes for a fee of \$20,000, plus reimbursable expenses and customary charges.

#### **OTHER MATTERS**

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

By order of the Board of Directors,

Ronald A. Robins, Jr.  
*Executive Vice President, General Counsel  
and Corporate Secretary*

May 1, 2020

**EXHIBIT A**

**Big Lots  
2020 Long-term Incentive Plan**

**Effective June , 2020**

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## Big Lots 2020 Long-Term Incentive Plan

### Article 1. Establishment, Purpose, and Duration

**1.1 Establishment.** Big Lots, Inc., an Ohio corporation (hereinafter referred to as the “Company”), establishes an incentive compensation plan to be known as the Big Lots 2020 Long-Term Incentive Plan (hereinafter referred to as the “Plan”), as set forth in this document.

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

This Plan shall become effective upon shareholder approval (the “Effective Date”) and shall remain in effect as provided in Section 1.3 (*Establishment, Purposes, and Duration/Duration of this Plan*) hereof.

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

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

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

### Article 2. Definitions

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

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

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

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

**2.4 “Award Agreement”** means either (a) a written or electronic agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award granted under

this Plan, or (b) a written or electronic statement issued by the Company to a Participant describing the terms and provisions of such Award, including any amendment or modification thereof. The Committee may provide for the use of electronic, internet or other non-paper Award Agreements, and the use of electronic, internet or other non-paper means for the acceptance thereof and actions thereunder by a Participant.

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

**2.6 “Board” or “Board of Directors”** means the Board of Directors of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

**2.15 “Director”** means any individual who is a member of the Board of Directors of the Company or the board of directors of any Affiliate of the Company.

**2.16 “Disability”** means:

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

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

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

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

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

**2.19 “Elective Deferred Stock Units”** has the meaning set forth in Section 9.1 (*Deferred Stock Units/In General*).

**2.20 “Eligible Individual”** means an individual who is an Employee, Director, and/or Third Party Service Provider.

**2.21 “Employee”** means any employee of the Company or any of its Affiliates.

**2.22 “Exchange Act”** means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

**2.23 “Exercise Price”** means the price at which a Share may be purchased by a Participant pursuant to an Option.

**2.24 “Fair Market Value”** or “FMV” means a price that is equal to the opening, closing, actual, high, low, or average selling prices of a Share reported on the New York Stock Exchange (“NYSE”) or other established stock exchange (or exchanges) on the applicable date, the preceding trading day, the next succeeding

trading day, or an average of trading days, as determined by the Committee and, to the extent applicable, in a manner consistent with Code Section 409A. Unless the Committee determines otherwise, Fair Market Value shall be deemed to be equal to the closing price per Share reported on a consolidated basis for securities listed on the principal stock exchange or market on which Shares are traded on the day as of which such Fair Market Value is being determined or, if there is no closing price on that day, then the closing price on the last previous day on which a closing price was reported. . In the event Shares are not publicly traded at the time a determination of their value is required to be made hereunder, the determination of their Fair Market Value shall be made by the Committee in such manner as it deems appropriate taking into account all information material to the value of the Company within the meaning of Code Section 409A.

**2.25 “Full Value Award”** means an Award other than an ISO, NQSO, or SAR, which is settled by the issuance of Shares or their cash equivalent.

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

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

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

**2.29 “Nonemployee Director”** means a Director who is not an Employee.

**2.30 “Nonemployee Director Award”** means any Award granted to a Nonemployee Director as described in Article 12 (*Nonemployee Director Awards*).

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

**2.32 “Option”** means an Incentive Stock Option or a Nonqualified Stock Option, as described in Article 6 (*Options*).

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

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

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

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

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

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

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

**2.40** “**Plan**” means the Big Lots 2020 Long-Term Incentive Plan.

**2.41** “**Plan Year**” means the Company’s fiscal year.

**2.42** “**Prior Plan**” means the Big Lots 2012 Long-Term Incentive Plan, as amended and restated, effective May 29, 2014 and the Big Lots 2017 Long-Term Incentive Plan, effective May 25, 2017.

**2.43** “**Restricted Stock**” means an Award granted to a Participant pursuant to Article 8 (*Restricted Stock and Restricted Stock Units*).

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

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

**2.46** “**Share**” means a common share of the Company, par value \$.01 per share (as such par value may be amended from time to time), whether presently or hereafter issued, and any other stock or security resulting from adjustment thereof as described hereinafter, or a share of common stock of any successor pursuant to Article 22 (*Successors*).

**2.47** “**Share Authorization**” has the meaning set forth in Section 4.1(a) (*Shares Subject to this Plan and Award Limitations/Share Authorization*).

**2.48** “**Stock Appreciation Right**” or “**SAR**” means an Award, designated as an SAR, pursuant to the terms of Article 7 (*Stock Appreciation Rights*) herein.

**2.49** “**Termination of Employment or Service**” means the occurrence of any act or event that causes a Participant to cease being an employee of the Company and any Affiliate, including, without limitation, death, Disability, dismissal, severance at the election of the Participant, or severance as a result of the discontinuance, liquidation, sale, or transfer by the Company or its Affiliates of a business owned or operated by the Company or any Affiliate. With respect to any Participant who is not an employee of the Company or any Affiliate, the Award Agreement shall establish what act or event shall constitute a Termination of Employment or Service for purposes of this Plan. A Termination of Employment or Service shall occur with respect to a Participant who is employed by an Affiliate if the Affiliate shall cease to be an Affiliate and the Participant shall not immediately thereafter become an employee of the Company or an Affiliate. Notwithstanding the foregoing, as described in Section 14.4 (*Impact of Termination of Employment or Service on Awards/Change in Participant Status*), no Termination of Employment or Service shall occur if the Participant continues to be an Employee, Director, or Third Party Service Provider after such termination. Provided, however, if a Termination of Employment or Service constitutes a payment event with respect to any Award that provides for the deferral of compensation and is subject to Code Section 409A, payments to be made upon a Termination of Employment or Service shall only be made upon a “separation from service” within the meaning of Code Section 409A.

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

### Article 3. Administration

**3.1 General.** The Committee shall be responsible for administering this Plan, subject to this Article 3 (*Administration*) and the other provisions of this Plan. The Committee may employ attorneys, consultants, accountants, agents, and other individuals, any of whom may be an Employee, and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions,



or valuations of any such individuals. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participants, the Company, and all other interested individuals.

**3.2 Authority of the Committee.** The Committee shall have full and exclusive discretionary power to interpret the terms and the intent of this Plan and any Award Agreement or other agreement or document ancillary to or in connection with this Plan, to determine eligibility for Awards and to adopt such rules, regulations, forms, instruments, and guidelines for administering this Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, (a) selecting Participants, (b) establishing all Award terms and conditions, including the terms and conditions set forth in Award Agreements and any ancillary document or materials, (c) granting Awards as an alternative to or as the form of payment for grants or rights earned or due under compensation plans or arrangements of the Company, (d) construing any ambiguous provision of the Plan or any Award Agreement, (e) establishing performance goals and certifying satisfaction of performance goals, (f) subject to Article 20 (*Amendment, Modification, Suspension, and Termination*), adopting modifications and amendments to this Plan or any Award Agreement, including without limitation, any that are necessary to comply with the laws of the countries and other jurisdictions in which the Company or its Affiliates operate, and (g) making any other determination and taking any other action that it deems necessary or desirable for the administration or operation of the Plan and/or any Award Agreement.

**3.3 Delegation.** The Committee may delegate to one or more of its members or to one or more officers of the Company or its Affiliates or to one or more agents or advisors such administrative duties or powers as it may deem advisable, and the Committee or any individuals to whom it has delegated duties or powers as aforesaid may employ one or more individuals to render advice with respect to any responsibility the Committee or such individuals may have under this Plan. Subject to applicable law, the Committee may authorize one or more officers of the Company to do one or more of the following on the same basis as can the Committee: (a) designate Employees to be recipients of Awards, (b) designate Third Party Service Providers to be recipients of Awards, and (c) determine the size of and make any such Awards; provided, however, (i) the Committee shall not delegate such responsibilities to any such officer for Awards granted to a Nonemployee Director or an Employee who is considered an executive officer, as determined by the Board in accordance with Section 16 of the Exchange Act, and (ii) the officer(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated.

#### Article 4. Shares Subject to this Plan and Award Limitations

##### 4.1 Number of Shares Available for Awards.

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

- (i) 3,600,000 Shares, plus
- (ii) any Shares subject to the 1,360,943 outstanding full value awards as of February 1, 2020 that on or after February 1, 2020 cease for any reason to be subject to such awards (other than by reason of exercise or settlement of the awards to the extent they are exercised for or settled in vested and nonforfeitable Shares).

(b) **Limits on ISOs.** The maximum number of Shares of the Share Authorization that may be issued pursuant to the exercise of ISOs granted under this Plan shall be 3,600,000 Shares.

**4.2 Share Usage.** Subject to the terms of this Plan, Shares covered by an Award shall only be counted as used to the extent they are actually issued. Any Shares related to Awards issued under the Plan on or after the Effective Date or under the Prior Plan before the Effective Date which (a) terminate by expiration, forfeiture, cancellation, or otherwise without the issuance of such Shares, (b) are settled in cash in lieu of Shares, or (c) are exchanged with the Committee’s permission prior to the issuance of Shares for Awards not involving Shares, shall be available again for grant under this Plan. Shares that are withheld from an Award of Restricted Stock, Restricted Stock Units, or Performance Share Units to satisfy tax withholding obligations related to that Award shall be deemed to constitute Shares that are not issued under



this Plan. Shares which are (i) not issued or delivered as a result of the net settlement of an Option or Share-settled SAR, (ii) withheld to satisfy tax withholding obligations on an Option or SAR issued under the Plan, (iii) tendered to pay the Exercise Price of an Option or the Grant Price of a Stock Appreciation Right under the Plan, or (iv) repurchased on the open market with the proceeds of an Option exercise will no longer be eligible to be again available for grant under this Plan. To the extent permitted by applicable law or stock exchange rule, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company or any Affiliate shall not be counted against Shares available for grant pursuant to the Plan. The Shares available for issuance under this Plan may be authorized and unissued Shares or treasury Shares.

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

Subject to the provisions of Article 20 (*Amendment, Modification, Suspension, and Termination*) and notwithstanding anything else herein to the contrary, without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate (including, but not limited to, a conversion of equity awards into Awards under this Plan), subject to compliance with the rules under Code Sections 409A, 422 and 424, to the extent applicable.

## Article 5. Eligibility and Participation

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

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

**5.3 Conditions of Participation.** By accepting an Award, each Participant agrees in his or her own behalf and in behalf of his or her beneficiaries (1) to be bound by the terms of the Award Agreement and the Plan and (2) that the Committee (or the Board) may amend the Plan and the Award Agreement pursuant to Article 21 (*Amendment, Modification, Suspension, and Termination*).

## Article 6. Options

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

Eligible Individual may only be granted Options to the extent that such individual provides services to the Company or an Affiliate of the Company that is part of the Company's controlled group for purposes of Code Section 409A.

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

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

**6.4 Term of Options.** Each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no Option shall be exercisable later than the tenth (10<sup>th</sup>) anniversary date of the Grant Date.

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

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

**6.6 Payment.** A condition of the issuance of the Shares as to which an Option shall be exercised shall be the payment of the Exercise Price. The Exercise Price of any Option shall be payable to the Company in full either: (a) in cash; (b) by tendering (either by actual delivery or attestation) previously acquired Shares having an aggregate Fair Market Value at the time of exercise equal to the Exercise Price; (c) by a cashless (broker-assisted) exercise; (d) by a combination of (a), (b) and/or (c); or (e) any other method approved or accepted by the Committee in its sole discretion.

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

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

**6.7 Minimum Vesting Conditions.** All Option Awards shall have a minimum vesting period of one year from the date of its grant with no vesting prior to the first anniversary of the grant date (or 50 weeks for an Option granted to a Nonemployee Director at the regular annual meeting of shareholders that vests at the next regular annual meeting of shareholders); except that this minimum vesting condition need not apply (i) in the case of the death, disability or Retirement of the Participant or termination of employment of a Participant in connection with a Change of Control, and (ii) with respect to up to an aggregate of 5% of the shares of Stock authorized under the Plan, which may be granted (or regranted upon forfeiture) in any form permitted under the Plan without regard to such minimum vesting requirements.

**6.8 Other Conditions and Restrictions.** The Committee may impose such other conditions and/or restrictions on any Shares acquired pursuant to the exercise of an Option granted under this Article 6 (*Options*) as it may deem advisable or desirable. Such conditions and restrictions may include, but shall not

be limited to, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, or under any blue sky or state securities laws applicable to such Shares.

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

## Article 7. Stock Appreciation Rights

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

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

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

**7.4 Term of SAR.** Each SAR granted to a Participant shall expire at such time as the Committee shall determine at the time of grant; provided, however, no SAR shall be exercisable later than the tenth (10<sup>th</sup>) anniversary date of the Grant Date.

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

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

- (a) The excess of the Fair Market Value of a Share on the date of exercise over the Grant Price; by
- (b) The number of Shares with respect to which the SAR is exercised.

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

**7.7 Minimum Vesting Conditions.** All SAR Awards shall have a minimum vesting period of one year from the date of its grant with no vesting prior to the first anniversary of the grant date (or 50 weeks for a SAR granted to a Nonemployee Director at the regular annual meeting of shareholders that vests at the next regular annual meeting of shareholders); except that this minimum vesting condition need not apply (i) in the case of the death, disability or Retirement of the Participant or termination of employment of a Participant in connection with a Change of Control, and (ii) with respect to up to an aggregate of 5% of the shares of Stock authorized under the Plan, which may be granted (or regranted upon forfeiture) in any form permitted under the Plan without regard to such minimum vesting requirements.

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

## Article 8. Restricted Stock and Restricted Stock Units

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

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

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

An Award of Shares of Restricted Stock or Restricted Stock Units shall have a minimum vesting period of one year from the date of its grant with no vesting prior to the first anniversary of the grant date (or 50 weeks for an Award granted to a Nonemployee Director at the regular annual meeting of shareholders that vests at the next regular annual meeting of shareholders); except that this minimum vesting condition need not apply (i) in the case of the death, disability or Retirement of the Participant or termination of employment of a Participant in connection with a Change of Control, and (ii) with respect to up to an aggregate of 5% of the shares of Stock authorized under the Plan, which may be granted (or regranted upon forfeiture) in any form permitted under the Plan without regard to such minimum vesting requirements.

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

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

"The sale or transfer of Shares of stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in the Big Lots 2020 Long-Term Incentive Plan, and in the associated Award Agreement. A copy of this Plan and such Award Agreement may be obtained from Big Lots, Inc."

**8.5 Rights.** Unless otherwise determined by the Committee and set forth in a Participant's Award Agreement, to the extent permitted or required by law, as determined by the Committee, Participants holding Shares of Restricted Stock granted hereunder shall have the right to exercise full voting rights with respect to those Shares during the Period of Restriction. Unless otherwise determined by the Committee and set forth in a Participant's Award Agreement, a Participant receiving a Restricted Stock Award will have, with respect to the Restricted Stock, all of the rights of a shareholder of the Company holding the class of Shares that is the subject of the Restricted Stock, including, if applicable, the right to vote the shares and the right



to receive any Dividend-Equivalent Rights pursuant to Article 16 (*Dividend-Equivalent Rights*) of this Plan. Any dividends paid on Restricted Stock will be subject to the same restrictions that affect the Restricted Stock with respect to which the dividend was paid. Dividends paid out of escrow will be treated as remuneration for employment unless an election has been made under Section 8.6 (*Restricted Stock and Restricted Stock Units/Section 83(b) Election*). A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder. A Participant shall have no dividend rights with respect to any Restricted Stock Units granted hereunder unless the Participant is also granted Dividend-Equivalent Rights.

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

**8.7 Deferral Rights.** The Committee may, in accordance with the requirements of Code Section 409A, permit an Employee or Director to elect to defer any Award of Restricted Stock and/or Restricted Stock Units. Any deferral of Restricted Stock shall be converted into a deferred Restricted Stock Unit. Any deferral of Restricted Stock or Restricted Stock Units shall be evidenced by a deferral election form containing such terms and conditions not inconsistent with this Plan or Code Section 409A as the Committee shall determine, including customary representations, warranties and covenants with respect to securities law matters. Any Dividend Equivalent Rights provided a Participant with respect to deferred Restricted Stock or Restricted Stock Units shall be subject to Article 16 (*Dividend-Equivalent Rights*).

#### Article 9. Deferred Stock Units

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

**9.2 Rights as a Stockholder.** The Committee may, in its discretion, provide in the Deferral Election Form related to a Deferred Stock Unit, that Dividend Equivalent Rights shall be granted with respect to such Deferred Stock Unit, and if Dividend Equivalent Rights are granted, when such Dividend Equivalent Rights shall be accrued, paid to, or credited to the account of, a Participant credited with Deferred Stock Units pursuant to Article 16 (*Dividend-Equivalent Rights*) of this Plan. Unless otherwise provided by the Committee in the Deferral Election Form, (a) any cash dividends or distributions credited to the Participant’s account shall be deemed to have been invested in additional Deferred Stock Units on the record date established for the related dividend or distribution in an amount equal to the number which may be obtained by dividing (i) the value of such dividend or distribution on the record date by (ii) the Fair Market Value of a Share on such date, and such additional Deferred Stock Units shall be subject to the same terms and conditions as are applicable in respect of the Deferred Stock Units with respect to which such dividends or distributions were payable, and (b) if any such dividends or distributions are paid in Shares or other securities, such shares and other securities shall be subject to the same Restriction Period and other restrictions, if any, as apply to the Deferred Stock Units with respect to which they were paid. A Participant shall not have any rights as a shareholder in respect of Deferred Stock Units awarded pursuant to the Plan (including, without limitation, the right to vote on any matter submitted to the Company’s shareholders) until such time as the Shares attributable to such Deferred Stock Units have been issued to such Participant or his beneficiary.

**9.3 Vesting.** Unless otherwise provided in the Deferral Election Form related to a Deferred Stock Unit, each Deferred Stock Unit, together with any Dividend — Equivalent Rights credited with respect thereto, shall not be subject to any Restriction Period and shall be non-forfeitable at all times. For purposes of clarity, any Deferred Stock Unit (and any related Dividend Equivalent Right) issued in connection with the deferral of any Award of long-term compensation that would have been granted under the Plan shall be subject to the same Restriction Period that would have applied to such Award had it not been deferred. Elective deferrals of other compensation that would otherwise have been payable in cash shall not be subject to any Restriction Period.

**9.4 Settlement.** Subject to Article 23 (*General Provisions*), and the last sentence of Section 9.1 (*Deferred Stock Units/In General*), unless otherwise provided in the Deferral Election Form related to a Deferred Stock Unit, the Company shall issue the Shares underlying any of a Participant's Deferred Stock Units (and any related Dividend-Equivalent Rights) credited to such Participant's account under this Plan within ninety (90) days following the date of such Participant's Termination of Employment or Service (or such other Code Section 409A-compliant distribution event as may be elected by the Participant in the initial Deferral Election Form in accordance with the rules and procedures of the Committee and Code Section 409A). The Committee may provide, or the Participant may elect, in the Deferral Election Form applicable to any Deferred Stock Unit that, in lieu of issuing Shares in settlement of that Deferred Stock Units, the Fair Market Value of the Shares corresponding to such Deferred Stock Units shall be paid in cash. For each Share received in settlement of Deferred Stock Units, the Company shall deliver to the Participant a certificate representing such Share, bearing appropriate legends, if applicable. Notwithstanding any other provision of the Plan to the contrary, any distribution that complies with Code Section 409A shall be deemed for all purposes to comply with the Plan requirements regarding the time and form of distributions.

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

#### Article 10. Performance Shares, Performance Share Units, and Performance Units

**10.1 Grant of Performance Shares, Performance Share Units, and Performance Units.** Subject to the terms and provisions of this Plan, the Committee, at any time and from time to time, may grant Performance Shares, Performance Share Units, and/or Performance Units to Eligible Individuals in such amounts and upon such terms as the Committee shall determine. With respect to any Award of Performance Shares, Performance Share Units or Performance Units, the Committee shall establish in writing (a) the performance goals or measures (as described in Article 10 (*Performance Shares, Performance Share Units, and Performance Units*)) applicable to a given Performance Period, and (b) such performance goals shall state the method for computing the amount of compensation payable to the Covered Employee Participant if such performance goals are attained.

**10.2 Performance Goals.** Performance objectives will be based on the performance of the Company or one or more subsidiary, Affiliate, business unit, business group, business venture or legal entity on an absolute, relative, adjusted or per-share basis, individual performance goals, strategic and business unit operational goals, subjective goals and any other performance measures and goals that the Committee determines to be appropriate. Financial performance measures may include, but are not limited to: earnings, profits, income (on a gross or net basis), EBIT, EBITDA, return measures, cash flow, or any other financial measure that appears as a line item in Company's filings with the Securities and Exchange Commission or the annual report to shareholders; the price per share of the Company's common stock; total shareholder return; market shares; or working capital. Non-financial performance measures may include, but are not limited to: productivity ratios; customer satisfaction; ESG; individual performance goals or any other



performance measure or goal that the Committee determines to be appropriate. Relative performance may be measured against a group of peer companies, a financial market index or other acceptable objective and quantifiable indices.

The Committee may establish any of the performance measures above computed without taking into account an amount reflected therein related to Awards under the Plan. The Committee shall explicitly state such exclusion of the Awards when establishing the material terms of the performance measure. If the performance measure (considered without this exclusion of the Awards) reflects an income tax effect of the Awards, this exclusion should reflect the corresponding income tax effects attributable thereto.

In its sole discretion in setting the performance objectives, the Committee may provide for the making of equitable adjustments in recognition of unusual or non-recurring events, transactions and accruals, such as (a) asset write-downs, (b) litigation or claim judgments or settlements, (c) changes in tax laws, accounting principles, or other laws or provisions affecting reported results, (d) any reorganization and restructuring programs, (e) acquisitions, mergers, or divestitures (including non-recurring transaction-related expenses); (f) securities offerings; and (g) other special charges or extraordinary items as approved by the Committee, in its sole discretion.

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

- (a) Asset impairments as described in ASC 360, Property, Plant and Equipment, as amended, revised or superseded; or
- (b) Costs associated with exit or disposal activities as described in ASC 420, Exit or Disposal Cost Obligations, as amended, revised or superseded; or
- (c) Impairment charges (excluding the amortization thereof) related to goodwill or other intangible assets, as described in ASC 350, Intangibles — Goodwill and Other, as amended, revised or superseded; or
- (d) Integration costs related to all merger and acquisition activity of the Company and/or its Affiliates, including, without limitation, any merger, acquisition, reverse merger, triangular merger, tender offer, consolidation, amalgamation, arrangement, security exchange, business combination or any other purchase or sale involving the Company and/or its Affiliates (or foreign equivalent of any of the foregoing); or
- (e) Transaction costs related to all merger and acquisition activity of the Company and/or its Affiliates, including, without limitation, any merger, acquisition, reverse merger, triangular merger, tender offer, consolidation, amalgamation, arrangement, security exchange, business combination or any other purchase or sale involving the Company and/or its Affiliates (or foreign equivalent of any of the foregoing); or
- (f) Any profit or loss attributable to the business operations of a specified segment as described in ASC 280, Segment Reporting, as amended, revised or superseded; or
- (g) Any profit or loss attributable to a specified segment as described in ASC 280, Segment Reporting, as amended, revised or superseded acquired during the Performance Period or an entity or entities acquired during the Performance Period to which the performance goal relates; or
- (h) Any tax settlement(s) with a tax authority; or
- (i) Any gains and losses that are treated as unusual in nature or infrequent in their occurrence as described in ASC 225-20, Income Statement — Unusual or Infrequently Occurring Items, as amended, revised or superseded; or
- (j) Any other non-recurring items, any events or transactions that do not constitute ongoing operations, or other non-GAAP financial measures (not otherwise listed); or

- (k) Any change in accounting principle as described in ASC 250-10, Accounting Changes and Error Corrections, as amended, revised or superseded; or
- (l) Unrealized gains or losses on investments in debt and equity securities as described in ASC 320, Investments — Debt and Equity Securities, as amended, revised or superseded; or
- (m) Any gain or loss recognized as a result of derivative instrument transactions or other hedging activities as described in ASC 815, Derivatives and Hedging, as amended, revised or superseded; or
- (n) Stock-based compensation charges as described in ASC 718, Compensation — Stock Compensation and ASC 505-50, Equity Based Payments to Non Employees, as amended, revised or superseded; or
- (o) Any gain or loss as reported as a component of other comprehensive income as described in ASC 220, Comprehensive Income, as amended, revised or superseded; or
- (p) Any expense (or reversal thereof) as a result of incurring an obligation for a direct or indirect guarantee, as described in ASC 460, Guarantees, as amended, revised or superseded; or
- (q) Any gain or loss as the result of the consolidation of a variable interest entity as described in ASC 810, Consolidation, as amended, revised or superseded; or
- (r) Any expense, gain or loss (including, but not limited to, judgments, interest on judgments, settlement amounts, attorneys' fees and costs, filing fees, experts' fees, and damages sustained as a result of the imposition of injunctive relief) as a result of claims, litigation or lawsuit settlement (including collective actions or class action lawsuits); or
- (s) Any charges associated with the early retirement of debt; or
- (t) The relevant tax effect(s) of tax laws or regulations, or amendments thereto, that become effective after the beginning of the applicable Performance Period.

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

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

**10.6 Form and Timing of Payment of Performance Shares, Performance Share Units, and Performance Units.** Payment of earned Performance Shares, Performance Share Units, and/or Performance Units shall be as determined by the Committee and as evidenced in the Award Agreement. Subject to the terms of this Plan, the Committee, in its sole discretion, may pay earned Performance Shares, Performance Share Units, and/or Performance Units in the form of cash or in Shares (or in a combination thereof) equal to the value of the earned Performance Shares, Performance Share Units, and/or Performance Units at the close of the applicable Performance Period, but no later than the fifteenth (15<sup>th</sup>) day of the third month after the year in which the Performance Period ended. Any Shares may be granted subject to any restrictions

deemed appropriate by the Committee. The determination of the Committee with respect to the form of payout of such Awards shall be set forth in the Award Agreement pertaining to the grant of the Award.

**10.7 Minimum Vesting Conditions.** All Awards of Performance Shares, Performance Share Units, and Performance Units shall have a minimum vesting period of one year from the date of its grant, with no vesting prior to the first anniversary of the grant date; except that this minimum vesting condition need not apply (i) in the case of the death, disability or Retirement of the Participant or termination of employment of a Participant in connection with a Change of Control, and (ii) with respect to up to an aggregate of 5% of the shares of Stock authorized under the Plan, which may be granted (or regranted upon forfeiture) in any form permitted under the Plan without regard to such minimum vesting requirements.

**10.8 Deferral Rights.** The Committee may, in accordance with the requirements of Code Section 409A, permit an Employee or Director to elect to defer any Award of Performance Shares, Performance Share Units and/or Performance Units. Any deferral of Performance Shares shall be converted into a deferred Performance Share Unit. Any deferral of Performance Shares, Performance Share Units and/or Performance Units shall be evidenced by a deferral election form containing such terms and conditions not inconsistent with this Plan or Code Section 409A as the Committee shall determine, including customary representations, warranties and covenants with respect to securities law matters. Any Dividend Equivalent Rights provided a Participant with respect to deferred Performance Shares, Performance Share Units or Performance Units shall be subject to Article 16 (*Dividend-Equivalent Rights*).

#### Article 11. Cash-Based Awards and Other Stock-Based Awards

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

**11.2 Other Stock-Based Awards.** The Committee, at any time and from time to time, may grant to Eligible Individuals other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted Shares) in such amounts and subject to such terms and conditions, as the Committee shall determine. Such Awards may involve the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States. Notwithstanding the foregoing, in no event may more than an aggregate of 5% of the shares of Stock authorized under the Plan be granted as an Other Stock-Based Award that is not subject to a minimum vesting period of one year from the date of its grant (or 50 weeks for an Other Stock-Based Award granted to a Nonemployee Director at the regular annual meeting of shareholders that vests at the next regular annual meeting of shareholders).

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

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

#### Article 12. Nonemployee Director Awards

The Board or a committee of the Board shall determine all Awards to Nonemployee Directors. The terms and conditions of any grant to any such Nonemployee Director shall be set forth in an Award

Agreement. Nonemployee Directors, pursuant to this Article 12 (*Nonemployee Director Awards*), may be awarded, or may be permitted to elect to receive, pursuant to the procedures established by the Board or a committee of the Board, all or any portion of their annual retainer, meeting fees or other fees in Shares, Restricted Stock, Restricted Stock Units, Deferred Stock Units or other Awards as contemplated by this Plan in lieu of cash. Notwithstanding Section 4.4 (*Shares Subject to this Plan and Award Limitations/Annual Award Limits*), a Nonemployee Director may not receive equity-based Awards under this Plan in any one Plan Year which have an aggregate grant date “fair value” that exceeds five hundred thousand dollars (\$500,000), with fair value determined under applicable accounting standards. All Awards to Nonemployee Directors shall have a minimum vesting period of one year from the date of its grant (or 50 weeks for an Award granted to a Nonemployee Director at the regular annual meeting of shareholders that vests at the next regular annual meeting of shareholders); except that this minimum vesting condition need not apply (i) in the case of the death, disability or Retirement of the Participant or termination of employment of a Participant in connection with a Change of Control, and (ii) with respect to up to an aggregate of 5% of the shares of Stock authorized under the Plan, which may be granted (or regranted upon forfeiture) in any form permitted under the Plan without regard to such minimum vesting requirements.

#### Article 13. Transferability of Awards

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

#### Article 14. Impact of Termination of Employment or Service on Awards

**14.1 In General.** Unless otherwise determined by the Committee and set forth in the Award Agreement, upon a Participant’s Termination of Employment or Service with or to the Company or an Affiliate, for any reason whatsoever, except as otherwise set forth in this Article 14 (*Impact of Termination of Employment or Service on Awards*), in an Award Agreement or, with the consent of such individual, as determined by the Committee at any time prior to or after such termination, Awards granted to such Participant will be treated as follows:

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

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

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

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

**14.2 Upon Termination of Employment or Service in Connection with a Change in Control.** Except as otherwise provided in an Award Agreement, upon a Termination of Employment or Service in connection with a change in control, Awards granted to a Participant will be treated as set forth in Article 19 (*Change in Control*).

**14.3 Bona Fide Leave.** Notwithstanding the fact that a Participant’s employment ostensibly terminates and except as otherwise provided in an Award Agreement, if the Participant is on a bona fide leave of absence, as defined in Treas. Reg. Section 1.409A-1(h)(1), then the Participant will be treated as

having a continuing employment relationship (and not as having terminated employment for purposes of this Plan) so long as the period of the leave does not exceed six (6) months, or if longer, so long as the Participant retains a right to reemployment with the Company or an Affiliate under an applicable statute or by contract.

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

#### Article 15. Substitution Awards

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

#### Article 16. Dividend-Equivalent Rights

Any Participant selected by the Committee may be granted Dividend-Equivalent Rights (in connection with any Award other than an Option of SAR) based on the dividends declared on Shares that are subject to the Award to which they relate, to be accrued as of dividend payment dates, during the period between the date the Award is granted and the date the Award is exercised, vests or expires, as determined by the Committee. Such Dividend-Equivalent Rights shall be converted to cash or additional Shares by such formula and at such time and subject to such limitations as may be determined by the Committee. Notwithstanding the foregoing or any provision of the Plan to the contrary, if any Award for which Dividend-Equivalent Rights have been granted has its vesting or grant dependent upon the satisfaction of (i) a service condition, (ii) one or more performance conditions, or (iii) both a service condition and one or more performance conditions, then such Dividend-Equivalent Rights shall be subject to the same performance conditions and service conditions, as applicable, as the underlying Award. For purposes of clarity, no amount shall be paid or settled in connection with a Dividend-Equivalent Right until the underlying Award has become vested. Under no circumstances may Dividend-Equivalent Rights be granted for any Option or SAR.

#### Article 17. Beneficiary Designation

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

#### Article 18. Rights of Participants

**18.1 Employment/Service.** Nothing in this Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or its Affiliates to terminate any Participant's employment or service on the Board or to the Company or its Affiliates at any time or for any reason, nor confer upon any Participant any right to continue his employment or service as a Director or Third Party Service Provider for any



specified period of time. Neither an Award nor any benefits arising under this Plan shall constitute an employment contract with the Company or any of its Affiliates and, accordingly, subject to Article 3 (*Administration*) and Article 20 (*Amendment, Modification, Suspension, and Termination*), this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to any liability on the part of the Company or its Affiliates. Nothing contained herein shall be deemed to alter the relationship between the Company or an Affiliate and a Participant, or the contractual relationship between a Participant and the Company or an Affiliate if there is a written contract regarding such relationship.

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

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

#### Article 19. Change in Control

**19.1 Impact of Event.** Notwithstanding any other provision of the Plan to the contrary and unless otherwise specifically provided in an Award Agreement, but subject to Section 4.4 (*Shares Subject to this Plan and Award Limitations/Adjustments in Authorized Shares*), in the event of a Change in Control and where the Participant incurs a separation from service (as defined in Code Section 409A) within the thirty (30) days preceding or the twenty-four (24) months following the Change in Control:

- (a) Any Options and SARs outstanding as of the date of such Change in Control and not then exercisable shall become fully exercisable to the full extent of the original grant;
- (b) All remaining Restriction Periods shall be accelerated and any remaining restrictions applicable to any Restricted Stock Awards shall lapse and such Restricted Stock shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant;
- (c) All remaining Restriction Periods shall be accelerated and any remaining restrictions applicable to any Restricted Stock Units shall lapse and such Restricted Stock Units shall become free of all restrictions and become fully vested and redeemed to the full extent of the original grant (i.e., the Restriction Period shall lapse);
- (d) Any performance goal or other condition with respect to any Performance Units, Performance Shares, and Performance Share Units shall be deemed to have been satisfied in an amount equal to the greater of (i) the target number of Performance Units, Performance Shares, or Performance Share Units or (ii) the actual performance earned as measured on the date of the Change in Control; and the Common Shares or cash subject to such Award shall be fully distributable;
- (e) Any remaining restrictions, performance goals or other conditions with respect to any Deferred Stock Units shall lapse and such Deferred Stock Unit shall be deemed to have been satisfied in full and in the case of performance goals, as if target was achieved, and the Common Shares or cash subject to such Award shall be fully distributable; and
- (f) Any Cash-Based Awards and Other Stock-Based Awards outstanding as of the date of such Change in Control and not then vested shall vest to the full extent of the original grant, and shall be fully distributable.

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

**19.2 Effect of Code Section 280G.** Except as otherwise provided in the Award Agreement or any other written agreement between the Participant and the Company or any Affiliate in effect on the date of



the Change in Control, if the sum (or value) due under Section 19.1 (*Change in Control/Impact of Event*) that are characterizable as parachute payments, when combined with other parachute payments attributable to the same Change in Control, constitute “excess parachute payments” as defined in Code Section 280G(b)(1), the entity responsible for making those payments or its successor or successors (collectively, “Payor”) will reduce the Participant’s benefits under the Plan by the smaller of (a) the value of the sum or the value of the payments due under Section 19.1 (*Change in Control/Effect of Code Section 280G*), or (b) the amount necessary to ensure that the Participant’s total “parachute payment” as defined in Code Section 280G(b)(2)(A) under the Plan and all other agreements will be \$1.00 less than the amount that would generate an excise tax under Code Section 4999. Any reduction pursuant to this Section 19.2 (*Change in Control/Effect of Code Section 280G*) shall be first applied against parachute payments (as determined above) that are not subject to Code Section 409A and, thereafter, shall be applied against all remaining parachute payments (as determined above) subject to Code Section 409A on a pro rata basis.

## Article 20. Amendment, Modification, Suspension, and Termination

**20.1 Amendment, Modification, Suspension, and Termination.** Subject to Section 20.3 (*Amendment, Modification, Suspension, and Termination/Awards Previously Granted*) and Section 20.5 (*Amendment, Modification, Suspension, and Termination/Repricing Prohibition*), the Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate this Plan and/or any Award Agreement in whole or in part; provided, however, that no material amendment of this Plan shall be made without shareholder approval if shareholder approval is required by law, regulation, or stock exchange rule.

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

**20.3 Awards Previously Granted.** Notwithstanding any other provision of this Plan to the contrary (other than Section 20.4 (*Amendment, Modification, Suspension, and Termination/Amendment to Conform to Law*)), no termination, amendment, suspension, or modification of this Plan or an Award Agreement shall adversely affect in any material way any Award previously granted under this Plan, without the written consent of the Participant holding such Award.

**20.4 Amendment to Conform to Law.** Notwithstanding any other provision of this Plan to the contrary, the Board of Directors may amend the Plan or an Award Agreement, to take effect retroactively or otherwise, as deemed necessary or advisable for the purpose of (a) conforming the Plan or an Award Agreement to any present or future law relating to plans of this or similar nature (including, but not limited to, Code Section 409A to the extent applicable), and to the administrative regulations and rulings promulgated thereunder; (b) permitting the Company or its Affiliates to receive a tax deduction under applicable law; or (c) avoiding an expense charge to the Company or its Affiliates. By accepting an Award under this Plan, a Participant consents to any amendment made pursuant to this Section 20.4 (*Amendment, Modification, Suspension, and Termination/Amendment to Conform to Law*) to any Award granted under the Plan without further consideration or action.

**20.5 Repricing Prohibition.** Except to the extent (a) approved by the Company’s shareholders, or (b) provided in Section 4.4 (*Shares Subject to this Plan and Award Limitations/Adjustments in Authorized Shares*), the Committee shall not have the power or authority to (i) reduce, whether through amendment or otherwise, the Exercise Price or the Grant Price of any outstanding Option or SAR; (ii) grant any new Option or SAR with a lower Exercise Price or Grant Price, as applicable, in substitution for or upon cancellation of an Option or SAR, or (iii) grant any new Award, or make any cash or in-kind payment, in substitution for or upon the cancellation of any Option or SAR at a time when the Exercise Price of the Option or the Grant Price of the SAR being substituted or cancelled is greater than the current Fair Market Value of a Share.

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

#### Article 21. Withholding

**21.1 Tax Withholding.** The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, the minimum statutory amount, or such higher withholding elected by the Participant provided that such higher withholding would not have a negative accounting impact for the Company, to satisfy federal, state, provincial, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of this Plan. As soon as practicable after the date as of which the amount first becomes includible in the gross income of the Participant (but no later than the last business day of the calendar quarter during which the amount first becomes includible in gross income), the Participant shall pay to the Company or an Affiliate (or other entity identified by the Committee), or make arrangements satisfactory to the Company or other entity identified by the Committee regarding the payment of any federal, state, provincial, or local taxes of any kind (including any employment taxes) required by law to be withheld with respect to such income. The obligations of the Company under this Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Participant, or such higher withholding elected by the Participant provided that such higher withholding would not have a negative accounting impact for the Company

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

#### Article 22. Successors

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

#### Article 23. General Provisions

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

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

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

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

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

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

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

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

- (a) Determine which Affiliates shall be covered by this Plan;
- (b) Determine which Employees, Directors and/or Third Party Service Providers outside the United States are eligible to participate in this Plan;
- (c) Modify the terms and conditions of any Award granted to Employees, Directors and/or Third Party Service Providers outside the United States to comply with applicable foreign laws;
- (d) Establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 23.8 (*General Provisions/Employees Based Outside of the United States*) by the Committee shall be attached to this Plan document as appendices; and
- (e) Take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local government regulatory exemptions or approvals.

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

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

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

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

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

**23.13 Compliance with Code Section 409A.**

(a) **In General.** The Plan is intended to be administered in a manner consistent with the requirements, where applicable, of Code Section 409A. All Award Agreements shall be construed and administered such that the Award either (i) qualifies for an exemption from the requirements of Code Section 409A or (ii) satisfies the requirements of Code Section 409A. To the extent that any provision of the Plan or an Award Agreement would cause a conflict with the requirements of Code Section 409A, or would cause the administration of the Plan or an Award to fail to satisfy the requirements of Code Section 409A, such provision shall be deemed amended to the extent practicable to avoid adverse tax consequences under Code Section 409A for the Participant (including his or her beneficiaries). In no event shall a Participant, directly or indirectly, designate the calendar year in which payment, distribution or settlement, as applicable, of an Award subject to Code Section 409A is made, except in accordance with Code Section 409A. Notwithstanding any provision in this Plan to the contrary, neither the Company nor the Committee shall have any liability to any person in the event such Code Section 409A applies to any Award in a manner that results in adverse tax consequences for the Participant or any of his or her beneficiaries.

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

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

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

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

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



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

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

**23.17 Offset.** Subject to the requirements of Code Section 409A, if applicable, (a) any amounts owed to the Company or an Affiliate by a Participant of whatever nature up to the fullest extent permitted by applicable law may be offset by the Company from the value of any Award to be transferred to the Participant, and (b) no Shares, cash or other thing of value under the Plan or an Award Agreement shall be transferred unless and until all disputes between the Company and the Participant have been fully and finally resolved and the Participant has waived all claims to such against the Company and its Affiliates. However, no waiver of any liability (or the right to apply the offset described in this Section 23.17 (*General Provisions/Offset*)) may be inferred because the Company pays an Award to a Participant with an outstanding liability owed to the Company or an Affiliate.

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

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

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

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

Company's Articles of Incorporation or Code of Regulations, by contract, as a matter of law, or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

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

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

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-K**

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

For the fiscal year ended February 1, 2020

or

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

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

Commission File Number 001-08897

**BIG LOTS INC**

(Exact name of registrant as specified in its charter)

Ohio  
(State or other jurisdiction of incorporation or organization)

06-1119097  
(I.R.S. Employer Identification No.)

4900 E. Dublin-Granville Road, Columbus, Ohio  
(Address of principal executive offices)

43081  
(Zip Code)

(614) 278-6800  
(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Shares \$0.01 par value	BIG	New York Stock Exchange

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

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the Common Shares held by non-affiliates of the Registrant (assuming for these purposes that all executive officers and directors are "affiliates" of the Registrant) was \$960,187,737 on August 3, 2019, the last business day of the Registrant's most recently completed second fiscal quarter (based on the closing price of the Registrant's Common Shares on such date as reported on the New York Stock Exchange).

The number of the Registrant's common shares, \$0.01 par value, outstanding as of March 27, 2020, was 39,166,689.

**Documents Incorporated by Reference**

Portions of the Registrant's Proxy Statement for its 2020 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

**BIG LOTS, INC.**  
**FORM 10-K**  
**FOR THE FISCAL YEAR ENDED FEBRUARY 1, 2020**

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## Part I

### Item 1. Business

#### The Company

Big Lots, Inc., an Ohio corporation, through its wholly owned subsidiaries (collectively referred to herein as “we,” “us,” and “our” except as used in the reports of our independent registered public accounting firm included in Item 8 of this Annual Report on Form 10-K (“Form 10-K”)), is a discount retailer operating in the United States (“U.S.”) (see the discussion below under the caption “Merchandise”). At February 1, 2020, we operated a total of 1,404 stores and an e-commerce platform. Our mission is to help people live BIG and save LOTS. Our vision is to be the BIG difference for a better life by delivering unmatched value through surprise and delight, by building a “Best Places to Work” culture, by rewarding shareholders with consistent growth and top tier returns, and by doing good as we do well. Our values are leading with our core customer (whom we refer to as Jennifer), treating all like friends, succeeding together, and playing to win.

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

<b>Fiscal Year</b>	<b>Number of Weeks</b>	<b>Year Begin Date</b>	<b>Year End Date</b>
2020	52	February 2, 2020	January 30, 2021
2019	52	February 3, 2019	February 1, 2020
2018	52	February 4, 2018	February 2, 2019
2017	53	January 29, 2017	February 3, 2018
2016	52	January 31, 2016	January 28, 2017
2015	52	February 1, 2015	January 30, 2016

We manage our business on the basis of one segment: discount retailing. We evaluate and report overall sales and merchandise performance based on the following key merchandising categories: Furniture, Seasonal, Soft Home, Food, Consumables, Hard Home, and Electronics, Toys, & Accessories. The Furniture category includes our upholstery, mattress, case goods, and ready-to-assemble departments. The Seasonal category includes our Christmas trim, lawn & garden, summer, and other holiday departments. The Soft Home category includes our fashion bedding, utility bedding, bath, window, decorative textile, home organization, area rugs, home décor, and frames departments. The Food category includes our beverage & grocery, candy & snacks, and specialty foods departments. The Consumables category includes our health, beauty and cosmetics, plastics, paper, chemical, and pet departments. The Hard Home category includes our small appliances, table top, food preparation, stationery, greeting cards, and home maintenance departments. The Electronics, Toys, & Accessories category includes our electronics, toys, jewelry, apparel, and hosiery departments.

In May 2001, Big Lots, Inc. was incorporated in Ohio and was the surviving entity in a merger with Consolidated Stores Corporation. By virtue of the merger, Big Lots, Inc. succeeded to all the businesses, properties, assets, and liabilities of Consolidated Stores Corporation.

Our principal executive offices are located at 4900 E. Dublin-Granville Road, Columbus, Ohio 43081, and our telephone number is (614) 278-6800.

## Merchandise

We focus our merchandise strategy on being the authority on price and value to Jennifer in all of our merchandise categories. We utilize traditional sourcing methods and in certain merchandise categories also take advantage of closeout channels to enhance our ability to offer outstanding value. We evaluate our product offerings using a rating process that measures the quality, brand, fashion, and value of each item. This process requires us to focus our product offering decisions on our customer's expectations and enables us to compare the potential performance of traditionally-sourced merchandise, either domestic or import, to closeout merchandise, which is generally sourced from production overruns, packaging changes, discontinued products, order cancellations, liquidations, returns, and other disruptions in the supply chain of manufacturers. We believe that focusing on our customers' expectations has improved our ability to provide a desirable assortment of offerings in our merchandise categories.

## Real Estate

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

	2019	2018	2017	2016	2015
Stores open at the beginning of the year	1,401	1,416	1,432	1,449	1,460
Stores opened during the year	54	32	24	9	9
Stores closed during the year	(51)	(47)	(40)	(26)	(20)
Stores open at the end of the year	1,404	1,401	1,416	1,432	1,449

For additional information about our real estate strategy, see the discussion under the caption "Operating Strategy - Real Estate" in the accompanying "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") in this Form 10-K.

The following table details our U.S. stores by state at February 1, 2020:

Alabama	29	Maine	6	Ohio	97
Arizona	34	Maryland	26	Oklahoma	18
Arkansas	11	Massachusetts	22	Oregon	15
California	151	Michigan	45	Pennsylvania	68
Colorado	18	Minnesota	1	Rhode Island	1
Connecticut	14	Mississippi	14	South Carolina	34
Delaware	5	Missouri	23	Tennessee	47
Florida	105	Montana	3	Texas	112
Georgia	51	Nebraska	3	Utah	8
Idaho	6	Nevada	12	Vermont	4
Illinois	33	New Hampshire	6	Virginia	39
Indiana	44	New Jersey	28	Washington	27
Iowa	3	New Mexico	11	West Virginia	15
Kansas	7	New York	64	Wisconsin	9
Kentucky	40	North Carolina	71	Wyoming	2
Louisiana	21	North Dakota	1		
				<b>Total stores</b>	<b>1,404</b>
				<b>Number of states</b>	<b>47</b>

Of our 1,404 stores, 33% operate in four states: California, Texas, Florida, and Ohio, and net sales from stores in these states represented 34% of our 2019 net sales. We have a concentration in these states based on their size, population, and customer base.

## **Associates**

At February 1, 2020, we had approximately 34,000 active associates comprised of 10,500 full-time and 23,500 part-time associates. Approximately 69% of the associates we employed during 2019 were employed on a part-time basis. Temporary associates hired for the holiday selling season increased the total number of associates to a peak of approximately 35,900 in 2019. We consider our relationship with our associates to be good, and we are not a party to any labor agreements.

## **Competition**

We operate in the highly competitive retail industry. We face strong sales competition from other general merchandise, discount, food, furniture, arts and crafts, and dollar store retailers, which operate in traditional brick and mortar stores and/or online. Additionally, we compete with a number of companies for retail site locations, to attract and retain quality employees, and to acquire our broad merchandising assortment from vendors. We operate an e-commerce platform which faces additional competition from a wider range of retailers in a highly competitive marketplace, where we compete for customers, fulfillment capabilities, and technological innovation.

## **Purchasing**

The goal of our merchandising strategy is to be the authority on price and value to Jennifer in all of our merchandise categories. Accordingly, we source our merchandise through both closeout opportunities and planned purchases to provide Jennifer with both the surprise and delight of closeouts and the consistency of staple product offerings. Over the past few years, we have expanded our planned purchases in the Food, Consumables, Soft Home, and Furniture merchandise categories to provide a merchandise assortment that our customers expect us to consistently offer in our stores at a significant value. In addition, the sourcing and purchasing of quality closeout merchandise directly from manufacturers and other vendors, typically at prices lower than those paid by traditional discount retailers, continues to represent an important element of our business model. We believe that our strong vendor relationships and our strong credit profile support this sourcing model. We expect that the unpredictability of the retail and manufacturing environments coupled with what we believe is our significant purchasing power position will continue to support our ability to source quality closeout merchandise at competitive prices in these categories.

In connection with the implementation of our merchandising strategy, we have expanded the role of our global sourcing department, and assessed our overseas vendor relationships. We expect our import partners to responsibly source goods that our merchandising teams identify as having our desired mix of quality, fashion, and value. During 2019, we purchased approximately 24% of our merchandise directly from overseas vendors, including approximately 17% from vendors located in China. Additionally, a significant amount of our domestically-purchased merchandise is manufactured abroad. As a result, a significant portion of our merchandise supply is subject to certain risks described in “Item 1A. Risk Factors” of this Form 10-K.

## **Warehouse and Distribution**

The majority of our merchandise offerings are processed for retail sale and distributed to our stores from five regional distribution centers located in Alabama, California, Ohio, Oklahoma, and Pennsylvania. During the fourth quarter of 2019, we operated six distribution centers while we transitioned our Rancho Cucamonga, California distribution center operations to our new Apple Valley, California distribution center. During 2015, we announced our intention to open a new distribution center in California and relocate our existing California distribution operations to this facility. We completed construction of the new facility in 2019 and began transitioning our operations to the new distribution center in the fourth quarter of 2019. We completed the transition during early 2020 and subsequently closed our Rancho Cucamonga, California distribution center.

We select the locations of our distribution centers to help manage transportation costs and to minimize the distance from distribution centers to our stores. While certain of our merchandise vendors deliver directly to our stores, the large majority of our inventory is staged and delivered from our distribution centers to facilitate prompt and efficient distribution and transportation of merchandise to our stores and help maximize our sales and inventory turnover.

In addition to our regional distribution centers that handle store merchandise, we operate two warehouses within our Ohio distribution center. One warehouse distributes fixtures and supplies to our stores and our five regional distribution centers and the other warehouse supplements our fulfillment center for our e-commerce operations.

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

## **Advertising and Promotion**

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

Over the past few years, we have refined our brand identity to accentuate our friendly service and community orientation. We focus on serving Jennifer with a friendly approach and positive shopping experience. Our community-oriented approach to retailing includes “doing good as we do well”, which means supporting both local and national causes that aid the communities in which we do business. On a local level, we invest and support our associates throughout our geographic regions with our point of sale campaigns, and the positive impacts those campaigns generate for our foundation partners. We serve the community on a national level through our Big Lots Foundation which focuses on healthcare, housing, hunger, and education. We believe our approach to retailing differentiates us from the competition and allows us to make a difference in the communities we serve.

In all of our markets, we design and distribute printed advertising circulars, through newspaper insertions and mailings. In 2019, we distributed multi-page circulars representing 29 weeks of advertising coverage, which was one additional circular compared to 2018. We create regional versions of these circulars to tailor our advertising message to market differences caused by product availability, climate, and customer preferences. Our customer database is an important marketing tool that allows us to communicate in a cost-effective manner with our customers, including e-mail delivery of our circulars. In 2017, we rolled out our new rewards program, BIG Rewards, which replaced our former Buzz Club Rewards<sup>®</sup> program. The BIG Rewards program rewards our customers for making frequent and high-ticket purchases and offers a special birthday surprise. At February 1, 2020, our BIG Rewards program included over 19 million active members who had made a purchase in our stores in the last 12 months.

Another element of our marketing approach focuses on brand management by communicating our message directly to Jennifer through social and digital media outlets, including Facebook<sup>®</sup>, Instagram<sup>®</sup>, Twitter<sup>®</sup>, Pinterest<sup>®</sup>, and YouTube<sup>®</sup>. Our marketing program also employs a traditional television campaign, which combines strategic branding and promotional elements used in most of our other marketing media. Our highly-targeted media placement strategy uses strategically selected networks and programs aired by national cable providers as the foundation of our television advertising. In addition, we use in-store promotional materials, including in-store signage, to emphasize special bargains and significant values offered to our customers. Total advertising expense as a percentage of total net sales was 1.8%, 1.8%, and 1.7% in 2019, 2018, and 2017, respectively.

## **Seasonality**

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



The following table sets forth the seasonality of net sales and operating profit (loss) for 2019, 2018, and 2017 by fiscal quarter:

	First	Second	Third	Fourth
<b>Fiscal Year 2019</b>				
Net sales as a percentage of full year	24.3%	23.5%	21.9%	30.3%
Operating profit as a percentage of full year <sup>(a)</sup>	7.7	3.9	50.9	37.5
<b>Fiscal Year 2018</b>				
Net sales as a percentage of full year	24.2%	23.3%	22.0%	30.5%
Operating profit (loss) as a percentage of full year	20.8	15.7	(4.4)	67.9
<b>Fiscal Year 2017</b>				
Net sales as a percentage of full year	24.6%	23.2%	21.1%	31.1%
Operating profit as a percentage of full year	26.5	15.9	1.9	55.7

(a) The third quarter of 2019 included a gain on sale of distribution center of \$178.5 million, which significantly increased third quarter operating profit as a percentage of full year in comparison to 2018 and 2017.

### Available Information

We make available, free of charge, through the “Investor Relations” section of our website ([www.biglots.com](http://www.biglots.com)) under the “SEC Filings” caption, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), as well as our definitive proxy materials filed pursuant to section 14 of the Exchange Act, as soon as reasonably practicable after we file such material with, or furnish it to, the Securities and Exchange Commission (“SEC”). These filings are also available on the SEC’s website at <http://www.sec.gov>. The contents of our website are not incorporated into, or otherwise made a part of, this Form 10-K.

### Item 1A. Risk Factors

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

This Form 10-K and in our 2019 Annual Report to Shareholders contain forward-looking statements that set forth anticipated results based on management’s plans and assumptions. From time to time, we also provide forward-looking statements in other materials we release to the public and in oral statements that may be made by us. Such forward-looking statements give our current expectations or forecasts of future events. They do not relate strictly to historical or current facts. Such statements are commonly identified by using words such as “anticipate,” “estimate,” “approximate,” “expect,” “objective,” “goal,” “project,” “intend,” “plan,” “believe,” “will,” “should,” “may,” “target,” “forecast,” “guidance,” “outlook,” and similar expressions in connection with any discussion of future operating or financial performance. In particular, forward-looking statements include statements relating to future actions, future performance, or results of current and anticipated products, sales efforts, expenses, interest rates, the outcome of contingencies, such as legal proceedings, and financial results.

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

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

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

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

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

There is a risk that we will be unable to meet or exceed our operating performance targets and goals in the future if our strategies and initiatives are unsuccessful. Our ability to both refine our operating and strategic plans and execute the business activities associated with our refined operating and strategic plans, including cost savings initiatives, could impact our ability to meet our operating performance targets. Additionally, we must be able to effectively adjust our operating and strategic plans over time to adapt to an ever-changing marketplace. See the MD&A in this Form 10-K for additional information concerning our operating strategy.

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

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

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

With the saturation of mobile computing devices, competition from other retailers in the online retail marketplace is very high and growing. Certain of our competitors, and a number of pure online retailers, have established online operations against which we compete for customers and products. It is possible that the competition in the online retail space may reduce our market share, gross margin, and operating margin, and may materially adversely affect our business and results of operations in other ways. Our operations include an e-commerce platform and a buy online pick up in store service to enhance our omnichannel experience. Operating an e-commerce platform is a complex undertaking and there is no guarantee that the resources we have applied to this effort will result in increased revenues or improved operating performance. If our online retailing initiatives do not meet our customers' expectations, the initiatives may reduce our customers' desire to purchase goods from us both online and at our brick and mortar stores and may materially adversely affect our business and results of operations.

***Our inability to properly manage our inventory levels and offer merchandise that meets changing customer demands may materially impact our business and financial performance.***

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

***We rely on manufacturers located in foreign countries, including China, for significant amounts of merchandise, including a significant amount of our domestically-purchased merchandise. Our business may be materially adversely affected by risks associated with international trade, including the impact of tariffs recently imposed by the U.S. with respect to certain consumer goods imported from China and the impact of the novel coronavirus outbreak.***

Global sourcing of many of the products we sell is an important factor in driving higher operating profit. During 2019, we purchased approximately 24% of our products directly from overseas vendors, including 17% from vendors located in China. Additionally, a significant amount of our domestically-purchased merchandise is manufactured abroad. Our ability to identify qualified vendors and to access products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced outside of the U.S. Global sourcing and foreign trade involve numerous risks and uncertainties beyond our control, including increased shipping costs, increased import duties, more restrictive quotas, loss of most favored nation trading status, currency and exchange rate fluctuations, work stoppages, transportation delays, economic uncertainties such as inflation, foreign government regulations, political unrest, natural disasters, war, terrorism, trade restrictions and tariffs (including retaliation by the U.S. against foreign practices or by foreign countries against U.S. practices), the financial stability of vendors, or merchandise quality issues. U.S. policy on trade restrictions is ever-changing and may result in new laws, regulations, or treaties that increase the costs of importing goods and/or limit the scope of available foreign vendors. These and other issues affecting our international vendors could materially adversely affect our business and financial performance.

On March 22, 2018, President Trump, pursuant to Section 301 of the Trade Act of 1974, directed the U.S. Trade Representative (“USTR”) to impose tariffs on \$50 billion worth of imports from China. Incremental tariffs of 25% on products valued at \$34 billion (“List 1”) and \$16 billion (“List 2”) went into effect on July 6, 2018 and August 23, 2018, respectively. On September 24, 2018, a 10% incremental tariff went into effect with respect to another \$200 billion worth of imports from China (“List 3”). On May 10, 2019, the USTR announced that the List 3 tariffs would increase to 25% for all List 3 goods. On August 20, 2019, the USTR published the List 4 tariffs, specifying that 10% duties would be imposed in two stages, with List 4A effective on September 1, 2019 (representing goods worth approximately \$110 billion), and List 4B effective on December 15, 2019 (representing goods worth approximately \$155 billion). On August 30, 2019, the USTR increased the List 4 tariff rate from 10% to 15% effective on September 1, 2019. On September 3, 2019, the USTR published notice of its intention to increase the incremental tariffs for Lists 1 through 3 from 25% to 30% on October 1, 2019, but on October 11, 2019, it was announced that this increase would be delayed until further notice. On December 15, 2019, tariffs on List 4A were reduced from 15% to 7.5% and tariffs on List 4B were indefinitely delayed.

During the past eleven months, the USTR has granted “exclusions” from the Section 301 tariffs for certain products on Lists 1 through 4; these exclusions have been both product-specific as well as more general. The exclusion request process for Lists 1 through 4 is closed. Some products imported by Big Lots were impacted by exclusions pertaining to Lists 2, 3 and 4. The USTR has indicated that all exclusion requests for Lists 1 and 2 have been reviewed. The List 3 and 4 exclusion requests are still under review by the USTR. While the exclusions grant the importers of record the opportunity to seek the return of the Section 301 tariffs paid with respect to the excluded product retroactively to their effective date, the granted exclusions currently expire approximately eleven to thirteen months after their retroactive effective dates. There has been no definitive indication that the Section 301 tariff exclusions will be extended. Although the USTR has opened up public comment on whether to extend various exclusions, the USTR has yet to formalize any process for extending the current exclusions. The USTR has stated that it continues to review exclusion requests for Lists 3 and 4 and will issue decisions on pending exclusion requests on a periodic basis.

The majority of our products and components of our products imported from China are currently subject to Lists 1 through 4. As a result, we are continually evaluating the potential impact of the effective and proposed tariffs on our supply chain, costs, sales, and profitability, and are considering strategies to mitigate such impact, including reviewing sourcing options, exploring first sale valuation strategies, filing requests for exclusion from the tariffs with the USTR for certain product lines, and working with our vendors and merchants. Given the volatility and uncertainty regarding the scope and duration of these tariffs, as well as the potential for additional trade actions by the U.S. or other countries, the impact on our operations and results is uncertain and could be significant. We can provide no assurance that any strategies we implement to mitigate the impact of such tariffs or other trade actions will be successful. To the extent that our supply chain, costs, sales, or profitability are negatively affected by the tariffs or other trade actions, our business, financial condition and results of operations may be materially adversely affected.

In December 2019, Chinese officials reported a novel coronavirus outbreak (COVID-19). The COVID-19 coronavirus has since spread throughout China and internationally, which led to the declaration by the World Health Organization that the COVID-19 coronavirus is a pandemic. Spread of COVID-19 has led to widespread factory shutdowns and general supply chain disruption in China, the U.S., and other parts of the world, including factories and supply chains that produce our retail merchandise, supplies, and fixtures. To the extent our supply chain and/or costs are negatively affected by the outbreak, including delayed shipment of seasonally sensitive product offerings, our business, financial condition, results of operations, and liquidity may be materially adversely affected.

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

We rely on our ability to replenish depleted merchandise inventory through deliveries to our distribution centers and from the distribution centers to our stores by various means of transportation, including shipments by sea, rail and truck carriers. A decrease in the capacity of carriers (e.g., trans-Pacific freight carrier bankruptcies) and/or labor strikes, disruptions or shortages in the transportation industry could negatively affect our distribution network, our timely receipt of merchandise and/or transportation costs. In addition, long-term disruptions to the U.S. and international transportation infrastructure from wars, political unrest, terrorism, natural disasters, pandemic diseases, governmental budget constraints and other significant events that lead to delays or interruptions of service could adversely affect our business. Also, a fire, earthquake, or other disaster at one of our distribution centers could disrupt our timely receipt, processing and shipment of merchandise to our stores which could adversely affect our business. Additionally, as we seek to expand our operation through the implementation of our online retail capabilities, we may face increased or unexpected demands on distribution center operations, as well as new demands on our distribution network. Furthermore, as we relocate our distribution center operations in California, we may experience (1) increased selling and administrative expenses associated with the transition during 2020, and (2) initial operational challenges as we adopt new automation technologies. Lastly, the COVID-19 coronavirus pandemic could lead to the shutdown of parts, or all, of our distribution network and generally disrupt our ability to receipt, process, and ship merchandise to our stores.

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

In the normal course of business, we process and collect relevant data about our customers, employees and vendors. The protection of our customer, employee, vendor and company data and information is critical to us. We have implemented procedures, processes and technologies designed to safeguard our customers' debit and credit card information and other private data, our employees' and vendors' private data, and our records and intellectual property. We utilize third-party service providers in connection with certain technology related activities, including credit card processing, website hosting, data encryption and software support. We require these providers to take appropriate measures to secure such data and information and assess their ability to do so.

Despite our procedures, technologies and other information security measures, we cannot be certain that our information technology systems or the information technology systems of our third-party service providers are or will be able to prevent, contain or detect all cyberattacks, cyberterrorism, or security breaches. As evidenced by other retailers who have suffered serious security breaches, we may be vulnerable to data security breaches and data loss, including cyberattacks. A material breach of our security measures or our third-party service providers' security measures, the misuse of our customer, employee, vendor and company data or information or our failure to comply with applicable privacy and information security laws and regulations could result in the exposure of sensitive data or information, attract a substantial amount of negative media attention, damage our customer or employee relationships and our reputation and brand, distract the attention of management from their other responsibilities, subject us to government enforcement actions, private litigation, penalties and costly response measures, and result in lost sales and a reduction in the market value of our common shares. While we have insurance, in the

event we experience a material data or information security breach, our insurance may not be sufficient to cover the impact to our business, or insurance proceeds may not be paid timely.

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

***If we are unable to maintain or upgrade our computer systems or if our information technology or computer systems are damaged or cease to function properly, our operations may be disrupted or become less efficient.***

We depend on a variety of information technology and computer systems for the efficient functioning of our business. We rely on certain hardware, telecommunications and software vendors to maintain and periodically upgrade many of these systems so that we can continue to support our business. Various components of our information technology and computer systems, including hardware, networks, and software, are licensed to us by third party vendors. We rely extensively on our information technology and computer systems to process transactions, summarize results, and manage our business. Our information technology and computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyberattacks or other security breaches, obsolescence, catastrophic events such as fires, floods, earthquakes, tornados, hurricanes, acts of war or terrorism, and usage errors by our employees or our contractors. In recent years, we have begun using vendor-hosted solutions for certain of our information technology and computer systems, which are more exposed to telecommunication failures.

If our information technology or computer systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them, and we may suffer loss of critical data and interruptions or delays in our operations as a result. Any material interruption experienced by our information technology or computer systems could negatively affect our business and results of operations. Costs and potential interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of our existing systems could disrupt or reduce the efficiency of our business.

***Declines in general economic conditions, disposable income levels, and other conditions, such as unseasonable weather or pandemic diseases, could lead to reduced consumer demand for our merchandise, thereby materially affecting our revenues and gross margin.***

Our results of operations can be directly impacted by the health of the U.S. economy. Our business and financial performance may be adversely impacted by current and future economic conditions, including factors that may restrict or otherwise negatively impact consumer financing, disposable income levels, unemployment levels, energy costs, interest rates, recession, inflation, tax reform, natural disasters, pandemic diseases, or terrorist activities and other matters that influence consumer spending. Specifically, our Soft Home, Hard Home, Furniture and Seasonal merchandise categories may be threatened when disposable income levels are negatively impacted by economic conditions, such as the significant rise in U.S. unemployment in March 2020 related to the impacts of the COVID-19 coronavirus. The COVID-19 coronavirus has rapidly spread throughout the U.S., which could negatively impact consumer shopping habits for an unknown duration of time. It is impossible to predict the effect and ultimate impact of the COVID-19 pandemic as the situation is rapidly evolving. Additionally, the net sales of cyclical product offerings in our Seasonal category may be threatened when we experience extended periods of unseasonable weather. Inclement weather can also negatively impact our Furniture category, as many customers transport the product home personally. In particular, the economic conditions and weather patterns of four states (California, Texas, Florida, and Ohio) are important as approximately 33% of our current stores operate and 34% of our 2019 net sales occurred in these states.

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

We are exposed to the risk that new federal or state legislation, including new product safety and hazardous material laws and regulations, may negatively impact our operations and adversely affect our operating performance. Changes in product safety legislation or regulations may lead to product recalls and the disposal or write-off of merchandise, as well as fines or penalties and reputational damage. If our merchandise and food products do not meet applicable governmental safety standards or our customers' expectations regarding quality or safety, we could experience lost sales, increased costs and be exposed to legal and reputational risk.

In addition, if we discard or dispose of our merchandise, particularly that which is non-salable, in a fashion that is inconsistent with jurisdictional standards, we could expose ourselves to certain fines and litigation costs related to hazardous material regulations. Our inability to comply on a timely basis with regulatory requirements, execute product recalls in a timely manner, or consistently implement waste management standards, could result in fines or penalties which could have a material adverse effect on our financial results. In addition, negative customer perceptions regarding the safety of the products we sell could cause us to lose market share to our competitors. If this occurs, it may be difficult for us to regain lost sales.

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

From time to time, we are involved in lawsuits and regulatory actions, including various collective, class action or shareholder derivative lawsuits that are brought against us for alleged violations of the Fair Labor Standards Act, state wage and hour laws, sales tax and consumer protection laws, False Claims Act, federal securities laws and environmental and hazardous waste regulations. Due to the inherent uncertainties of litigation, we may not be able to accurately determine the impact on us of any future adverse outcome of such proceedings. The ultimate resolution of these matters could have a material adverse impact on our financial condition, results of operations, and liquidity. In addition, regardless of the outcome, these proceedings could result in substantial cost to us and may require us to devote substantial attention and resources to defend ourselves. For a description of certain current legal proceedings, see note 9 to the accompanying consolidated financial statements.

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

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

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

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



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

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

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

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

***If our investments in our Store of the Future remodel program and other store projects are not favorably received by our customers, our financial performance may be negatively affected.***

We have embarked upon a significant capital improvement project to renovate a meaningful portion of our stores through our Store of the Future remodel program. This multi-year program could be the largest capital improvement program in our corporate history. Additionally, our operating strategies include other store fixturing projects that require significant capital investments to execute. If we are unable to effectively manage the execution of these programs and efficiently utilize our capital expenditures, our financial position, results of operations, and liquidity may be negatively affected.

***If we are unable to comply with the terms of the 2018 Credit Agreement, our capital resources, financial condition, results of operations, and liquidity may be materially adversely effected.***

We may need to borrow funds under our \$700 million five-year unsecured credit facility (“2018 Credit Agreement”) from time to time, depending on operating or other cash flow requirements. The 2018 Credit Agreement contains financial and other covenants, including, but not limited to, limitations on indebtedness, liens, and investments, as well as the maintenance of a leverage ratio and a fixed charge coverage ratio. A severe short-term economic downturn, potentially brought on by the COVID-19 coronavirus, may challenge our ability to maintain compliance with these covenants. Additionally, we are subject to cross-default provisions under the synthetic lease agreement (the “Synthetic Lease”) that we entered in connection with our new distribution center in California. A violation of any of these covenants may permit the lenders to restrict our ability to borrow additional funds, provide letters of credit under the 2018 Credit Agreement and may require us to immediately repay any outstanding loans. Our failure to comply with these covenants may have a material adverse effect on our capital resources, financial condition, results of operations, and liquidity.

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

We are required by accounting rules to periodically assess our property and equipment and intangible assets for impairment and recognize an impairment loss, if necessary. In performing these assessments, we use our historical financial performance to determine whether we have potential impairments or valuation concerns and as evidence to support our assumptions about future financial performance. A significant decline in our financial performance could negatively affect the results of our assessments of the recoverability of our property and equipment, deferred tax assets, and our intangible assets and trigger the impairment of these assets. Impairment charges taken against property and equipment and intangible assets could be material and could have a material adverse impact on our capital resources, financial condition, results of operations, and liquidity.

*A potential proxy contest for the election of directors at our annual meeting could result in potential operational disruption, divert our resources and management's attention and have an adverse effect on our business.*

On March 6, 2020, Macellum Capital Management and Ancora Advisors nominated nine candidates for election to our Board of Directors at our 2020 annual meeting of shareholders. A contested election could require us to incur substantial legal and public relations fees and proxy solicitation expenses and divert management's attention, and could result in potential operational disruption. Further, any perceived uncertainties as to our future direction and control could result in the loss of potential business opportunities and may make it more difficult to attract and retain qualified employees, any of which could adversely affect our business and operating results. Any perceived uncertainties could also adversely affect the price and volatility of our stock.

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

- Changes in governmental laws, case law and regulations, including changes that increase our effective tax rate, comprehensive tax reform, or other matters related to taxation;
- Changes in accounting standards, including new interpretations and updates to current standards;
- A downgrade in our credit rating could negatively affect our ability to access capital or increase our borrowing costs;
- Events or circumstances could occur which could create bad publicity for us or for the types of merchandise offered in our stores which may negatively impact our business results including our sales;
- Fluctuating commodity prices, including but not limited to diesel fuel and other fuels used by utilities to generate power, may affect our gross profit and operating profit margins;
- Infringement of our intellectual property, including the Big Lots trademarks, could dilute their value; and
- Other risks described from time to time in our filings with the SEC.

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

None.

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

##### **Retail Operations**

All of our stores are located in the U.S., predominantly in strip shopping centers, and have an average store size of approximately 32,400 square feet, of which an average of 22,600 is selling square feet. For additional information about the properties in our retail operations, see the discussion under the caption "Real Estate" in "Item 1. Business" and under the caption "Real Estate" in MD&A in this Form 10-K.

The average cost to open a new store in a leased facility during 2019 was approximately \$1.8 million, including the cost of construction, fixtures, and inventory. All of our stores are leased, except for the 52 stores we own in the following states:

<b>State</b>	<b>Stores Owned</b>
Arizona	1
California	37
Colorado	3
Florida	3
Louisiana	1
Michigan	1
New Mexico	2
Ohio	1
Texas	3
<b>Total</b>	<b>52</b>

Additionally, we own one closed site which we are not operating and is available for sale. Since this owned site is no longer operating as an active store, it has been excluded from our store counts since February 2, 2019.

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

The following table summarizes the number of store lease expirations in each of the next five fiscal years and the total thereafter. As stated above, many of our store leases have renewal options. The table also includes the number of leases that are scheduled to expire each year that do not have a renewal option. The table includes leases for stores with more than one lease and leases for stores not yet open and excludes 10 month-to-month leases and 52 owned locations.

<b>Fiscal Year:</b>	<b>Expiring Leases</b>	<b>Leases Without Options</b>
2020	223	40
2021	259	57
2022	202	42
2023	221	43
2024	190	26
Thereafter	251	12

### Warehouse and Distribution

At February 1, 2020, we owned approximately 7.6 million square feet of distribution center and warehouse space in four distribution facilities and leased approximately 2.8 million square feet of distribution center and warehouse space in two distribution facilities. We typically operate five regional distribution centers strategically located in the United States. At February 1, 2020, we occupied and operated six regional distribution centers while we transitioned our Rancho Cucamonga, California distribution center operations to our new Apple Valley, California distribution center. The regional distribution centers utilize warehouse management technology, which we believe enables highly accurate and efficient processing of merchandise from vendors to our retail stores. The combined output of our regional distribution centers was approximately 2.3 million merchandise cartons per week in 2019. Certain vendors deliver merchandise directly to our stores when it supports our operational goal to deliver merchandise from our vendors to the sales floor in the most efficient manner. We operate our e-commerce fulfillment center out of our Columbus, Ohio warehouse.

Distribution centers and warehouse space, and the corresponding square footage of the facilities, by location at February 1, 2020, were as follows:

<b>Location</b>	<b>Year Opened</b>	<b>Total Square Footage</b>	<b>Number of Stores Served</b>
<i>(Square footage in thousands)</i>			
Columbus, OH	1989	3,559	321
Montgomery, AL	1996	1,411	305
Tremont, PA	2000	1,295	304
Durant, OK	2004	1,297	220
Apple Valley, CA	2019	1,416	80
Rancho Cucamonga, CA	1984	1,423	174
<b>Total</b>		<b>10,401</b>	<b>1,404</b>

On October 30, 2019, we completed the sale of our distribution center located in Rancho Cucamonga, California. As part of our agreement with the purchaser, we are leasing the property back from the purchaser for six months while we wind down our operations at the distribution center. In February 2020, we completed the wind down of our operations in the Rancho Cucamonga, California distribution center and terminated our leaseback agreement. For further information on the sale, see note 10 to the accompanying consolidated financial statements.

## Corporate Office

In 2018, we moved our corporate headquarters to a new leased facility within Columbus, Ohio. In 2019, we exercised our purchase option to acquire our headquarters facility and completed the purchase transaction in October 2019.

### Item 3. Legal Proceedings

Item 103 of SEC Regulation S-K requires that we disclose actual or known contemplated legal proceedings to which a governmental authority and we are each a party and that arise under laws dealing with the discharge of materials into the environment or the protection of the environment, if the proceeding reasonably involves potential monetary sanctions of \$100,000 or more.

For a discussion of certain litigated matters, also see note 9 to the accompanying consolidated financial statements.

### Item 4. Mine Safety Disclosures

None.

### Supplemental Item. Executive Officers of the Registrant

Our executive officers at March 31, 2020 were as follows:

Name	Age	Offices Held	Officer Since
Bruce K. Thorn	52	President and Chief Executive Officer	2018
Lisa M. Bachmann	58	Executive Vice President, Chief Merchandising and Operating Officer	2002
Andrej Mueller	43	Executive Vice President, Strategy	2019
Jonathan E. Ramsden	55	Executive Vice President, Chief Financial Officer and Chief Administrative Officer	2019
Ronald A. Robins, Jr.	56	Executive Vice President, General Counsel and Corporate Secretary	2015
Michael A. Schlonsky	53	Executive Vice President, Human Resources	2000
Stephen M. Haffer	54	Senior Vice President, Chief Customer Officer	2018
Nicholas E. Padovano	56	Senior Vice President, Store Operations	2014

*Bruce K. Thorn* is our President and Chief Executive Officer. Before joining Big Lots in September 2018, he served as President and Chief Operating Officer of Tailored Brands, Inc., a leading specialty retailer of men's tailored clothing and formalwear. Bruce also held various enterprise-level roles with PetSmart, Inc., most recently as Executive Vice President, Store Operations, Services and Supply Chain, as well as leadership positions with Gap, Inc., Cintas Corp, LESCO, Inc. and The United States Army.

*Lisa M. Bachmann* is responsible for merchandising and global sourcing, merchandise presentation, supply chain, and merchandise planning and allocation. Ms. Bachmann was promoted to Executive Vice President, Chief Merchandising and Operating Officer in August 2015, at which time she assumed responsibility for merchandising and global sourcing. Prior to that, Ms. Bachmann was promoted to Executive Vice President, Chief Operating Officer in August 2012 and Executive Vice President, Supply Chain Management and Chief Information Officer in March 2010. Ms. Bachmann joined us as Senior Vice President, Merchandise Planning, Allocation and Presentation in March 2002.

*Andrej Mueller* is responsible for business strategy. Mr. Mueller joined us in October 2019 as Executive Vice President, Business Strategy. Prior to joining us, Mr. Mueller was a partner and managing director at Boston Consulting Group. He has over 15 years of experience in the consumer products sector across a broad range of categories including personal care, snacks, beverages, cheese and dairy, and durable goods. He has worked in both developed and developing trade environments in Western and Eastern Europe, Russia, the Middle East, South Africa, and Latin America.

*Jonathan E. Ramsden* is responsible for financial reporting and controls, financial planning and analysis, treasury, risk management, tax, internal audit, investor relations, real estate, and asset protection. Mr. Ramsden joined us in August 2019 as Executive Vice President, Chief Financial Officer and Chief Administrative Officer. Prior to joining us, Mr. Ramsden served for over seven years with Abercrombie & Fitch Co., as Chief Financial Officer and then later Chief Operating Officer. Additionally, Mr. Ramsden spent 10 years as Chief Financial Officer of TBWA Worldwide, a global marketing services group, after having served as Controller of TBWA's parent, Omnicom Group Inc.

*Ronald A. Robins, Jr.* is responsible for legal affairs and compliance. Mr. Robins was promoted to Executive Vice President, General Counsel and Corporate Secretary in September 2019. Prior to that, Mr. Robins served as Senior Vice President, General Counsel and Corporate Secretary. Prior to joining us, Mr. Robins was a partner at Vorys, Sater, Seymour and Pease LLP and also previously served as General Counsel, Chief Compliance Officer, and Secretary of Abercrombie & Fitch Co., an apparel retailer.

*Michael A. Schlonsky* is responsible for talent management and oversight of human resources. He was promoted to Executive Vice President in August 2015. He was promoted to Senior Vice President, Human Resources in August 2012 and promoted to Vice President, Associate Relations and Benefits in 2010. Prior to that, Mr. Schlonsky was promoted to Vice President, Associate Relations and Risk Management in 2005. Mr. Schlonsky joined us in 1993 as Staff Counsel and was promoted to Director, Risk Management in 1998, and to Vice President, Risk Management and Administrative Services in 2000.

*Stephen M. Haffer* is responsible for customer engagement, and messaging touchpoints, including marketing, advertising, brand development and e-commerce. Mr. Haffer joined us in 2018 as Senior Vice President, Chief Customer Officer. Prior to joining us, Mr. Haffer was an executive at American Signature, Inc., the parent company for Value City Furniture and American Signature Home stores, where he served in a number of roles over a 25-year career spanning marketing, e-commerce, information technology and business development, leading up to his appointment as Chief Innovation Officer in 2016.

*Nicholas E. Padovano* is responsible for store operations. Mr. Padovano joined us in 2014 as Senior Vice President, Store Operations. Prior to joining us, Mr. Padovano was an executive at the Hudson Bay Company, a department store retailer, where he was responsible for store operations of the Bay and Zellers brands. Additionally, Mr. Padovano served as Head of Stores, Distribution and Supply Chain for Lowes Canada, a home improvement retailer.

## Part II

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

Our common shares are listed on the New York Stock Exchange (“NYSE”) under the symbol “BIG.”

The following table sets forth information regarding our repurchase of common shares during the fourth fiscal quarter of 2019:

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

<b>Period</b>	<b>(a) Total Number of Shares Purchased <sup>(1)</sup></b>	<b>(b) Average Price Paid per Share <sup>(1)</sup></b>	<b>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</b>
November 3, 2019 - November 30, 2019	—	\$ 21.10	—	\$ —
December 1, 2019 - December 28, 2019	—	23.93	—	—
December 29, 2019 - February 1, 2020	—	29.86	—	—
Total	—	\$ 22.99	—	\$ —

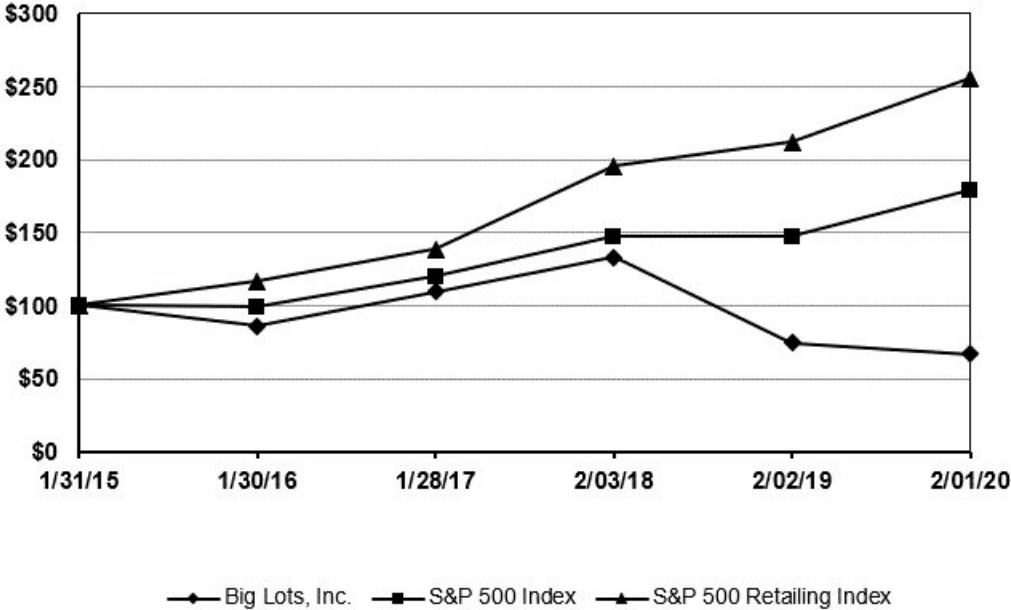
- (1) In November 2019, December 2019 and January 2020, in connection with the vesting of certain outstanding restricted stock units, we acquired 101, 129, and 10 of our common shares, respectively, which were withheld to satisfy minimum statutory income tax withholdings.

At the close of trading on the NYSE on March 27, 2020, there were approximately 721 registered holders of record of our common shares.



The following graph and table compares, for the five fiscal years ended February 1, 2020, the cumulative total shareholder return for our common shares, the S&P 500 Index, and the S&P 500 Retailing Index. Measurement points are the last trading day of each of our fiscal years ended January 30, 2016, January 28, 2017, February 3, 2018, February 2, 2019 and February 1, 2020. The graph and table assume that \$100 was invested on January 31, 2015, in each of our common shares, the S&P 500 Index, and the S&P 500 Retailing Index and reinvestment of any dividends. The stock price performance on the following graph and table is not necessarily indicative of future stock price performance.

**Comparison of Cumulative Five Year Total Return**



Indexed Returns						
Years Ended						
Company / Index	Base Period					
	January 2015	January 2016	January 2017	January 2018	January 2019	January 2020
Big Lots, Inc.	\$ 100.00	\$ 85.92	\$ 109.66	\$ 132.74	\$ 74.27	\$ 66.94
S&P 500 Index	100.00	99.33	120.06	147.48	147.40	179.17
S&P 500 Retailing Index	\$ 100.00	\$ 116.80	\$ 138.46	\$ 195.65	\$ 211.74	\$ 255.38

## Item 6. Selected Financial Data

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

<i>(In thousands, except per share amounts and store counts)</i>	Fiscal Year				
	2019 <sup>(a)</sup>	2018 <sup>(a)</sup>	2017 <sup>(b)</sup>	2016 <sup>(a)</sup>	2015 <sup>(a)</sup>
Net sales	\$ 5,323,180	\$ 5,238,105	\$ 5,264,362	\$ 5,193,995	\$ 5,190,582
Cost of sales (exclusive of depreciation expense shown separately below)	3,208,498	3,116,210	3,121,920	3,094,576	3,123,442
Gross margin	2,114,682	2,121,895	2,142,442	2,099,419	2,067,140
Selling and administrative expenses	1,823,409	1,778,416	1,723,996	1,730,956	1,708,499
Depreciation expense	134,981	124,970	117,093	120,460	122,854
Gain on sale of distribution center	(178,534)	—	—	—	—
Operating profit	334,826	218,509	301,353	248,003	235,787
Interest expense	(16,827)	(10,338)	(6,711)	(5,091)	(3,683)
Other income (expense)	(451)	(558)	712	1,387	(5,254)
Income before income taxes	317,548	207,613	295,354	244,299	226,850
Income tax expense	75,084	50,719	105,522	91,471	83,977
Net income	\$ 242,464	\$ 156,894	\$ 189,832	\$ 152,828	\$ 142,873
Earnings per common share - basic:	\$ 6.18	\$ 3.84	\$ 4.43	\$ 3.37	\$ 2.83
Earnings per common share - diluted:	\$ 6.16	\$ 3.83	\$ 4.38	\$ 3.32	\$ 2.80
<b>Weighted-average common shares outstanding:</b>					
Basic	39,244	40,809	42,818	45,316	50,517
Diluted	39,351	40,962	43,300	45,974	50,964
<b>Cash dividends declared per common share</b>	\$ 1.20	\$ 1.20	\$ 1.00	\$ 0.84	\$ 0.76
<b>Balance sheet data:</b>					
Total assets <sup>(c)</sup>	\$ 3,189,281	\$ 2,023,347	\$ 1,651,726	\$ 1,607,707	\$ 1,640,370
Working capital <sup>(c)</sup>	193,129	489,443	432,365	315,784	315,984
Cash and cash equivalents	52,721	46,034	51,176	51,164	54,144
Long-term debt	279,464	374,100	199,800	106,400	62,300
Shareholders' equity	\$ 845,464	\$ 693,041	\$ 669,587	\$ 650,630	\$ 720,470
<b>Cash flow data:</b>					
Cash provided by operating activities	\$ 338,970	\$ 234,060	\$ 250,368	\$ 311,925	\$ 342,352
Cash used in investing activities	\$ (74,480)	\$ (376,473)	\$ (156,508)	\$ (84,701)	\$ (113,193)
<b>Store data:</b>					
Total gross square footage	45,453	44,500	44,638	44,570	44,914
Total selling square footage	31,705	31,217	31,399	31,519	31,775
Stores open at end of the fiscal year	1,404	1,401	1,416	1,432	1,449

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

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

(c) In 2019, we adopted Accounting Standards Update 2016-02, *Leases (Topic 842)*. As such, 2019 includes right-of-use assets and operating lease liabilities and is not comparable to the other fiscal years presented.

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

### Overview

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

Our fiscal year ends on the Saturday nearest to January 31, which results in some fiscal years with 52 weeks and some with 53 weeks. Fiscal year 2019 and 2018 were comprised of 52 weeks. Fiscal year 2017 was comprised of 53 weeks. Fiscal year 2020 will be comprised of 52 weeks.

### Operating Results Summary

The following are the results from 2019 that we believe are key indicators of our financial condition and results of operations when compared to 2018.

- Net sales increased \$85.1 million, or 1.6%.
- Comparable store sales for stores open at least fifteen months, including e-commerce, increased \$17.3 million, or 0.3%.
- Gross margin dollars decreased \$7.2 million, while gross margin rate declined 80 basis points to 39.7% of net sales.
- Selling and administrative expenses increased \$45.0 million. As a percentage of net sales, selling and administrative expenses increased 30 basis points to 34.3% of net sales.
- We recorded a gain on sale of distribution center of \$178.5 million related to the sale of our distribution center located in Rancho Cucamonga, California, which increased our operating profit by \$178.5 million and increased our diluted earnings per share by approximately \$3.47 per share.
- Operating profit rate increased 210 basis points to 6.3%.
- Diluted earnings per share increased 60.8% to \$6.16 per share, compared to \$3.83 per share in 2018.
- Our return on invested capital increased to 21.2% from 16.3%.
- Inventory of \$921.3 million represented a \$48.3 million decrease, or 5.0%, from 2018.
- We acquired approximately 1.3 million of our outstanding common shares for \$50.0 million, under our 2019 Repurchase Program (as defined below in “Capital Resources and Liquidity”).
- We declared and paid four quarterly cash dividends in the amount of \$0.30 per common share, for a total paid amount of approximately \$48.4 million.

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

	2019	2018	2017
Net sales	100.0%	100.0%	100.0%
Cost of sales (exclusive of depreciation expense shown separately below)	60.3	59.5	59.3
Gross margin	39.7	40.5	40.7
Selling and administrative expenses	34.3	34.0	32.7
Depreciation expense	2.5	2.4	2.2
Gain on sale of distribution center	(3.4)	0.0	0.0
Operating profit	6.3	4.2	5.7
Interest expense	(0.3)	(0.2)	(0.1)
Other income (expense)	(0.0)	(0.0)	0.0
Income before income taxes	6.0	4.0	5.6
Income tax expense	1.4	1.0	2.0
Net income	4.6%	3.0%	3.6%

See the discussion below under the caption “2019 Compared To 2018” for additional details regarding the specific components of our operating results. See our Form 10-K for the year ended February 2, 2019 for a comparison of operating results for 2018 to operating results for 2017.

In 2019, our cost of sales includes a \$6.0 million charge for impairment of inventory in our greeting cards department, which we chose to exit in the first quarter of 2019. Additionally, our selling and administrative expenses include \$38.3 million of costs associated with our transformational restructuring initiative, which we refer to as “Operation North Star”, announced in the first quarter of 2019 and \$7.3 million in estimated costs associated with employee wage and hour claims brought against us in the state of California.

In 2018, our selling and administrative expenses include \$7.0 million of costs associated with the retirement of our former chief executive officer and \$3.5 million of costs associated with the settlement of shareholder litigation, which is described in further detail in note 10 to the accompanying consolidated financial statements.

In 2017, our selling and administrative expenses include recoveries of \$3.0 million from our insurance carriers related to a legal matter. Additionally, our income tax expense reflects a \$4.5 million charge for the impact of the Tax Cuts and Jobs Act of 2017 related to our net deferred tax position and a \$3.5 million benefit for the reduction in our federal tax rate.

## **Operating Strategy**

In late 2018 into early 2019, the Company conducted a comprehensive review of its operating strategy. The outcome of the review was a plan for a strategic transformation, which we refer to as “Operation North Star”.

### ***Operation North Star***

Operation North Star has three primary objectives:

- Drive profitable long-term growth;
- Fund the journey; and
- Create long-term shareholder value.

### ***Drive profitable long-term growth***

The “drive profitable long-term growth” objective of Operation North Star is focused on a series of initiatives to grow our net sales, including:

- Strengthen our home offerings (“Home”), which spans our Furniture, Seasonal, and Soft Home merchandise categories, as a destination for Jennifer;
- Grow store traffic through various traffic driver initiatives;
- Continue responsible investment in our “Store of the Future” growth platform and other store presentation initiatives;
- Grow our store count, which increased in 2019 for the first time since 2012; and
- Grow our e-commerce sales, including buy online pick up in store (“BOPIS”) activities.

### ***Fund the journey***

The “fund the journey” objective of Operation North Star is focused on a series of initiatives to reduce costs so we can invest those savings in the growth areas of our business. Those initiatives include:

- Restructure our field and corporate headquarters teams to streamline our leadership structure, reduce overhead costs, and align our resources with Operating North Star objectives;
- Restructure our store management structure to better serve Jennifer and optimize overall payroll hours; and
- Analyze our purchasing habits and vendor agreements for retail merchandise and other goods and services to ensure we are maximizing our buying power and making cost-effective decisions.

Additionally, we continue to evolve our supply chain capabilities and we have established several enablement workstreams to ensure we have the technology and processes in place to achieve our “drive profitable long-term growth” and “fund the journey” objectives.

### ***Create long-term shareholder value***

The “create long-term shareholder value” objective is the culmination of our “drive profitable long-term growth” and “fund the journey” objectives. If we effectively execute the first two objectives of Operation North Star, we believe that we will deliver value to our shareholders through earnings growth over time.

## *Merchandising*

We focus our merchandising strategy on being the authority on price and value to Jennifer in all of our merchandise categories and by providing a merchandise assortment that surprises and delights her. Under Operation North Star, our merchandising strategy is also focused on strengthening our Home offerings. Home is an area where we believe Jennifer gives us the right to play and where we believe we can play to win.

Strengthening Home begins with growth of our own brands, particularly the Broyhill® brand, an iconic brand that we acquired in 2018. We launched the Broyhill® brand of product offerings in late 2019 with initial product offerings in our Furniture, Seasonal, Soft Home, and Hard Home merchandise categories. Available both in-store and online, we believe the Broyhill® assortment strengthens our Home assortment with a high-quality product offering at a value-based price that Jennifer finds attractive. We plan to launch an expanded assortment of Broyhill® products in 2020.

We believe our merchandising strategies for Furniture, Seasonal, and Soft Home position us to surprise and delight Jennifer with our Home offerings:

- Our Furniture category primarily focuses on being a destination for our core customer’s home furnishing needs, such as upholstery, mattresses, case goods, and ready-to-assemble. In Furniture, we believe our competitive advantage is attributable to our sourcing relationships, our in-store availability, and everyday value offerings. A significant majority of our offerings in this category consist of replenishable products sold under our own brands or sourced from recognized brand-name manufacturers. Our long-standing relationships with certain brand-name manufacturers, most notably in our mattresses and upholstery departments, allow us to work directly with them to create product offerings specifically for us, which enables us to provide a high-quality product at a competitive price. Additionally, we believe our “buy today, take home today” practice of carrying in-stock inventory of our core furniture offerings, which allows Jennifer to take home her purchase at the end of her shopping experience, positively differentiates us from our competition. We encourage Jennifer to shop and buy our products online anytime and anywhere, and we invite her into our stores to touch and feel the quality and comfort of our products. We believe that offering a focused assortment, which is displayed in furniture vignettes, provides Jennifer a solution for decorating her home when combined with our home décor offerings. Supplementing our merchandising and presentation strategies, we provide multiple third-party financing options for our customers who may be more challenged for approval in traditional credit channels. Our financing partners are solely responsible for the credit approval decisions and carry the financial risk.
- Our Seasonal category strengthens Home with our patio furniture, gazebos, and Christmas trim departments. We believe we have a competitive advantage in this category by offering trend-right products with a strong value proposition in our own brands. We have a large selection of samples assembled and displayed throughout the seasonal section of our store and have packaged the box stock so that it is very easy for Jennifer to purchase and take home. Much of this merchandise is sourced on an import basis, which allows us to maintain our competitive pricing. Additionally, our Seasonal category offers a mix of departments and products that complement her outdoor experience and holiday decorating desires. We continue to work with our vendors to expand the product assortment in our Seasonal category to respond to Jennifer’s evolving wants and needs.
- Our Soft Home category complements our Furniture and Seasonal categories in making our stores a destination for a broader range of Home needs. Over the past few years, we have enhanced our assortment in Soft Home by allocating more selling space to the category to support a wider range of replenishable, fashion-based products. We believe that we have a competitive advantage in Soft Home as a result of our trend-right, focused assortment with improved quality and perceived value, and our ability to furnish Jennifer’s home with décor that complements an in-store furniture purchase. We have worked to develop a “solutions” approach to complete a room through our cross-merchandising efforts, particularly color palette coordination, when combining our Soft Home offerings with our Furniture and Seasonal categories. We believe that this approach helps Jennifer envision how the product can work in her home and enhances our brand image.

We consider Food, Consumables, Hard Home, and Electronics, Toys, & Accessories as convenience categories:

- Our Food and Consumables categories focus primarily on catering to Jennifer’s daily essentials by providing reliable value, consistency, and convenience of product offerings. We believe we possess a competitive advantage in the Food and Consumables categories based on our sourcing capabilities for closeout merchandise. Manufacturers and vendors have closeout merchandise for a variety of different reasons, including other retailers canceling orders or going out of business, production overruns, or marketing or packaging changes. We believe our vendor relationships, along with our size and financial strength, afford us these opportunities. To supplement our closeout business, we have focused

on improving and expanding our brand name, “never out” product assortment to provide more consistency in those areas where Jennifer desires consistently available product offerings, such as over-the-counter medications. We believe that we have added top brands to our “never out” programs in Consumables and that our assortment and value proposition will continue to differentiate us in this highly competitive industry. Our customers have indicated they believe our Consumables assortment provides more value than our Food offerings, and as a result, we tested a reallocation of space from the Food category to the Consumables merchandise category during 2019. The results of the test were successful and we plan to reallocate space from the Food category to the Consumables category in our stores in the Store of the Future format during 2020. See discussion under the caption “Shopping Experience” below for description of our Store of the Future platform.

- We believe that our Hard Home and Electronics, Toys, & Accessories categories serve as convenient adjacencies to our other merchandise categories. Over the past few years, we have intentionally narrowed our assortments in these categories and reallocated space from these categories to our Home categories. Our product assortments in these categories focus on value, and savings in comparison to competitors, in areas such as food prep, table top, home maintenance, small appliances, and electronics.

Our merchandising management team is aligned with our merchandise categories, and their primary goal is to increase our total company comparable store sales (“comp” or “comps”). Our review of the performance of the members of our merchandising management team focuses on comps by merchandise category, as we believe it is the key metric that will drive our long-term net sales. By focusing on strengthening our Home offerings, and managing contraction in our convenience categories, we believe our merchandising management team can effectively address the changing shopping behaviors of our customers and implement more focused offerings within each merchandise category, which we believe will lead to continued comp growth.

## ***Marketing***

The top priority of our marketing activities is to increase our net sales and comps by developing our brand identity as the authority on price and value for Jennifer. Over the past few years, we have reviewed our brand identity to gain further insights into Jennifer’s perception of us and how best to improve the overall effectiveness of our marketing efforts. Our research has affirmed that Jennifer is deal-driven and comes to us for our value-priced merchandise assortment, and that she appreciates our ability to assist her in fashioning and furnishing her home so that she can enjoy the space with family and friends. We believe our strong price value perception and the surprise and delight factor in our stores enhances our ability to effectively connect with Jennifer in a way that lets her understand when shopping at Big Lots, she can afford to live Big, while saving Lots.

In an effort to align our messaging with the positive aspects of Jennifer’s perception of our brand, we have focused our marketing efforts on driving our value proposition in every season and category. We continue to increase our use of social and digital media outlets including conducting entire campaigns through these outlets (specifically on Facebook<sup>®</sup>, Instagram<sup>®</sup>, Pinterest<sup>®</sup>, Twitter<sup>®</sup>, and YouTube<sup>®</sup>), to drive an increased understanding of our value proposition with our core customer and to communicate that message to new potential customers. These outlets enable us to deliver our message directly to Jennifer and provide her with the opportunity to share direct feedback with us, which can enhance our understanding of what is most important to her and how we can improve the shopping experience in our stores.

Given our customer’s proficiency with mobile devices and digital media, we focus on communicating with her through those channels. Our BIG Rewards Program allows us to more effectively incentivize our loyal customers and encourage new membership by highlighting the significant features and benefits. Our new loyalty program rewards Jennifer with a coupon after every third purchase, a birthday surprise offer, and special rewards after large-ticket furniture purchases. Research has shown there is a direct correlation between loyal, frequent shoppers and a larger basket. We believe that growing the membership base of the BIG Rewards Program will provide more opportunities to understand and leverage customer behavior through segmentation. At February 1, 2020, our BIG Rewards Program had over 19 million active members (defined as having made a purchase in the last 12 months) and we are focused on continuing to grow the membership base of our BIG Rewards Program in 2020.

In addition to electronic, social and digital media, our marketing communication efforts involve a mix of television advertising, printed ad circulars, and in-store signage. The primary goals of our television advertising are to promote our brand and, from time to time, promote products or special discounts in our stores. We have also shifted towards using more digital streaming media in concentrated markets of our stores, which allows us to connect more deeply and frequently with Jennifer. Our printed advertising circulars and our in-store signage initiatives focus on promoting our value proposition on our unique merchandise offerings.



## *Shopping Experience*

One of the objectives of our Operation North Star growth strategy is to responsibly invest in our “Store of the Future” growth platform in markets and locations where we believe we will maximize our return on investment. In 2017, we introduced a new in-store shopping experience called Store of the Future, which more deeply incorporates our brand identity and seeks to enhance the way Jennifer shops our stores. We believe the Store of the Future concept provides a platform on which to continuously evolve our store presentation through implementation of new initiatives to drive sales growth. Staple elements of the Store of the Future platform include:

- Showcasing our most successful merchandise categories by moving our Furniture department to the front center of the prototype store with Seasonal and Soft Home on either side to improve the coordination of our home decorating solutions. We moved Food and Consumables to the back of the prototype store, while keeping them visible with clear sight lines from the entrance of the store. We have also added color coordinated way-finding signage to help Jennifer navigate our stores.
- Creating a warm and personalized tone throughout the store through improved lighting, new flooring, softening the colors on our walls, and greeting Jennifer with a “Hello” wall as she enters the store. Additionally, we have added furniture vignettes and incorporated lifestyle photography to provide visual solutions for Jennifer.
- Highlighting our focus on the community and local events. The wall behind the check-out counter thanks Jennifer for shopping us. We personalized the signage throughout the store and back room to reflect our friendly and community-oriented values.

For 2020, we plan to retrofit our existing fleet of Store of the Future layout stores to include the following new initiatives:

- In 2019, we tested traffic driving cross-category presentation opportunities by displaying certain of our product offerings in a solution format we call “The Lot.” We designed The Lot to add incremental selling space to our store layout and display items from various merchandise categories placed in vignettes to promote life's occasions, such as fall tailgating. The Lot offers surprise and delight to Jennifer by demonstrating the breadth and value of products that we offer in one convenient experience. Our expectation is to re-introduce Jennifer to the “treasure” that we offer, while removing the challenges of the “hunt” from the experience. Following a successful test, we plan to expand this concept to our stores in the Store of the Future format during 2020.
- In 2019, we also tested a new checkout experience featuring a reconfigured and streamlined queue designed to enhance customer experience, build a bigger basket supported by new and expanded convenience offerings, and create additional selling space for our Furniture merchandise category. The new checkout experience was well-received in our testing and we plan to expand this concept to our stores in the Store of the Future format during 2020.

See “Real Estate” below for the projected roll-out schedule for the Store of the Future concept.

In addition to our efforts to improve the in-store shopping experience, Operation North Star is focused on improving our e-commerce platform. Our integrated e-commerce platform had offered a narrowed assortment of our in-store offerings. In 2017, we began offering expanded fabric and color options on select products on our e-commerce platform in our Furniture and Seasonal categories, including items only available online. In 2019, we launched our BOPIS program nationwide, which has allowed for us to nearly double the available SKUs online. We expect to continue expanding our online offerings to provide a broader assortment of goods and a more complete shopping experience. We also expect to continue improving our online and in-store BOPIS experience during 2020 as our early BOPIS results support our belief that the investment in the program will allow us to capitalize on continued growth in our online traffic.

Lastly, we continue to offer a private label credit card and our Easy Leasing lease-to-own solutions for customer financing and a coverage/warranty program, focused on our Furniture and Seasonal merchandise categories, to round out Jennifer’s experience. Our private label credit card provides access to revolving credit, through a third party, for use on both larger ticket items and daily purchases. Our Easy Leasing lease-to-own program provides a single use opportunity for access to third-party financing. Our coverage/warranty program provides a method for obtaining multi-year warranty coverage for Furniture purchases.

## ***Real Estate***

Historically, we have determined that our average store size of approximately 22,000 selling square feet is appropriate for us to provide our core customer with a positive shopping experience and properly present a representative assortment of merchandise categories that our core customer finds meaningful. As we have shifted our net sales to a higher proportion of Furniture, we have chosen to gradually expand the size of our new stores to accommodate the Furniture vignettes. After studying our store design and layout in relation to the changing retail landscape and needs of our core customers and testing certain design and layout revisions, we rolled-out our Store of the Future layout to two geographic test markets in 2017. In 2018, we began converting additional stores to our Store of the Future layout and converted 164 stores through either remodels or new openings. In 2019, we remodeled an additional 207 stores and opened 54 stores in the Store of the Future layout. At the end of 2019, we operated 466 stores in the Store of the Future layout. Currently, we intend to remodel approximately 20 stores in 2020 as we retrofit our existing Store of the Future stores to include new presentation initiatives and reevaluate our market selection approach so we can focus on the markets and locations where we believe we can maximize our return on investment.

As discussed in “Item 2. Properties,” of this Form 10-K, we have 223 store leases that will expire in 2020. During 2020, we anticipate opening up to 40 new stores and closing up to 35 of our existing locations. The majority of these closings will involve the relocation of stores to improved locations within the same local market, with the balance resulting from a lack of renewal options or our belief that a location’s sales and operating profit volume are not strong enough to warrant additional investment in the location. As part of our evaluation of potential store closings, we consider our ability to transfer sales from a closing store to other nearby locations and generate a better overall financial result for the geographic market. For our remaining store locations with fiscal 2020 lease expirations, we expect to exercise our renewal option or negotiate lease renewal terms sufficient to allow us to continue operations and achieve an acceptable return on our investment. As we increase our capital investment in our stores, we have collaborated with our landlords to negotiate longer lease terms and renewal options.

## 2019 COMPARED TO 2018

### Net Sales

Net sales by merchandise category (in dollars and as a percentage of total net sales), net sales change (in dollars and percentage), and comps in 2019 compared to 2018 were as follows:

<i>(In thousands)</i>	2019		2018		Change		Comps
Furniture	\$ 1,427,129	26.8%	\$ 1,286,995	24.6%	\$ 140,134	10.9%	8.2%
Soft Home	853,434	16.0	828,451	15.8	24,983	3.0	1.7
Consumables	803,593	15.1	799,038	15.3	4,555	0.6	0.3
Seasonal	773,720	14.6	765,619	14.6	8,101	1.1	(0.1)
Food	757,351	14.2	782,988	14.9	(25,637)	(3.3)	(3.7)
Hard Home	363,006	6.8	407,596	7.8	(44,590)	(10.9)	(11.4)
Electronics, Toys, & Accessories	344,947	6.5	367,418	7.0	(22,471)	(6.1)	(7.7)
Net sales	\$ 5,323,180	100.0%	\$ 5,238,105	100.0%	\$ 85,075	1.6%	0.3%

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

Net sales increased \$85.1 million, or 1.6%, to \$5,323.2 million in 2019, compared to \$5,238.1 million in 2018. The increase in net sales was principally due to the increased net sales of our new and relocated stores compared to closed stores, and the net increase of three stores in 2019, which increased net sales by \$67.8 million. Additionally, there was a 0.3% increase in our comps, which increased net sales by \$17.3 million.

Our Furniture, Soft Home, and Consumables merchandise categories generated increased net sales and positive comps in 2019 compared to 2018:

- Our **Furniture** category experienced increased net sales and positive comps during 2019, primarily driven by the upholstery, mattresses, and case goods departments. We believe that the increases in these departments is attributable to the continued positive response of our core customer, Jennifer, to our newness of trend-right products and our lease-to-own finance offering. The new and expanded assortment of brand-name mattresses that we introduced in the third quarter of 2019 improved net sales and comps for our mattresses department. In addition, the new Broyhill® assortment that we launched in the fourth quarter of 2019 received a favorable response during late 2019.
- **Soft Home** experienced increased net sales and positive comps principally due to continued improvement in quality, assortment, and value, and an increased allocation of selling space, which resulted in increases in the home décor, bath, home organization, and flooring departments.
- The increase in net sales and comps in the **Consumables** category was driven by the housekeeping and pet departments. The increases were attributable to our new branded everyday Consumables assortments, particularly in our housekeeping department.

Our **Seasonal** category experienced an increase in net sales and a decrease in comps in 2019. The increase in net sales was driven by our summer and lawn & garden departments, which increased net sales and comps in these departments and benefited from enhanced quality and assortment range, and increased promotional activities during 2019. The decrease in Seasonal comps was due to a decrease in net sales and comps in our Christmas trim department, which was impacted by a compressed holiday calendar in 2019.

The increased net sales and positive comps in our Furniture, Soft Home, and Consumables merchandise categories were partially offset by the decreased net sales and negative comps in our Food, Hard Home, and Electronics, Toys, & Accessories merchandise categories:

- Our **Food** category experienced decreased net sales and negative comps driven by competitive pressures on our staple food offerings and the impact of our Store of the Future conversions, which places our Food merchandise at the back of the store.
- The decrease in net sales and comps in the **Electronics, Toys, & Accessories** category was due to an intentionally narrowed assortment, specifically in our electronics department, as part of the reduction in the allocation of square footage to this category due to our Store of the Future conversions.

- **Hard Home** experienced decreased net sales and negative comps as a result of gradual space reduction, as we convert stores to our Store of the Future concept, and the exit from our greeting card offering during the second quarter of 2019.

### **Gross Margin**

Gross margin dollars decreased \$7.2 million, or 0.3%, to \$2,114.7 million in 2019, compared to \$2,121.9 million in 2018. The decrease in gross margin dollars was primarily due to a lower gross margin rate, which decreased gross margin dollars by approximately \$41.7 million, partially offset by an increase in net sales, which increased gross margin dollars by approximately \$34.5 million. Gross margin as a percentage of net sales, or gross margin rate, decreased 80 basis points to 39.7% in 2019 compared to 40.5% in 2018. The gross margin rate decrease was due to a \$6.0 million impairment of inventory in our greeting cards department, which we chose to exit in the first quarter of 2019, a higher markdown rate from increased promotional activities, particularly in the fourth quarter of 2019, and a higher shrink rate compared to 2018. The decrease in gross margin rate was partially offset by a higher initial mark-up compared to 2018.

### **Selling and Administrative Expenses**

Selling and administrative expenses were \$1,823.4 million in 2019, compared to \$1,778.4 million in 2018. The increase of \$45.0 million, or 2.5%, was primarily due to \$38.3 million in costs associated with our transformational restructuring initiative, "Operation North Star," that we announced in the first quarter of 2019, store-related occupancy costs of \$23.9 million, \$12.7 million in accrued bonus expense, \$11.3 million in distribution and transportation expense, \$7.3 million in estimated costs associated with employee wage and hour claims brought against us in the state of California, and an increase in advertising expense of \$2.5 million, partially offset by store-related payroll of \$10.9 million, share-based compensation expense of \$9.1 million, store repairs and maintenance costs of \$8.3 million, the 2018 impact of both the retirement of our former chief executive officer of \$7.0 million and the \$3.5 million in charges incurred related to the settlement of shareholder and derivative litigation matters filed in 2012, and decreases in self-insurance costs of \$3.7 million. The costs associated with our transformational restructuring initiative consisted of consulting expenses and employee separation costs in our corporate headquarters and our store organization incurred during 2019. Store-related occupancy costs increased in 2019 primarily due to the impact of the adoption of a new lease accounting standard in conjunction with our Store of the Future remodel program, the impact of rent associated with leases acquired in 2018 through bankruptcy proceedings in locations that generated rent expense beginning in the first quarter of 2019, but did not open until the second and third quarters of 2019, normal rent increases for lease renewals, and the impact of right-of-use asset impairments on a few early store closings. The increase in accrued bonus expense was driven by stronger performance in 2019 relative to our quarterly and annual operating plans as compared to our performance in 2018 relative to our quarterly and annual operating plans. Distribution and transportation expense was higher than 2018 due to occupancy and pre-opening costs associated with our new California distribution center, as well as higher transportation rates. The increase in advertising cost was primarily a result of higher spend on video media advertising and social media marketing. The decrease in store-related payroll was primarily due to the strategic reorganization of our store workforce at the end of the second quarter of 2019, which optimized our store management structure to better serve our customers and resulted in a lower average wage rate and a reduction in total payroll hours. Our share-based compensation expense decreased as a result of lower attainment of the long-term target on our 2017 performance share units ("PSUs") expensed in 2019, relative to the attainment of the 2016 PSUs expensed in 2018. Our share-based compensation expense also decreased due to the lower average grant date fair value on awards expensed in 2019 compared to those recorded in 2018. The lower expense in store repairs and maintenance was driven by improved expense management. The decrease in our self-insurance costs resulted from favorable actuarial trends realized in 2019, partially offset by a decrease in the discount rate for our self-insurance reserves.

As a percentage of net sales, selling and administrative expenses increased by 30 basis points to 34.3% in 2019 compared to 34.0% in 2018. Our future selling and administrative expense as a percentage of net sales depends on many factors, including our level of net sales, and our ability to implement additional efficiencies, principally in our store and distribution center operations.

### **Depreciation Expense**

Depreciation expense increased \$10.0 million to \$135.0 million in 2019 compared to \$125.0 million in 2018. The increase was primarily driven by the continued roll-out of our Store of the Future concept, our acquisition of our new corporate headquarters, and our investment in our new California distribution center. In 2019, we extended our estimated service lives on assets in stores that we have converted to our Store of the Future concept to more accurately reflect our expected usage period and their average remaining lease term, which impacted depreciation expense. Depreciation expense as a percentage of net sales increased by 10 basis points compared to 2018.

### **Gain on Sale of Distribution Center**

The gain on sale of distribution center in 2019 was \$178.5 million, which was attributable to the sale of our distribution center in Rancho Cucamonga, California in the third quarter of 2019 in preparation for the opening of our Apple Valley, California distribution center. Proceeds from the sale were utilized to pay down outstanding debt under the 2018 Credit Agreement and to pay the remainder of the finance lease obligation, which was triggered by the exercise of our purchase option in the second quarter of 2019, of our corporate headquarters facility using a tax-deferred transaction in the third quarter of 2019.

### **Operating Profit**

Operating profit was \$334.8 million in 2019 compared to \$218.5 million in 2018. The increase in operating profit was primarily driven by the items discussed in the “Net Sales,” “Gross Margin,” “Selling and Administrative Expenses,” “Depreciation Expense,” and “Gain on Sale of Distribution Center” sections above. In summary, operating profit was driven by the gain on the sale of our distribution center and an increase in net sales, partially offset by a decrease in gross margin rate and increases in selling and administrative expenses and depreciation expense.

### **Interest Expense**

Interest expense increased \$6.5 million, to \$16.8 million in 2019 compared to \$10.3 million in 2018. The increase was primarily driven by an increase in total average borrowings and a slight increase in our average interest rate on our revolving debt under our 2018 Credit Agreement. We had total average borrowings (including finance leases) of \$461.6 million in 2019 compared to total average borrowings of \$320.1 million in 2018. The increase in total average borrowings (including finance leases) was driven by an increase of \$106.4 million in our average revolving debt balance under our 2018 Credit Agreement in 2019 as compared to 2018, which was driven by elevated capital expenditures to support our Store of the Future concept and the equipment purchases for our new California distribution center. Additionally, our total average borrowings increased due to our entry into a \$70 million term note agreement in the third quarter of 2019 (“2019 Term Note”), which increased our total average borrowings by \$33.6 million. The average interest rate on our revolving debt, which is variable based on LIBOR and our credit rating, was impacted by a slight increase in our total interest rate due to a decrease in our credit rating in the fourth quarter of 2018.

### **Other Income (Expense)**

Other income (expense) was \$(0.5) million in 2019, compared to \$(0.6) million in 2018. The change from 2018 to 2019 was related to our diesel fuel hedging contracts, driven by a change in pricing trends for diesel fuel forward contracts.

### **Income Taxes**

Our effective income tax rate in 2019 and 2018 was 23.6% and 24.4%, respectively. The effective income tax rate comparisons were significantly impacted by higher income before income taxes for 2019 compared to 2018. The decrease in the effective income tax rate was principally driven by the gain on the sale of our Rancho Cucamonga, California distribution center being taxed at a lower effective rate as that gain does not attract certain state income taxes that do not tax on a consolidated or combined basis, and lower derecognition of current year uncertain positions. The decrease in the effective income tax rate was offset by the effect of hiring-based tax credits and the absence of a favorable adjustment recognized in 2018 to the provisional amounts that we recorded for the Tax Cuts and Jobs Act of 2017.

### **2020 Guidance**

In March 2020, the World Health Organization declared the COVID-19 coronavirus a pandemic and the rapid spread of the disease throughout the U.S. has negatively impacted the U.S. economy. Due to the lack of business visibility resulting from the COVID-19 coronavirus pandemic, we are unable to reasonably estimate our 2020 financial results and cash flows at this time. During the first part of 2020, we have experienced varying levels of customer demand and uncertainty in our supply chains. Additionally, in March 2020, we began incurring incremental expenses, such as temporary store and distribution wage increases, additional store cleaning costs, and other items, and we expect to incur additional expenses through the duration of the pandemic. We believe our position as an essential retailer, which sells food, consumables, health products, and pet supplies, will allow our stores to remain open during this pandemic, and we believe our current liquidity position is strong.

## Capital Resources and Liquidity

On August 31, 2018, we entered into the 2018 Credit Agreement which provides for a \$700 million five-year unsecured credit facility. The 2018 Credit Agreement expires on August 31, 2023. Borrowings under the 2018 Credit Agreement are available for general corporate purposes and working capital. The 2018 Credit Agreement includes a \$30 million swing loan sublimit, a \$75 million letter of credit sublimit, a \$75 million sublimit for loans to foreign borrowers, and a \$200 million optional currency sublimit. The interest rates, pricing and fees under the 2018 Credit Agreement fluctuate based on our debt rating. The 2018 Credit Agreement allows us to select our interest rate for each borrowing from multiple interest rate options. The interest rate options are generally derived from the prime rate or LIBOR. We may prepay revolving loans made under the 2018 Credit Agreement. The 2018 Credit Agreement contains financial and other covenants, including, but not limited to, limitations on indebtedness, liens and investments, as well as the maintenance of two financial ratios – a leverage ratio and a fixed charge coverage ratio. Additionally, we are subject to cross-default provisions associated with the Synthetic Lease. A violation of any of the covenants could result in a default under the 2018 Credit Agreement that would permit the lenders to restrict our ability to further access the 2018 Credit Agreement for loans and letters of credit and require the immediate repayment of any outstanding loans under the 2018 Credit Agreement. At February 1, 2020, we were in compliance with the covenants of the 2018 Credit Agreement.

We use the 2018 Credit Agreement, as necessary, to provide funds for ongoing and seasonal working capital, capital expenditures, dividends, share repurchase programs, and other expenditures. In addition, we use the 2018 Credit Agreement to provide letters of credit for various operating and regulatory requirements, and if needed, letters of credit required to cover our self-funded insurance programs. Given the seasonality of our business, the amount of borrowings under the 2018 Credit Agreement may fluctuate materially depending on various factors, including our operating financial performance, the time of year, and our need to increase merchandise inventory levels prior to the peak selling season. Generally, our working capital requirements peak late in our third fiscal quarter or early in our fourth fiscal quarter. We have typically funded those requirements with borrowings under our credit facility. In 2019, our total indebtedness (outstanding borrowings and letters of credit) under the 2018 Credit Agreement peaked at approximately \$555 million in October. At February 1, 2020, we had \$229.2 million in outstanding borrowings under the 2018 Credit Agreement and \$467.9 million in borrowings available under the 2018 Credit Agreement, after taking into account the reduction in availability resulting from outstanding letters of credit totaling \$2.9 million. Working capital was \$193.1 million at February 1, 2020.

The primary source of our liquidity is cash flows from operations and, as necessary, borrowings under the 2018 Credit Agreement. Our net income and, consequently, our cash provided by operations are impacted by net sales volume, seasonal sales patterns, and operating profit margins. Our net sales are typically highest during the nine-week Christmas selling season in our fourth fiscal quarter.

Whenever our liquidity position requires us to borrow funds under the 2018 Credit Agreement, we typically repay and/or borrow on a daily basis. The daily activity is a net result of our liquidity position, which is generally driven by the following components of our operations: (1) cash inflows such as cash or credit card receipts collected from stores for merchandise sales and other miscellaneous deposits; and (2) cash outflows such as check clearings, wire transfers and other electronic transactions for the acquisition of merchandise, payment of capital expenditures, and payment of payroll and other operating expenses, income and other taxes, employee benefits, and other miscellaneous disbursements.

On August 7, 2019, we entered into the 2019 Term Note, a \$70 million term note agreement, which is secured by the equipment at our new California distribution center. The 2019 Term Note will expire on May 7, 2024. We are required to make monthly payments over the term of the 2019 Term Note and are permitted to prepay the note, subject to penalties, at any time. The interest rate on the 2019 Term Note is fixed at 3.3%. We utilized the proceeds from the 2019 Term Note to pay down outstanding borrowings under the 2018 Credit Agreement.

On March 6, 2019, our Board of Directors authorized a share repurchase program providing for the repurchase of \$50 million of our common shares (“2019 Repurchase Program”). During 2019, we exhausted this program by purchasing approximately 1.3 million of our outstanding common shares.

In 2019, we declared and paid four quarterly cash dividends of \$0.30 per common share for a total paid amount of approximately \$48.4 million.

In February 2020, our Board declared a quarterly cash dividend of \$0.30 per common share payable on April 3, 2020 to shareholders of record as of the close of business on March 20, 2020.



In March 2020, we chose to draw approximately \$200 million of additional debt under the 2018 Credit Agreement as a safeguard due to uncertainty caused by the COVID-19 coronavirus. Additionally, we are reviewing potential sources of additional external financing to augment our liquidity position.

The following table compares the primary components of our cash flows from 2019 to 2018:

<i>(In thousands)</i>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Net cash provided by operating activities	\$ 338,970	\$ 234,060	\$ 104,910
Net cash used in investing activities	(74,480)	(376,473)	301,993
Net cash (used in) provided by financing activities	\$ (257,803)	\$ 137,271	\$ (395,074)

Cash provided by operating activities increased by \$104.9 million to \$339.0 million in 2019 compared to \$234.1 million in 2018. The increase was primarily due to a \$145.1 million increase in cash inflows from inventories, a \$85.6 million increase in net income, a \$48.6 million increase in other current liabilities, and a \$47.0 million increase in our net deferred tax liabilities, partially offset by the add-back of \$178.7 million for gain on disposition of property and equipment and a \$64.4 million increase in cash outflows for accounts payable. The increase in cash inflows from inventories was primarily driven by our decision to accelerate the receipt of inventory late in 2018 to mitigate tariff concerns, which increased our inventory position at the end of 2018. As of the end of 2019, we have normalized our inventory position as we decreased our receipt of inventory throughout 2019, which generated an increase in cash inflows from inventory sales. The net income increase was principally due to the sale of our distribution center in Rancho Cucamonga, California as well as a \$85.1 million increase in net sales in 2019 compared to 2018. The increase in net income was partially offset by a reduction for the add-back of the gain on disposition of property and equipment, which was primarily related to the sale of our Rancho Cucamonga, California distribution center. The increase in other current liabilities was driven by an increase in accrued bonus expense. The increase in our net deferred tax liabilities was primarily the result of the gain on the sale of our Rancho Cucamonga, California distribution center, as we utilized a portion of the proceeds on the sale to pay the remainder of the finance lease obligation for our corporate headquarters facility, which we acquired in a tax-deferred exchange through a qualified intermediary. The cash outflows for accounts payable were directly related to our inventory levels, discussed previously, and the timing of receipts.

Cash used in investing activities decreased by \$302.0 million to \$74.5 million in 2019 compared to \$376.5 million in 2018. The decrease was primarily attributed to an increase in cash proceeds from sale of property and equipment of \$190.2 million resulting from the sale of our Rancho Cucamonga, California distribution center, decreases in assets acquired under Synthetic Lease of \$128.9 million for our new California distribution center, and payments for purchase of intangible assets of \$15.8 million, partially offset by a \$32.8 million increase in capital expenditures. The decrease in assets acquired under the synthetic lease was driven by the impact of the adoption of a new lease accounting standard, which changed the construction period considerations for the Synthetic Lease. The increase in capital expenditures was driven by continued investments in new store growth, our Store of the Future remodels, and equipment for our new California distribution center. The decrease in payments for purchase of intangible assets is due to our purchase of the Broyhill® trademark in 2018 for \$15.8 million.

Cash used in financing activities increased by \$395.1 million to \$257.8 million in 2019 compared to \$137.3 million in cash provided by financing activities in 2018. The increase in cash used in financing activities was attributable to a \$254.9 million change in cash usage for net long-term debt in 2019 compared to 2018, a decrease of \$128.9 million in proceeds from the Synthetic Lease for our California distribution center in 2018, and a \$69.6 million increase in payments of finance lease obligations. Partially offsetting the increase in cash used in financing activities was a decrease of \$50.0 million in cash used to repurchase common shares under our share repurchase programs. The decrease in net long-term debt was primarily due to the proceeds from the sale of the Rancho Cucamonga, California distribution center, a portion of which was utilized to pay down outstanding debt under the 2018 Credit Agreement. The decrease in proceeds from our Synthetic Lease was driven by the impact of the adoption of a new lease accounting standard. The increase in payments of finance lease obligations was due to our payment of the remainder of the finance lease obligation for our corporate headquarters facility in the third quarter of 2019.

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

## Contractual Obligations

The following table summarizes payments due under our contractual obligations at February 1, 2020:

<i>(In thousands)</i>	Payments Due by Period <sup>(1)</sup>				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Long-term debt <sup>(2)</sup>	\$ 298,846	\$ 16,479	\$ 31,900	\$ 250,467	\$ —
Operating lease obligations <sup>(3)(4)</sup>	1,784,103	344,290	617,727	412,737	409,349
Finance lease obligations <sup>(4)</sup>	8,909	4,664	3,991	234	20
Purchase obligations <sup>(4)(5)</sup>	856,517	706,675	106,909	33,810	9,123
Other long-term liabilities <sup>(6)</sup>	59,428	10,163	8,952	8,702	31,611
Total contractual obligations	\$ 3,007,803	\$ 1,082,271	\$ 769,479	\$ 705,950	\$ 450,103

- (1) The disclosure of contractual obligations in this table is based on assumptions and estimates that we believe to be reasonable as of the date of this report. Those assumptions and estimates may prove to be inaccurate; consequently, the amounts provided in the table may differ materially from those amounts that we ultimately incur. Variables that may cause the stated amounts to vary from the amounts actually incurred include, but are not limited to: the termination of a contractual obligation prior to its stated or anticipated expiration; fees or damages incurred as a result of the premature termination or breach of a contractual obligation; the acquisition of more or less services or goods under a contractual obligation than are anticipated by us as of the date of this report; fluctuations in third party fees, governmental charges, or market rates that we are obligated to pay under contracts we have with certain vendors; and the exercise of renewal options under, or the automatic renewal of, contracts that provide for the same.
- (2) Long-term debt consists of the borrowings outstanding under the 2018 Credit Agreement, the 2019 Term Note, expected interest on the 2019 Term Note, and the associated accrued interest of \$0.5 million. Long-term debt excludes estimated future interest on variable rate borrowings under the 2018 Credit Agreement, which had an interest rate of approximately 3.0% as of February 1, 2020. In addition, we had outstanding letters of credit totaling \$41.3 million at February 1, 2020. Approximately \$38.4 million of the outstanding letters of credit represent stand-by letters of credit and we do not expect to meet the conditions requiring significant cash payments on these letters of credit; accordingly, they have been excluded from this table. For a further discussion, see note 3 to the accompanying consolidated financial statements. The remaining \$2.9 million of outstanding letters of credit represent commercial letters of credit whereby the related obligation is included in the purchase obligation.
- (3) Operating lease obligations include, among other items, leases for retail stores, distribution centers, and certain computer and other business equipment. The future minimum commitments for retail store and distribution center leases are \$1,428.3 million. For a further discussion of leases, see note 5 to the accompanying consolidated financial statements. Many of the store lease obligations require us to pay for our applicable portion of CAM, real estate taxes, and property insurance. In connection with our store lease obligations, we estimated that future obligations for CAM, real estate taxes, and property insurance were \$355.8 million at February 1, 2020. We have made certain assumptions and estimates in order to account for our contractual obligations relative to CAM, real estate taxes, and property insurance. Those assumptions and estimates include, but are not limited to: use of historical data to estimate our future obligations; calculation of our obligations based on comparable store averages where no historical data is available for a particular leasehold; and assumptions related to average expected increases over historical data.
- (4) For purposes of the purchase obligation disclosures, we have assumed that we will make all payments scheduled or reasonably estimated to be made under those obligations that have a determinable expiration date, and we disregarded the possibility that such obligations may be prematurely terminated or extended, whether automatically by the terms of the obligation or by agreement between us and the counterparty, due to the speculative nature of premature termination or extension. Where a purchase obligation is subject to a month-to-month term or another automatically renewing term, we included in the table our minimum commitment under such obligation, such as one month in the case of a month-to-month obligation and the then-current term in the case of another automatically renewing term, due to the uncertainty of future decisions to exercise options to extend or terminate any existing leases.

- (5) Purchase obligations include outstanding purchase orders for merchandise issued in the ordinary course of our business that are valued at \$492.8 million, the entirety of which represents obligations due within one year of February 1, 2020. The remaining \$363.7 million of purchase obligations is primarily related to distribution and transportation, information technology, print advertising, energy procurement, and other store security, supply, and maintenance commitments.
- (6) Other long-term liabilities include \$33.9 million for obligations related to our nonqualified deferred compensation plan, \$19.5 million for a charitable commitment, and \$5.4 million for unrecognized tax benefits. We have estimated the payments due by period for the nonqualified deferred compensation plan based on an average of historical distributions. We have committed to make a \$40.0 million charitable donation over a 10-year period, and we have a remaining obligation of \$19.5 million over the next seven years. We have included unrecognized tax benefits of \$4.2 million for payments expected in 2020 and \$1.2 million of timing-related income tax uncertainties anticipated to reverse in 2020. Unrecognized tax benefits in the amount of \$9.5 million have been excluded from the table because we are unable to make a reasonably reliable estimate of the timing of future payments.

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

Not applicable.

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

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

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

#### **Merchandise Inventories**

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

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

The allowance for shrinkage is recorded as a reduction to inventories, charged to cost of sales, and calculated as a percentage of sales for the period from the last physical inventory date to the end of the reporting period. Such estimates are based on both our current year and historical inventory results. Independent physical inventory counts are taken at each store once a year. During calendar 2020, the majority of these counts will occur between January and June. As physical inventories are completed, actual results are recorded and new go-forward allowance for shrinkage rates are established based on historical

results at the individual store level. Thus, the allowance for shrinkage rates will be adjusted throughout the January to June inventory cycle based on actual results. At February 1, 2020, a 10% difference in our shrink accrual would have affected gross margin, operating profit and income before income taxes by approximately \$3.4 million. While it is not possible to quantify the impact from each cause of shrinkage, we have asset protection programs and policies aimed at minimizing shrinkage.

### Insurance and Insurance-Related Reserves

We are self-insured for certain losses relating to property, general liability, workers' compensation, and employee medical, dental, and prescription drug benefit claims, a portion of which is funded by employees. We purchase stop-loss coverage from third party insurance carriers to limit individual or aggregate loss exposures in these areas. Accrued insurance liabilities and related expenses are based on actual claims reported and estimates of claims incurred but not reported. The estimated loss accruals for claims incurred but not paid are determined by applying actuarially-based calculations taking into account historical claims payment results and known trends such as claims frequency and claims severity. Management makes estimates, judgments, and assumptions with respect to the use of these actuarially-based calculations, including but not limited to, estimated health care cost trends, estimated lag time to report and pay claims, average cost per claim, network utilization rates, network discount rates, and other factors. A 10% change in our self-insured liabilities at February 1, 2020 would have affected selling and administrative expenses, operating profit, and income before income taxes by approximately \$8 million.

General liability and workers' compensation liabilities are recorded at our estimate of their net present value using a 2.5% discount rate, which was reduced from 3.5% in the fourth quarter of 2019. Other liabilities for insurance reserves are not discounted. A 1.0% change in the discount rate on these liabilities would have affected selling and administrative expenses, operating profit, and income before income taxes by approximately \$2.1 million.

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

#### Interest Rate Risk

We are subject to market risk from exposure to changes in interest rates on investments and on borrowings under the 2018 Credit Agreement that we make from time to time. We had borrowings of \$229.2 million under the 2018 Credit Agreement at February 1, 2020. An increase of 1% in our variable interest rate on our investments and estimated future borrowings could affect our financial condition, results of operations, or liquidity through higher interest expense by approximately \$4.1 million. Additionally, we are subject to cross-default provisions associated with the Synthetic Lease for our new distribution center in California. An increase of 1% in this leasing instrument could affect our financial condition, results of operations, or liquidity through higher rent expense by approximately \$1.5 million.

#### Risks Associated with Derivative Instruments

We are subject to market risk from exposure to changes in our derivative instruments, associated with diesel fuel. At February 1, 2020, we had outstanding derivative instruments, in the form of collars, covering 3.6 million gallons of diesel fuel. The below table provides further detail related to our current derivative instruments, associated with diesel fuel.

Calendar Year of Maturity	Diesel Fuel Derivatives		Fair Value
	Puts	Calls	Asset (Liability)
	<i>(Gallons, in thousands)</i>		<i>(In thousands)</i>
2020	2,400	2,400	\$ (747)
2021	1,200	1,200	(284)
<b>Total</b>	<b>3,600</b>	<b>3,600</b>	<b>\$ (1,031)</b>

Additionally, at February 1, 2020, a 10% difference in the forward curve for diesel fuel prices could affect unrealized gains (losses) in other income (expense) by approximately \$1.0 million.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Big Lots, Inc.

#### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Big Lots, Inc. and subsidiaries (the “Company”) as of February 1, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 1, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements as of and for the year ended February 1, 2020, of the Company and our report dated March 31, 2020, expressed an unqualified opinion on those financial statements.

#### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

#### Definition and Limitations of Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ **DELOITTE & TOUCHE LLP**

Columbus, Ohio  
March 31, 2020

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Big Lots, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Big Lots, Inc. and subsidiaries (the “Company”) as of February 1, 2020 and February 2, 2019, the related consolidated statements of operations and comprehensive income, shareholders’ equity, and cash flows, for each of the three years in the period ended February 1, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 1, 2020 and February 2, 2019, and the results of its operations and its cash flows for each of the three years in the period ended February 1, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of February 1, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 31, 2020, expressed an unqualified opinion on the Company’s internal control over financial reporting.

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective February 3, 2019, the Company adopted FASB Accounting Standards Update 2016-02, *Leases (Topic 842)*, using the optional transition method, as allowed by ASU 2018-11, *Leases (Topic 842)*, Targeted Improvements, to apply the new standard as of the effective date.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Measurement of Inventory Valuation Reserves - Refer to Note 1 to the financial statements*

##### *Critical Audit Matter Description*

Merchandise inventories are valued at the lower of cost or market using the average cost retail inventory method. The average cost retail inventory method requires management to make judgments and contains estimates, including the amount and timing of markdowns to clear slow-moving inventory and an estimated allowance for shrinkage, which may impact ending inventory valuation. The balance of ending inventory was \$921.3 million at February 1, 2020.

When management determines the salability of merchandise inventories is diminished, markdowns for clearance activity and the related cost impact are recorded at the time the price change decision is made. Factors considered in the determination of markdowns include current and anticipated demand, and customer preferences.

The inventory allowance for shrinkage is recorded as a reduction to inventories, charged to cost of sales, and calculated as a percentage of sales for the period from the last physical inventory date to the end of the reporting period.

Given the significant estimates and assumptions management utilizes to quantify inventory reserves which includes markdowns and the allowance for shrinkage, a high degree of auditor judgment and an increased extent of effort is required when performing audit procedures to evaluate the methodology and reasonableness of the estimates and assumptions. For markdowns, such estimates are based on the timing and completeness of recorded markdowns. For the allowance for shrinkage, such estimates are based on a combination of historical shrinkage experience and current year physical inventory results.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the measurement of the valuation of inventory reserves included the following, among others:

- We tested the effectiveness of controls over the completeness and measurement of inventory reserves.
- We evaluated the methods and assumptions used by management to estimate markdowns by:
  - Evaluating management's estimate for markdowns by comparing markdowns recorded after period end to the markdowns reserve at year end.
  - Performing an analysis comparing the markdown reserve to historical results.
  - Comparing inventory sell through for the first period subsequent to year end to historical sell through results to evaluate the salability of merchandise inventories at year end.
- We evaluated the methods and assumptions used by management to estimate the allowance for shrinkage by:
  - Attending a selection of store physical inventories and recalculating the shrink for locations using the results of the store physical inventory.
  - Performing an analysis comparing the methodology and inputs used by management to historical results, trends in the prior years and current year, and industry averages.
  - Comparing management's prior-year assumptions of expected shrink activity to actual activity incurred during the current year to determine the appropriateness of the shrinkage inventory allowance.

#### ***Measurement of Insurance Valuation Reserves - Refer to Notes 1 and 9 to the financial statements***

##### *Critical Audit Matter Description*

The Company is self-insured for certain losses relating to general liability and workers' compensation. Accrued insurance liabilities, \$93.7 million at February 1, 2020, are based on actual claims reported and estimates of claims incurred but not reported. The estimated loss accruals for claims incurred but not paid are determined by applying actuarially-based calculations taking into account historical claims payment results and known trends such as claims frequency and claims severity.

Given the significant estimates and assumptions in determination of the selected actuarial models management utilizes to quantify insurance reserves, a high degree of auditor judgment and increased extent of effort is required, including the need to involve our actuarial specialists, when performing audit procedures to evaluate whether insurance reserves were appropriately valued.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the general liability and workers' compensation self-insurance reserves included the following, among others:

- We tested the effectiveness of controls related to general liability and workers' compensation self-insurance reserves.
- We evaluated the methods and assumptions used by management to estimate the self-insurance reserves by:
  - Testing the underlying data that served as the basis of the actuarial analysis, including historical claims, to test that the inputs to the actuarial estimate were reasonable.
  - Comparing management's prior-year assumptions of expected loss to actuals incurred during the current year to evaluate the appropriateness of assumptions used to determine the insurance reserves.



- With the assistance of our actuarial specialists, we developed independent estimates of the insurance reserves, including loss and industry claim development factors, and compared our estimates to management's estimates. Further, the actuarial specialists:
  - Assessed the actuarial models used by the Company for consistency with the generally accepted actuarial standards;
  - Evaluated the Company's ability to estimate the insurance liabilities by comparing its historical estimates with actual loss payments;
  - Evaluated the key assumptions underlying the Company's actuarial estimates used to determine the insurance reserves.

*/s/ DELOITTE & TOUCHE LLP*

Columbus, Ohio  
March 31, 2020

We have served as the Company's auditor since 1989.

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net sales	\$ 5,323,180	\$ 5,238,105	\$ 5,264,362
Cost of sales (exclusive of depreciation expense shown separately below)	3,208,498	3,116,210	3,121,920
Gross margin	2,114,682	2,121,895	2,142,442
Selling and administrative expenses	1,823,409	1,778,416	1,723,996
Depreciation expense	134,981	124,970	117,093
Gain on sale of distribution center	(178,534)	—	—
Operating profit	334,826	218,509	301,353
Interest expense	(16,827)	(10,338)	(6,711)
Other income (expense)	(451)	(558)	712
Income before income taxes	317,548	207,613	295,354
Income tax expense	75,084	50,719	105,522
Net income and comprehensive income	\$ 242,464	\$ 156,894	\$ 189,832
<b>Earnings per common share:</b>			
Basic	\$ 6.18	\$ 3.84	\$ 4.43
Diluted	\$ 6.16	\$ 3.83	\$ 4.38

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

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

	February 1, 2020	February 2, 2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 52,721	\$ 46,034
Inventories	921,266	969,561
Other current assets	89,962	112,408
<b>Total current assets</b>	<b>1,063,949</b>	<b>1,128,003</b>
Operating lease right-of-use assets	1,202,252	—
Property and equipment - net	849,147	822,338
Deferred income taxes	4,762	8,633
Other assets	69,171	64,373
<b>Total assets</b>	<b>\$ 3,189,281</b>	<b>\$ 2,023,347</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 378,241	\$ 396,903
Current operating lease liabilities	212,144	—
Property, payroll, and other taxes	82,109	75,317
Accrued operating expenses	118,973	99,422
Insurance reserves	36,131	38,883
Accrued salaries and wages	39,292	26,798
Income taxes payable	3,930	1,237
<b>Total current liabilities</b>	<b>870,820</b>	<b>638,560</b>
Long-term debt	279,464	374,100
Noncurrent operating lease liabilities	1,035,377	—
Deferred income taxes	48,610	—
Deferred rent	—	60,700
Insurance reserves	57,567	54,507
Unrecognized tax benefits	10,722	14,189
Synthetic lease obligation	—	144,477
Other liabilities	41,257	43,773
Shareholders' equity:		
Preferred shares - authorized 2,000 shares; \$0.01 par value; none issued	—	—
Common shares - authorized 298,000 shares; \$0.01 par value; issued 117,495 shares; outstanding 39,037 shares and 40,042 shares, respectively	1,175	1,175
Treasury shares - 78,458 shares and 77,453 shares, respectively, at cost	(2,546,232)	(2,506,086)
Additional paid-in capital	620,728	622,685
Retained earnings	2,769,793	2,575,267
<b>Total shareholders' equity</b>	<b>845,464</b>	<b>693,041</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,189,281</b>	<b>\$ 2,023,347</b>

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

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

	Common		Treasury		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount	Shares	Amount			
Balance - January 28, 2017	44,259	\$ 1,175	73,236	\$(2,291,379)	\$ 617,516	\$ 2,323,318	\$ 650,630
Comprehensive income	—	—	—	—	—	189,832	189,832
Dividends declared (\$1.00 per share)	—	—	—	—	—	(44,746)	(44,746)
Adjustment for ASU 2016-09	—	—	—	—	241	(146)	95
Purchases of common shares	(3,437)	—	3,437	(165,757)	—	—	(165,757)
Exercise of stock options	304	—	(304)	9,659	2,053	—	11,712
Restricted shares vested	368	—	(368)	11,562	(11,562)	—	—
Performance shares vested	431	—	(431)	13,523	(13,523)	—	—
Other	—	—	—	(4)	—	—	(4)
Share-based employee compensation expense	—	—	—	—	27,825	—	27,825
Balance - February 3, 2018	41,925	1,175	75,570	(2,422,396)	622,550	2,468,258	669,587
Comprehensive income	—	—	—	—	—	156,894	156,894
Dividends declared (\$1.20 per share)	—	—	—	—	—	(49,885)	(49,885)
Purchases of common shares	(2,635)	—	2,635	(107,830)	(3,920)	—	(111,750)
Exercise of stock options	43	—	(43)	1,395	464	—	1,859
Restricted shares vested	413	—	(413)	13,271	(13,271)	—	—
Performance shares vested	296	—	(296)	9,475	(9,475)	—	—
Other	—	—	—	(1)	2	—	1
Share-based employee compensation expense	—	—	—	—	26,335	—	26,335
Balance - February 2, 2019	40,042	1,175	77,453	(2,506,086)	622,685	2,575,267	693,041
Comprehensive income	—	—	—	—	—	242,464	242,464
Dividends declared (\$1.20 per share)	—	—	—	—	—	(48,286)	(48,286)
Adjustment for ASU 2016-02	—	—	—	—	—	348	348
Purchases of common shares	(1,474)	—	1,474	(55,347)	—	—	(55,347)
Exercise of stock options	6	—	(6)	202	(2)	—	200
Restricted shares vested	202	—	(202)	6,545	(6,545)	—	—
Performance shares vested	261	—	(261)	8,459	(8,459)	—	—
Other	—	—	—	(5)	(2)	—	(7)
Share-based employee compensation expense	—	—	—	—	13,051	—	13,051
Balance - February 1, 2020	39,037	\$ 1,175	78,458	\$(2,546,232)	\$ 620,728	\$ 2,769,793	\$ 845,464

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

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

	2019	2018	2017
Operating activities:			
Net income	\$ 242,464	\$ 156,894	\$ 189,832
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	135,686	114,025	106,004
Non-cash lease expense	229,143	—	—
Deferred income taxes	52,374	5,353	32,578
Non-cash share-based compensation expense	13,051	26,335	27,825
Non-cash impairment charge	3,986	141	—
(Gain) loss on disposition of property and equipment	(177,996)	732	483
Unrealized loss (gain) on fuel derivatives	346	1,075	(1,398)
Change in assets and liabilities:			
Inventories	48,295	(96,772)	(14,100)
Accounts payable	(18,662)	45,677	(49,269)
Operating lease liabilities	(215,956)	—	—
Current income taxes	(4,442)	(14,108)	(26,368)
Other current assets	(5,836)	(7,055)	(12,144)
Other current liabilities	36,962	(11,637)	(15,342)
Other assets	(5,499)	1,985	(9,335)
Other liabilities	5,054	11,415	21,602
Net cash provided by operating activities	338,970	234,060	250,368
Investing activities:			
Capital expenditures	(265,203)	(232,402)	(142,745)
Cash proceeds from sale of property and equipment	190,741	519	1,854
Assets acquired under synthetic lease	—	(128,872)	(15,606)
Payments for purchase of intangible assets	—	(15,750)	—
Other	(18)	32	(11)
Net cash used in investing activities	(74,480)	(376,473)	(156,508)
Financing activities:			
Net (repayments of) proceeds from long-term debt	(80,609)	174,300	93,400
Payment of finance lease obligations	(73,469)	(3,908)	(4,134)
Dividends paid	(48,421)	(50,608)	(44,671)
Proceeds from the exercise of stock options	200	1,859	11,712
Payment for treasury shares acquired	(55,347)	(111,750)	(165,757)
Proceeds from synthetic lease	—	128,872	15,606
Payments for debt issuance costs	(150)	(1,495)	—
Other	(7)	1	(4)
Net cash (used in) provided by financing activities	(257,803)	137,271	(93,848)
Increase (decrease) in cash and cash equivalents	6,687	(5,142)	12
Cash and cash equivalents:			
Beginning of year	46,034	51,176	51,164
End of year	\$ 52,721	\$ 46,034	\$ 51,176

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

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

**Description of Business**

We are a discount retailer in the United States (“U.S.”). At February 1, 2020, we operated 1,404 stores in 47 states and an e-commerce platform. Our mission is to help people live BIG and save LOTS. Our vision is to be the BIG difference for a better life by delivering unmatched value through surprise and delight, by building a “Best Places to Work” culture, by rewarding shareholders with consistent growth and top tier returns, and by doing good as we do well. Our values are leading with our core customer (whom we refer to as Jennifer), treating all like friends, succeeding together, and playing to win.

**Basis of Presentation**

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

**Management Estimates**

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

**Fiscal Periods**

Our fiscal year ends on the Saturday nearest to January 31, which results in fiscal years consisting of 52 or 53 weeks. Unless otherwise stated, references to years in this report relate to fiscal years rather than calendar years. Fiscal year 2019 (“2019”) was comprised of the 52 weeks that began on February 3, 2019 and ended on February 1, 2020. Fiscal year 2018 (“2018”) was comprised of the 52 weeks that began on February 4, 2018 and ended on February 2, 2019. Fiscal year 2017 (“2017”) was comprised of the 53 weeks that began on January 29, 2017 and ended on February 3, 2018.

**Segment Reporting**

We manage our business based on one segment, discount retailing. Our entire operation is located in the U.S.

**Cash and Cash Equivalents**

Cash and cash equivalents primarily consist of amounts on deposit with financial institutions, outstanding checks, credit and debit card receivables, and highly liquid investments, including money market funds, which are unrestricted to withdrawal or use and which have an original maturity of three months or less. We review cash and cash equivalent balances on a bank by bank basis in order to identify book overdrafts. Book overdrafts occur when the aggregate amount of outstanding checks and electronic fund transfers exceed the cash deposited at a given bank. We reclassify book overdrafts, if any, to accounts payable on our consolidated balance sheets. Amounts due from banks for credit and debit card transactions are typically settled in less than three days, and at February 1, 2020 and February 2, 2019, totaled \$28.8 million and \$23.6 million, respectively.

**Investments**

Investment securities are classified as available-for-sale, held-to-maturity, or trading at the date of purchase. Investments are recorded at fair value as either current assets or non-current assets based on the stated maturity or our plans to either hold or sell the investment. Unrealized holding gains and losses on trading securities are recognized in earnings. Unrealized holding gains and losses on available-for-sale securities are recognized in other comprehensive income until realized. We did not own any held-to-maturity or available-for-sale securities as of February 1, 2020 and February 2, 2019.

## **Merchandise Inventories**

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

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

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

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

## **Payments Received from Vendors**

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

## **Store Supplies**

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

## **Property and Equipment - Net**

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

Land improvements	15 years
Buildings	40 years
Leasehold improvements	5 - 10 years
Store fixtures and equipment	2 - 7 years
Distribution and transportation fixtures and equipment	5 - 15 years
Office and computer equipment	3 - 5 years
Computer software costs	5 - 8 years
Company vehicles	3 years



Leasehold improvements are amortized on a straight-line basis using the shorter of their estimated service lives or the lease term. We began a significant capital investment program in our Store of the Future concept in 2018, which resulted in us reviewing the estimated service lives of our leasehold improvements and fixtures and equipment at both our renovated stores and newly opened stores. During 2019, in connection with analysis of our remaining lease terms under ASC 842 and our Store of the Future remodel program, we changed the estimated service lives on leasehold improvements for new stores in the Store of the Future format from 5 years to 10 years and for renovated stores in the Store of the Future format from 5 years to 7 years, both of which more appropriately reflect the reasonably certain remaining lease term on these stores. Leasehold improvements for the balance of the stores in our chain have an estimated service life of 5 years. Additionally, we changed the estimated service lives on fixtures and certain equipment from 5 years to 7 years for both new stores and renovated stores to reflect our revised expectation on our renovation cycle, while taking into consideration our remaining lease term.

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

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

### **Long-Lived Assets**

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

### **Intangible Assets**

During 2018, we acquired the Broyhill<sup>®</sup> trademark and trade name. This trademark and trade name have indefinite lives. We test the trademark and trade name for impairment annually or whenever circumstances indicate that the carrying value of the asset may not be recoverable. We estimate the fair value of these intangible assets based on an income approach. We perform our annual impairment testing during our fourth fiscal quarter of each year.

### **Closed Store Accounting**

We recognize impairment of our right-of-use assets when we cease using leased property in our operations. In measuring the impairment, we consider sublease rentals that could be reasonably obtained and other potentially mitigating factors. We monitor the right-of-use assets for impairment indicators if the right-of-use assets were not impaired at the cease-use date. We recognize an obligation for the fair value of the nonlease components of our lease agreements when we cease using a leased property in our operations. In measuring fair value of the obligation for nonlease components, we consider the minimum payments and other potentially mitigating factors. We discount the estimated obligation using the applicable credit adjusted interest rate, which results in accretion expense in periods subsequent to the period of initial measurement. We monitor the obligation in subsequent periods and revise our estimated liabilities, if necessary. Severance and benefits associated with terminating employees from employment are recognized ratably from the communication date through the estimated future service period, unless the estimated future service period is less than 60 days, in which case we recognize the impact at the communication date. Generally all other store closing costs are recognized when incurred.

### **Savings Plans**

We have a savings plan with a 401(k) deferral feature and a nonqualified deferred compensation plan with a similar deferral feature for eligible employees. We provide a matching contribution based on a percentage of employee contributions. Our matching contributions are subject to Internal Revenue Service ("IRS") regulations. For 2019, 2018, and 2017, we expensed \$8.3 million, \$8.5 million, and \$7.7 million, respectively, related to our matching contributions. In connection with our nonqualified deferred compensation plan, we had liabilities of \$33.9 million and \$31.8 million at February 1, 2020 and February 2, 2019, respectively, which are recorded in other liabilities.

## **Income Taxes**

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

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

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

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

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

We are self-insured for certain losses relating to property, general liability, workers' compensation, and employee medical, dental, and prescription drug benefit claims, a portion of which is paid by employees. We purchase stop-loss coverage to limit significant exposure in these areas. Accrued insurance-related liabilities and related expenses are based on actual claims filed and estimates of claims incurred but not reported and are reliably determinable. The accruals are determined by applying actuarially-based calculations. General liability and workers' compensation liabilities are recorded at our estimate of their net present value while other liabilities for insurance-related reserves are not discounted. Our discount rate for general liability and workers' compensation liabilities was 2.5% and 3.5% at February 1, 2020 and February 2, 2019, respectively.

## **Fair Value of Financial Instruments**

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

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

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

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

## **Commitments and Contingencies**

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

## **Revenue Recognition**

We recognize sales revenue at the time the customer takes possession of the merchandise (i.e., the point at which we transfer the goods). Sales are recorded net of discounts (i.e., the amount of consideration we expect to receive for the goods) and estimated returns and exclude any sales tax. The reserve for merchandise returns is estimated based on our prior return experience.

We sell gift cards in our stores and issue merchandise credits, typically as a result of customer returns, on stored value cards. We do not charge administrative fees on unused gift card or merchandise credit balances and our gift cards and merchandise credits do not expire. We recognize sales revenue related to gift cards and merchandise credits (1) when the gift card or merchandise credit is redeemed in a sales transaction by the customer or (2) as breakage occurs. We recognize gift card and merchandise credit breakage when we estimate that the likelihood of the card or credit being redeemed by the customer is remote and we determine that we do not have a legal obligation to remit the value of unredeemed cards or credits to the relevant regulatory authority. We estimate breakage based upon historical redemption patterns. The liability for the unredeemed cash value of gift cards and merchandise credits is recorded in accrued operating expenses in our consolidated balance sheets.

We offer price hold contracts and buy now pick up later arrangements on merchandise. Revenue for price hold contracts and buy now pick up later arrangements is recognized when the customer makes the final payment and takes possession of the merchandise. Amounts paid by customers under price hold contracts and buy now pick up later arrangements are recorded in accrued operating expenses in our consolidated balance sheets until a sale is consummated.

We recognize sales revenue for direct-to-customer transactions on our e-commerce platform at the time the merchandise is shipped (i.e., the point at which we transfer the goods). We also offer buy online pick up in store services on our e-commerce platform. Revenue for buy online pick up in store transactions is recognized when the customer takes possession of the merchandise at the store.

## **Cost of Sales**

Cost of sales includes the cost of merchandise, net of cash discounts and rebates, markdowns, and inventory shrinkage. Cost of merchandise includes related inbound freight to our distribution centers, duties, and commissions. We classify warehousing, distribution and outbound transportation costs as selling and administrative expenses. Due to this classification, our gross margin rates may not be comparable to those of other retailers that include warehousing, distribution and outbound transportation costs in cost of sales.

## **Selling and Administrative Expenses**

Selling and administrative expenses include store expenses (such as payroll and occupancy costs) and costs related to warehousing, distribution, outbound transportation to our stores, advertising, purchasing, insurance, non-income taxes, accepting credit/debit cards, and overhead. Selling and administrative expense rates may not be comparable to those of other retailers that include warehousing, distribution, and outbound transportation costs in cost of sales. Distribution and outbound transportation costs included in selling and administrative expenses were \$191.8 million, \$180.5 million, and \$161.5 million for 2019, 2018, and 2017, respectively.

## **Leases and Rent Expense**

We determine if an arrangement contains a lease at inception of the agreement. Our leased property consists of our retail stores, distribution centers in California, store security, and other office equipment. Certain of our store leases have rent escalations and/or have tenant allowances or other lease incentives, which are fixed in nature and included in our calculation of right-of-use assets and lease liabilities. Certain of our store leases provide for contingent rents, which are recorded as variable costs and not included in our calculation of right-of-use assets and lease liabilities. Many of our store leases obligate us to pay for our applicable portion of real estate taxes, common area maintenance costs ("CAM"), and property insurance, which are recorded as variable costs and not included in our calculation of right-of-use assets and lease liabilities, except for certain fixed CAM and insurance charges that are not variable. Many of our leases contain provisions for options to renew, extend the original term for additional periods, or terminate the lease if certain sales thresholds are not attained. We have assessed the reasonable certainty of these provisions to determine the appropriate lease term. Our lease agreements do not contain material residual value guarantees (excluding the Synthetic Lease discussed in note 5), restrictions, or covenants.

We recognize a lease liability and right-of-use asset at commencement of the lease when possession of the property is taken from the lessor, which, for stores, normally includes a construction or set-up period prior to store opening. We begin recognizing rent expense at commencement of the lease. Rent expense for operating leases is recognized on a straightline basis over the lease term and is included in selling and administrative expenses.

## Advertising Expense

Advertising costs, which are expensed as incurred, consist primarily of television and print advertising, internet and social media marketing and advertising, e-mail, and in-store point-of-purchase presentations. Advertising expenses are included in selling and administrative expenses. Advertising expenses were \$95.2 million, \$93.6 million, and \$92.0 million for 2019, 2018, and 2017, respectively.

## Store Pre-opening Costs

Pre-opening costs incurred during the construction periods for new store openings are expensed as incurred and included in selling and administrative expenses in our consolidated statements of operations and comprehensive income.

## Share-Based Compensation

Share-based compensation expense is recognized in selling and administrative expense in our consolidated statements of operations and comprehensive income for all awards that we expect to vest.

## Non-vested Restricted Stock Units

We expense our non-vested restricted stock units with graded vesting as a single award with an average estimated life over the entire term of the award. The expense for the non-vested restricted stock units is recorded on a straight-line basis over the vesting period.

## Performance Share Units

Compensation expense for performance share units (“PSUs”) is recorded based on fair value of the award on the grant date and the estimated achievement of financial performance objectives. From an accounting perspective, the grant date is established once all financial performance targets have been set. We monitor the estimated achievement of the financial performance objectives at each reporting period and will potentially adjust the estimated expense on a cumulative basis. The expense for the PSUs is recorded on a straight-line basis from the grant date through the end of the performance period.

## Earnings per Share

Basic earnings per share is based on the weighted-average number of shares outstanding during each period. Diluted earnings per share is based on the weighted-average number of shares outstanding during each period and the additional dilutive effect of stock options, restricted stock awards, restricted stock units, and PSUs, calculated using the treasury stock method.

## Derivative Instruments

We use derivative instruments to mitigate the risk of market fluctuations in diesel fuel prices. We do not enter into derivative instruments for speculative purposes. Our derivative instruments may consist of collar or swap contracts. Our current derivative instruments do not meet the requirements for cash flow hedge accounting. Instead, our derivative instruments are marked-to-market to determine their fair value and any gains or losses are recognized currently in other income (expense) on our consolidated statements of operations and comprehensive income.

## Supplemental Cash Flow Disclosures

The following table provides supplemental cash flow information for 2019, 2018, and 2017:

<i>(In thousands)</i>	2019	2018	2017
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest, including finance or capital leases	\$ 17,446	\$ 10,292	\$ 5,991
Cash paid for income taxes, excluding impact of refunds	\$ 29,375	\$ 59,691	\$ 99,693
Gross proceeds from long-term debt	\$ 1,811,000	\$ 1,861,900	\$ 1,656,100
Gross payments of long-term debt	\$ 1,891,609	\$ 1,687,600	\$ 1,562,700
Cash paid for operating lease liabilities	\$ 292,048	\$ —	\$ —
Non-cash activity:			
Assets acquired under finance or capital leases	\$ 70,831	\$ 902	\$ 238
Accrued property and equipment	\$ 17,632	\$ 32,264	\$ 11,236
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 1,493,888	\$ —	\$ —

### Recently Adopted Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. The update requires a lessee to recognize, on the balance sheet, a liability to make lease payments and a right-of-use asset representing a right to use the underlying asset for the lease term. Additionally, this guidance expanded related disclosure requirements. On February 3, 2019, we adopted the new standard and elected the optional transition method, as allowed by ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, to apply the new standard as of the effective date. Therefore, we have not applied the new standard to the comparative prior periods presented in the consolidated financial statements. We elected to apply the following practical expedients and policy elections at adoption:

Practical expedient package	We have not reassessed whether any expired or existing contracts are, or contain, leases. We have not reassessed the lease classification for any expired or existing leases. We have not reassessed initial direct costs for any expired or existing leases.
Hindsight practical expedient	We have not elected the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of operating lease assets.
Separation of lease and non-lease components	We have elected to establish an accounting policy to account for lease and non-lease components as a single component for our real estate class of assets.
Short-term policy	We have elected to establish a short-term lease exception policy, permitting us to not apply the recognition requirements of the new standard to short-term leases (i.e., leases with terms of 12 months or less).

Adoption of this ASU 2016-02, in the first quarter of 2019, resulted in the recognition of right-of-use assets and lease liabilities for operating leases of \$1,110 million and \$1,138 million, respectively, with difference in amounts being primarily comprised of pre-existing deferred rent and prepaid rent. The impact of the adoption was immaterial to the consolidated statements of shareholders' equity. For further discussion on our leases, see note 5.

### Subsequent Events

We have evaluated events and transactions subsequent to the balance sheet date. Based on this evaluation, we are not aware of any events or transactions that occurred subsequent to the balance sheet date but prior to filing that would require recognition or disclosure in our consolidated financial statements.

## NOTE 2 – PROPERTY AND EQUIPMENT - NET

Property and equipment - net consist of:

<i>(In thousands)</i>	February 1, 2020	February 2, 2019
Land and land improvements	\$ 63,691	\$ 61,200
Buildings and leasehold improvements	1,034,458	1,078,142
Fixtures and equipment	884,051	784,170
Computer software costs	196,449	179,071
Construction-in-progress	22,038	78,580
Property and equipment - cost	2,200,687	2,181,163
Less accumulated depreciation and amortization	1,351,540	1,358,825
Property and equipment - net	\$ 849,147	\$ 822,338

Property and equipment - cost includes \$27.5 million and \$29.5 million at February 1, 2020 and February 2, 2019, respectively, to recognize assets from finance or capital leases. Accumulated depreciation and amortization includes \$20.1 million and \$17.9 million at February 1, 2020 and February 2, 2019, respectively, related to finance or capital leases. Additionally, we had zero and \$144.5 million in assets from a synthetic lease for our new distribution center in Apple Valley, California at February 1, 2020 and February 2, 2019, respectively.

During 2019, 2018, and 2017, respectively, we invested \$265.2 million, \$232.4 million, and \$142.7 million of cash in capital expenditures and we recorded \$135.0 million, \$125.0 million, and \$117.1 million of depreciation expense.

We incurred \$0.4 million, \$0.1 million, and zero in asset impairment charges, excluding impairment of right-of-use assets (see note 5), in 2019, 2018, and 2017, respectively. In 2019, we impaired the value of property and equipment assets at two stores as a result of our annual store impairment review. During 2018, we wrote down the value of an asset held for sale. In 2017, we did not impair the value of long-lived assets at any stores as a result of our annual store impairment review.

Asset impairment charges are included in selling and administrative expenses in our accompanying consolidated statements of operations and comprehensive income. We perform annual impairment reviews of our long-lived assets at the store level. When we perform the annual impairment reviews, we first determine which stores had impairment indicators present. We generally use actual historical cash flows to determine if stores had negative cash flows within the past two years. For each store with negative cash flows, we estimate future cash flows based on operating performance estimates specific to each store's operations that are based on assumptions currently being used to develop our company level operating plans. If the net book value of a store's long-lived assets is not recoverable by the expected future cash flows of the store, we estimate the fair value of the store's assets and recognize an impairment charge for the excess net book value of the store's long-lived assets over their fair value.

## NOTE 3 – DEBT

### *Bank Credit Facility*

On August 31, 2018, we entered into a \$700 million five-year unsecured credit facility (“2018 Credit Agreement”) that replaced our prior credit facility entered into in July 2011 and most recently amended in May 2015 (“2011 Credit Agreement”) and, among other things, amended certain of the representations and covenants applicable to the facility. The 2018 Credit Agreement expires on August 31, 2023. In connection with our entry into the 2018 Credit Agreement, we paid bank fees and other expenses in the aggregate amount of \$1.5 million, which are being amortized over the term of the agreement.

Borrowings under the 2018 Credit Agreement are available for general corporate purposes, working capital, and repayment of certain of our indebtedness. The 2018 Credit Agreement includes a \$30 million swing loan sublimit, a \$75 million letter of credit sublimit, a \$75 million sublimit for loans to foreign borrowers, and a \$200 million optional currency sublimit. The interest rates, pricing and fees under the 2018 Credit Agreement fluctuate based on our debt rating. The 2018 Credit Agreement allows us to select our interest rate for each borrowing from multiple interest rate options. The interest rate options are generally derived from the prime rate or LIBOR. We may prepay revolving loans made under the 2018 Credit Agreement. The 2018 Credit Agreement contains financial and other covenants, including, but not limited to, limitations on indebtedness, liens and investments, as well as the maintenance of two financial ratios - a leverage ratio and a fixed charge coverage ratio. A violation of any of the covenants could result in a default under the 2018 Credit Agreement that would permit the lenders to restrict our ability to further access the 2018 Credit Agreement for loans and letters of credit and require the immediate repayment of any outstanding loans under the 2018 Credit Agreement. At February 1, 2020, we had \$229.2 million of borrowings outstanding under the 2018 Credit Agreement and \$2.9 million was committed to outstanding letters of credit, leaving \$467.9 million available under the 2018 Credit Agreement.

### *Secured Equipment Term Note*

On August 7, 2019, we entered into a \$70 million term note agreement (“2019 Term Note”), which is secured by the equipment at our new California distribution center. The 2019 Term Note will expire on May 7, 2024. We are required to make monthly payments over the term of the 2019 Term Note and are permitted to prepay, subject to penalties, at any time. The interest rate on the 2019 Term Note is 3.3%. In connection with our entry into the 2019 Term Note, we paid debt issuance costs of \$0.2 million.

Debt was recorded in our consolidated balance sheets as follows:

<b>Instrument</b> <i>(In thousands)</i>	<b>February 1, 2020</b>	<b>February 2, 2019</b>
2019 Term Note	\$ 64,291	\$ —
2018 Credit Agreement	229,200	374,100
Total debt	\$ 293,491	\$ 374,100
Less current portion of long-term debt (included in Accrued operating expenses)	\$ (14,027)	\$ —
Long-term debt	\$ 279,464	\$ 374,100



#### NOTE 4 – FAIR VALUE MEASUREMENTS

In connection with our nonqualified deferred compensation plan, we had mutual fund investments of \$33.7 million and \$31.6 million at February 1, 2020 and February 2, 2019, respectively, which were recorded in other assets. These investments were classified as trading securities and were recorded at their fair value. The fair values of mutual fund investments were Level 1 valuations under the fair value hierarchy because each fund’s quoted market value per share was available in an active market.

The fair values of our long-term obligations under the 2018 Credit Agreement are estimated based on the quoted market prices for the same or similar issues and the current interest rates offered for similar instruments. These fair value measurements are classified as Level 2 within the fair value hierarchy. Given the variable rate features and relatively short maturity of the instruments underlying the 2018 Credit Agreement, the carrying value of these instruments approximates the fair value.

The fair value of our long-term obligations under the 2019 Term Note are based on quoted market prices and are classified as Level 2 within the fair value hierarchy. The carrying value of the instrument approximates its fair value.

The carrying value of accounts receivable and accounts payable approximates fair value because of the relatively short maturity of these items.

#### NOTE 5 – LEASES

Our leased property consists of our retail stores, distribution centers in California, store security, and other office equipment.

In November 2017, we entered into a synthetic lease arrangement (the “Synthetic Lease”) for a new distribution center in California. The term of the Synthetic Lease commenced in the second quarter of 2019 and will expire 5 years after commencement. Under the prior accounting standard, the Synthetic Lease was accounted for as a capital lease due to certain construction period considerations, and therefore, was initially reflected in both our balance sheet and our future minimum lease obligations disclosure. As the Synthetic Lease commenced in the second quarter of 2019, we assessed its lease classification and determined it was an operating lease under ASC 842. Therefore, the Synthetic Lease is included in our operating lease right-of-use assets and operating lease liabilities in the below table as of February 1, 2020. The annual lease payments are approximately \$7 million for the duration of the term. Additionally, the Synthetic Lease includes a residual value guarantee, which is not probable to be paid.

Leases were recorded in our consolidated balance sheets as follows:

<b>Leases (In thousands)</b>	<b>Balance Sheet Location</b>	<b>February 1, 2020</b>
Assets		<i>(In thousands)</i>
Operating	Operating lease right-of-use assets	\$ 1,202,252
Finance	Property and equipment - net	7,436
<b>Total right-of-use assets</b>		<b>\$ 1,209,688</b>
Liabilities		
Current		
Operating	Current operating lease liabilities	\$ 212,144
Finance	Accrued operating expenses	3,650
Noncurrent		
Operating	Noncurrent operating lease liabilities	1,035,377
Finance	Other liabilities	4,482
<b>Total lease liabilities</b>		<b>\$ 1,255,653</b>

The components of lease costs were as follows:

Lease cost <i>(In thousands)</i>	Statements of Operations and Comprehensive Income Location	2019
Operating lease cost	Selling and administrative expenses	\$ 295,810
Finance lease cost		
Amortization of leased assets	Depreciation	4,373
Interest on lease liabilities	Interest expense	948
Short-term lease cost	Selling and administrative expenses	5,671
Variable lease cost	Selling and administrative expenses	81,666
<b>Total lease cost</b>		<b>\$ 388,468</b>

In 2019, our operating lease cost above included \$3.6 million of right-of-use asset impairment charges related to store closures prior to lease termination date.

Maturity of our lease liabilities at February 1, 2020, was as follows:

Fiscal Year <i>(In thousands)</i>	Operating Leases	Finance Leases
2020	\$ 259,731	\$ 4,664
2021	261,390	3,406
2022	224,919	585
2023	191,012	182
2024	148,038	52
Thereafter	343,237	20
Total lease payments	\$ 1,428,327	\$ 8,909
Less amount to discount to present value	\$ (180,806)	\$ (777)
Present value of lease liabilities	\$ 1,247,521	\$ 8,132

Lease term and discount rate, for our operating leases, at February 1, 2020, were as follows:

February 1, 2020	
Weighted average remaining lease term (years)	6.4
Weighted average discount rate	4.1%

Our weighted average discount rate represents our estimated incremental borrowing rate, assuming a secured borrowing, based on the remaining lease term at the time of adoption of the standard, lease commencement, or the period in which the lease term expectation was modified. Our finance leases, and the associated remaining lease term and discount rate, are insignificant.

#### ***Disclosures Related to Periods Prior to Adoption of ASC 842, Leases***

Under ASC 840, *Leases*, future minimum rental commitments for operating leases, excluding closed store leases, real estate taxes, CAM, and property insurance, and scheduled payments for all capital leases at February 2, 2019, were as follows:

Fiscal Year <i>(In thousands)</i>	Operating Leases	Capital Leases
2019	\$ 279,844	\$ 9,050
2020	244,978	10,815
2021	204,362	9,725
2022	159,479	6,992
2023	120,023	6,512
Thereafter	310,474	127,864
Total lease payments	\$ 1,319,160	\$ 170,958
Less amount to discount to present value		\$ (14,758)
Present value of lease liabilities		\$ 156,200

Under ASC 840, *Leases*, total rent expense, including real estate taxes, CAM, and property insurance for operating leases consisted of the following:

<i>(In thousands)</i>	<b>2018</b>	<b>2017</b>
Minimum rents	\$ 346,067	\$ 330,229
Contingent rents	168	469
<b>Total rent expense</b>	<b>\$ 346,235</b>	<b>\$ 330,698</b>

## NOTE 6 – SHAREHOLDERS’ EQUITY

### Earnings per Share

There were no adjustments required to be made to weighted-average common shares outstanding for purposes of computing basic and diluted earnings per share and there were no securities outstanding in any year presented, which were excluded from the computation of earnings per share other than antidilutive stock options, restricted stock awards, restricted stock units, and PSUs. Stock options outstanding that were excluded from the diluted share calculation because their impact was antidilutive at the end of 2019, 2018, and 2017 were insignificant.

The restricted stock units and performance share units that were antidilutive, as determined under the treasury stock method, were 0.3 million for 2019 and immaterial for 2018 and 2017.

A reconciliation of the number of weighted-average common shares outstanding used in the basic and diluted earnings per share computations is as follows:

<i>(In thousands)</i>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Weighted-average common shares outstanding:			
Basic	39,244	40,809	42,818
Dilutive effect of share-based awards	107	153	482
<b>Diluted</b>	<b>39,351</b>	<b>40,962</b>	<b>43,300</b>

### Share Repurchase Programs

On March 6, 2019, our Board of Directors authorized a share repurchase program providing for the repurchase of up to \$50 million of our common shares (“2019 Repurchase Program”). The 2019 Repurchase Program was exhausted during the second quarter of 2019. During 2019, we acquired approximately 1.3 million shares under the 2019 Repurchase Program.

Common shares acquired through repurchase programs are held in treasury at cost and are available to meet obligations under equity compensation plans and for general corporate purposes.

### Dividends

The Company declared and paid cash dividends per common share during the periods presented as follows:

	<b>Dividends Per Share</b>	<b>Amount Declared</b>	<b>Amount Paid</b>
<b>2018:</b>		<i>(In thousands)</i>	<i>(In thousands)</i>
First quarter	\$ 0.30	\$ 12,744	\$ 14,386
Second quarter	0.30	12,474	12,141
Third quarter	0.30	12,321	12,065
Fourth quarter	0.30	12,346	12,016
<b>Total</b>	<b>\$ 1.20</b>	<b>\$ 49,885</b>	<b>\$ 50,608</b>
<b>2019:</b>			
First quarter	\$ 0.30	\$ 12,206	\$ 13,197
Second quarter	0.30	12,196	11,718
Third quarter	0.30	11,954	11,792
Fourth quarter	0.30	11,930	11,714
<b>Total</b>	<b>\$ 1.20</b>	<b>\$ 48,286</b>	<b>\$ 48,421</b>

The amount of dividends declared may vary from the amount of dividends paid in a period based on certain instruments with restrictions on payment, including restricted stock units and PSUs. The payment of future dividends will be at the discretion of our Board of Directors and will depend on our financial condition, results of operations, capital requirements, compliance with applicable laws and agreements and any other factors deemed relevant by our Board of Directors.

## NOTE 7 – SHARE-BASED PLANS

Our shareholders approved the Big Lots 2017 Long-Term Incentive Plan (“2017 LTIP”) in May 2017. The 2017 LTIP authorizes the issuance of incentive and nonqualified stock options, restricted stock, restricted stock units, deferred stock awards, PSUs, stock appreciation rights, cash-based awards, and other share-based awards. We have issued restricted stock units and PSUs under the 2017 LTIP. The number of common shares available for issuance under the 2017 LTIP consists of an initial allocation of 5,500,000 common shares plus any common shares subject to the 1,743,116 outstanding awards as of January 28, 2017 under the Big Lots 2012 Long-Term Incentive Plan (“2012 LTIP”) that, on or after January 28, 2017, cease for any reason to be subject to such awards (other than by reason of exercise or settlement). The Compensation Committee of our Board of Directors (“Committee”), which is charged with administering the 2017 LTIP, has the authority to determine the terms of each award.

Our former equity compensation plan, the 2012 LTIP, approved by our shareholders in May 2012, expired on May 24, 2017. The 2012 LTIP authorized the issuance of incentive and nonqualified stock options, restricted stock, restricted stock units, deferred stock awards, PSUs, stock appreciation rights, cash-based awards, and other share-based awards. We issued nonqualified stock options, restricted stock, restricted stock units, and PSUs under the 2012 LTIP. The Committee, which was charged with administering the 2012 LTIP, had the authority to determine the terms of each award. Nonqualified stock options granted to employees under the 2012 LTIP, the exercise price of which was not less than the fair market value of the underlying common shares on the grant date, generally expire on the earlier of: (1) the seven year term set by the Committee; or (2) one year following termination of employment, death, or disability. The nonqualified stock options generally vest ratably over a four-year period; however, upon a change in control, all awards outstanding automatically vest. All remaining stock options under the 2012 LTIP will expire in 2020.

Share-based compensation expense was \$13.1 million, \$26.3 million and \$27.8 million in 2019, 2018, and 2017, respectively.

### Non-vested Restricted Stock

The following table summarizes the non-vested restricted stock awards and restricted stock units activity for fiscal years 2017, 2018, and 2019:

	Number of Shares	Weighted Average Grant-Date Fair Value Per Share
Outstanding non-vested restricted stock at January 28, 2017	771,521	\$ 42.12
Granted	205,819	51.16
Vested	(368,408)	42.84
Forfeited	(19,089)	44.02
Outstanding non-vested restricted stock at February 3, 2018	589,843	\$ 44.77
Granted	354,457	45.38
Vested	(413,261)	42.60
Forfeited	(47,857)	44.49
Outstanding non-vested restricted stock at February 2, 2019	483,182	\$ 46.50
Granted	440,014	33.54
Vested	(202,101)	46.26
Forfeited	(72,585)	39.89
Outstanding non-vested restricted stock at February 1, 2020	648,510	\$ 38.52

The non-vested restricted stock units granted in 2017, 2018 and 2019 generally vest, and are expensed, on a ratable basis over three years from the grant date of the award, if certain threshold financial performance objectives are achieved and the grantee remains employed by us through the vesting dates.

## Performance Share Units

In 2017, 2018, and 2019, we issued PSUs to certain members of management, which vest if certain financial performance objectives are achieved over a three-year performance period and the grantee remains employed by us through that performance period. At February 1, 2020, 712,433 non-vested PSUs were outstanding in the aggregate. The financial performance objectives for each fiscal year within the three-year performance period are approved by the Committee during the first quarter of the respective fiscal year.

As a result of the process used to establish the financial performance objectives, we will only meet the requirements of establishing a grant date for the PSUs when we communicate the financial performance objectives for the third fiscal year of the award to the award recipients, which will then trigger the service inception date, the fair value of the awards, and the associated expense recognition period. If we meet the applicable threshold financial performance objectives over the three-year performance period and the grantee remains employed by us through the end of the performance period, the PSUs will vest on the first trading day after we file our Annual Report on Form 10-K for the last fiscal year in the performance period.

We have begun, or expect to begin, recognizing expense related to PSUs as follows:

<b>Issue Year</b>	<b>Outstanding PSUs at February 1, 2020</b>	<b>Actual Grant Date</b>	<b>Expected Valuation (Grant) Date</b>	<b>Actual or Expected Expense Period</b>
2017	181,922	March 2019		Fiscal 2019
2018	191,983		March 2020	Fiscal 2020
2019	338,528		March 2021	Fiscal 2021
<b>Total</b>	<b>712,433</b>			

The number of shares to be distributed upon vesting of the PSUs depends on our average performance attained during the three-year performance period as compared to the targets defined by the Committee, and may result in the distribution of an amount of shares that is greater or less than the number of PSUs granted, as defined in the award agreement. At February 1, 2020, we estimate the attainment of an average performance that is substantially less than the average targets established for the PSUs issued in 2017. In 2019, 2018, and 2017, we recognized \$1.2 million, \$14.9 million and \$15.4 million, respectively, in share-based compensation expense related to PSUs.

The following table summarizes the activity related to PSUs for fiscal years 2017, 2018, and 2019:

	<b>Number of Shares</b>	<b>Weighted Average Grant-Date Fair Value Per Share</b>
Outstanding PSUs at January 28, 2017	360,357	\$ 41.04
Granted	259,042	51.49
Vested	(360,357)	41.04
Forfeited	(9,718)	51.49
Outstanding PSUs at February 3, 2018	249,324	\$ 51.49
Granted	337,421	55.67
Vested	(249,324)	51.49
Forfeited	(55,338)	46.31
Outstanding PSUs at February 2, 2019	282,083	\$ 55.67
Granted	217,518	31.89
Vested	(282,083)	55.67
Forfeited	(35,596)	31.89
Outstanding PSUs at February 1, 2020	181,922	\$ 31.89

## Board of Directors' Awards

In 2018 and 2017, we granted (1) the chairman of our Board of Directors an annual restricted stock unit award having a grant date fair value of approximately \$200,000, and (2) the remaining non-employee directors an annual restricted stock unit award having a grant date fair value of approximately \$135,000. In 2019, we granted (1) the chairman of our Board of Directors an annual restricted stock unit award having a grant date fair value of approximately \$210,000, and (2) the remaining non-employee directors an annual restricted stock unit award having a grant date fair value of approximately \$145,000. These awards vest on the earlier of (1) the trading day immediately preceding the annual meeting of our shareholders following the grant of such awards or (2) the death or disability of the grantee. However, the restricted stock units will not vest if the non-employee director ceases to serve on our Board of Directors before either vesting event occurs. Additionally, we allow our non-employee directors to defer all or a portion of their restricted stock unit award and by such election, the non-employee directors can defer receipt of their restricted stock units until the earlier of the first to occur of: (1) the specified date by the non-employee director in the deferral agreement, (2) the non-employee director's death or disability, or (3) the date the non-employee director ceases to serve as a member of the Board of Directors.

## Stock Options

A summary of the annual stock option activity for fiscal years 2017, 2018, and 2019 is as follows:

	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (000's)
Outstanding stock options at January 28, 2017	589,675	\$ 38.75		
Exercised	(304,049)	38.51		
Forfeited	(5,000)	36.93		
Outstanding stock options at February 3, 2018	280,626	\$ 39.04		
Exercised	(43,125)	43.11		
Forfeited	—	—		
Outstanding stock options at February 2, 2019	237,501	\$ 38.30		
Exercised	(6,250)	32.04		
Forfeited	(82,500)	43.06		
Outstanding stock options at February 1, 2020	148,751	\$ 35.93	0.1	\$ —
Vested or expected to vest at February 1, 2020	148,751	\$ 35.93	0.1	\$ —
Exercisable at February 1, 2020	148,751	\$ 35.93	0.1	\$ —

The stock options granted in prior years vested in equal amounts on the first four anniversaries of the grant date and have a contractual term of seven years. All outstanding stock options at February 1, 2020 will expire in 2020.

During 2019, 2018, and 2017, the following activity occurred under our share-based compensation plans:

<i>(In thousands)</i>	2019	2018	2017
Total intrinsic value of stock options exercised	\$ 42	\$ 228	\$ 4,423
Total fair value of restricted stock vested	\$ 6,452	\$ 19,240	\$ 19,015
Total fair value of performance shares vested	\$ 9,849	\$ 12,792	\$ 21,026

The total unearned compensation cost related to all share-based awards outstanding, excluding PSUs issued in 2018 and 2019, at February 1, 2020 was approximately \$13.2 million. This compensation cost is expected to be recognized through October 2022 based on existing vesting terms with the weighted-average remaining expense recognition period being approximately 1.9 years from February 1, 2020.

## NOTE 8 – INCOME TAXES

The provision for income taxes was comprised of the following:

<i>(In thousands)</i>	2019	2018	2017
Current:			
U.S. Federal	\$ 15,495	\$ 35,025	\$ 63,743
U.S. State and local	7,215	10,341	9,201
Total current tax expense	22,710	45,366	72,944
Deferred:			
U.S. Federal	48,613	5,300	28,336
U.S. State and local	3,761	53	4,242
Total deferred tax expense	52,374	5,353	32,578
Income tax provision	\$ 75,084	\$ 50,719	\$ 105,522

On December 22, 2017, the President of the United States signed into law the Tax Cut and Jobs Act (“TCJA”). The TCJA significantly changed U.S. tax law, including permanently lowering the U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018, expanding the disallowance of deductions for executive compensation and accelerating tax depreciation for certain assets placed in service after September 27, 2017.

In 2017, we estimated the effects of the corporate income tax rate reduction on our net deferred tax assets resulting in the provisional recognition of an additional \$4.5 million of income tax expense in our consolidated statements of operations and comprehensive income.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the TCJA. As noted above, we recorded the provisional tax impacts of the TCJA on existing current and deferred tax amounts in 2017. The ultimate impact differed from those provisional amounts due to, among other things, additional analysis, changes in interpretations and assumptions we made, and additional regulatory guidance that was issued. During the third quarter of 2018, we made approximately \$0.6 million in adjustments to our previously recorded provisional amounts related to the TCJA. During the fourth quarter of 2018, we finalized our estimate related to the TCJA and the adjustment was immaterial.

Net deferred tax assets fluctuated by items that are not reflected in deferred tax expense in the above table in 2019 and 2017. Due to the adoption of ASU 2016-02, *Leases (Topic 842)*, net deferred tax assets decreased by \$0.1 million in 2019. In 2017, net deferred tax assets increased by \$0.1 million as a result of ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*.

Reconciliation between the statutory federal income tax rate and the effective income tax rate was as follows:

	2019	2018	2017
Statutory federal income tax rate	21.0%	21.0%	33.7%
Effect of:			
State and local income taxes, net of federal tax benefit	2.7	4.0	3.0
Executive compensation limitations - permanent difference	0.4	0.7	—
Provisional effect of the TCJA	—	(0.3)	1.5
Work opportunity tax and other employment tax credits	(0.8)	(1.4)	(1.0)
Excess tax detriment (benefit) from share-based compensation	0.4	0.4	(1.3)
Other, net	(0.1)	—	(0.2)
Effective income tax rate	23.6%	24.4%	35.7%

Since the TCJA rate reduction was effective on January 1, 2018, our 2017 federal statutory tax rate was a blended rate of 33.7%.



In 2017, we adopted ASU 2016-09. Prior to the adoption of ASU 2016-09, differences between the tax deduction ultimately realized from an equity award and the deferred tax asset recognized as compensation cost were generally credited (“excess tax benefits”) or charged (“deficiencies”) to equity. Under ASU 2016-09, all tax effects of share-based compensation, including excess tax benefits and tax deficiencies, are recognized in income tax expense. In 2019 and 2018, we recognized net tax deficiencies which increased income tax expense by \$1.3 million and \$1.0 million, respectively. In 2017, we recognized net excess tax benefits which reduced income tax expense by \$4.3 million.

In 2019, we adopted ASU 2016-02 which requires the recognition of right-of-use assets and lease liabilities. The recognition of the right-of-use assets and lease liabilities resulted in the establishment of a new deferred tax liability and deferred tax asset.

Income tax payments and refunds were as follows:

<i>(In thousands)</i>	2019	2018	2017
Income taxes paid	\$ 29,375	\$ 59,691	\$ 99,693
Income taxes refunded	(2,313)	(474)	(888)
Net income taxes paid	\$ 27,062	\$ 59,217	\$ 98,805

Deferred taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax, including income tax uncertainties. Significant components of our deferred tax assets and liabilities were as follows:

<i>(In thousands)</i>	February 1, 2020	February 2, 2019
Deferred tax assets:		
Lease liabilities, net of lease incentives	\$ 327,499	\$ —
Depreciation and fixed asset basis differences	37,430	10,497
Uniform inventory capitalization	22,611	18,454
Workers’ compensation and other insurance reserves	21,013	20,841
Compensation related	16,378	17,218
Accrued operating liabilities	3,674	1,316
State tax credits, net of federal tax benefit	3,495	3,856
Accrued state taxes	3,027	3,416
Accrued rent	—	16,208
Other	13,907	11,767
Valuation allowances, net of federal tax benefit	(2,674)	(2,940)
Total deferred tax assets	446,360	100,633
Deferred tax liabilities:		
Right-of-use assets, net of amortization	305,091	—
Accelerated depreciation and fixed asset basis differences	100,187	66,016
Synthetic lease obligation	34,485	—
Lease construction reimbursements	18,920	13,917
Deferred gain on like-kind exchange	15,382	—
Prepaid expenses	5,039	4,285
Workers’ compensation and other insurance reserves	3,507	2,477
Other	7,597	5,305
Total deferred tax liabilities	490,208	92,000
Net deferred tax (liabilities) assets	\$ (43,848)	\$ 8,633

Our deferred tax assets and deferred tax liabilities, netted by tax jurisdiction, are summarized in the table below:

<i>(In thousands)</i>	<b>February 1, 2020</b>	<b>February 2, 2019</b>
U.S. Federal	\$ (48,610)	\$ 96
U.S. State and local	4,762	8,537
Net deferred tax (liabilities) assets	(43,848)	8,633

We have the following income tax loss and credit carryforwards at February 1, 2020 (amounts are shown net of tax excluding the federal income tax effect of the state and local items):

<i>(In thousands)</i>		
U.S. State and local:		
State net operating loss carryforwards	\$ 48	Expires predominately during fiscal years 2020 - 2039
California enterprise zone credits	4,103	Predominately expires fiscal year 2023
Other state credits	320	Expires fiscal years through 2025
Total income tax loss and credit carryforwards	\$ 4,471	

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits for 2019, 2018, and 2017:

<i>(In thousands)</i>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Unrecognized tax benefits - beginning of year	\$ 11,986	\$ 11,673	\$ 13,121
Gross increases - tax positions in current year	976	1,649	361
Gross increases - tax positions in prior period	1,031	1,025	1,329
Gross decreases - tax positions in prior period	(2,333)	(1,827)	(1,385)
Settlements	(484)	403	(319)
Lapse of statute of limitations	(416)	(937)	(1,434)
Unrecognized tax benefits - end of year	\$ 10,760	\$ 11,986	\$ 11,673

At the end of 2019 and 2018, the total amount of unrecognized tax benefits that, if recognized, would affect the effective income tax rate is \$8.4 million and \$9.4 million, respectively, after considering the federal tax benefit of state and local income taxes of \$1.4 million and \$1.8 million, respectively. Unrecognized tax benefits of \$1.0 million and \$0.8 million in 2019 and 2018, respectively, relate to tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. The uncertain timing items could result in the acceleration of the payment of cash to the taxing authority to an earlier period.

We recognized an expense (benefit) associated with interest and penalties on unrecognized tax benefits of approximately \$(1.1) million, \$(0.7) million, and \$0.1 million during 2019, 2018, and 2017, respectively, as a component of income tax expense. The amount of accrued interest and penalties recognized in the accompanying consolidated balance sheets at February 1, 2020 and February 2, 2019 was \$4.3 million and \$5.4 million, respectively.

We are subject to U.S. federal income tax, and income tax of multiple state and local jurisdictions. The statute of limitations for assessments on our federal income tax returns for periods prior to 2016 has lapsed. In addition, the state income tax returns filed by us are subject to examination generally for periods beginning with 2006, although state income tax carryforward attributes generated prior to 2006 and non-filing positions may still be adjusted upon examination. We have various state returns in the process of examination or administrative appeal.

We have estimated the reasonably possible expected net change in unrecognized tax benefits through January 30, 2021, based on expected cash and noncash settlements or payments of uncertain tax positions and lapses of the applicable statutes of limitations for unrecognized tax benefits. The estimated net decrease in unrecognized tax benefits for the next 12 months is approximately \$4.0 million. Actual results may differ materially from this estimate.

## **NOTE 9 – COMMITMENTS, CONTINGENCIES AND LEGAL PROCEEDINGS**

### ***Shareholder and Derivative Matters***

In 2012, three shareholder derivative lawsuits were filed in the U.S. District Court for the Southern District of Ohio against us and certain of our current and former outside directors and executive officers. The lawsuits were consolidated, and, on August 13, 2012, plaintiffs filed a consolidated complaint captioned *In re Big Lots, Inc. Shareholder Litigation*, No. 2:12-cv-00445 (S.D. Ohio) (the “Consolidated Derivative Action”). The consolidated complaint asserted various claims under Ohio law, including for breach of fiduciary duty. On December 14, 2017, the parties entered into a Stipulation and Agreement of Settlement and plaintiffs filed an Unopposed Motion for Preliminary Approval of Derivative Settlement with the Court. On August 28, 2018, the Court issued an Order granting final approval of the Settlement.

Also in 2012, a putative securities class action lawsuit captioned *Willis, et al. v. Big Lots, Inc., et al.*, 2:12-cv-00604 (S.D. Ohio) was filed in the U.S. District Court for the Southern District of Ohio on behalf of persons who acquired our common shares between February 2, 2012 and April 23, 2012. Effective May 16, 2018, the parties executed a Stipulation of Settlement. On November 9, 2018, the Court issued an Order granting final approval of the Settlement.

In connection with the settlement of the Willis class action and the Consolidated Derivative Action, during the first quarter of 2018, we recorded a net charge of \$3.5 million related to the expected cost of the settlements for the funds in excess of our insurance coverage. During the second quarter of 2018, the settlement associated with the Willis class action was paid into escrow and has since been released.

### ***Tabletop Torches Matter***

In 2013, we sold certain tabletop torch and citronella products manufactured by third parties. In August 2013, we recalled the tabletop torches and discontinued their sale in our stores. In 2014, we were named as a defendant in a number of lawsuits relating to these products alleging personal injuries suffered as a result of negligent shelving and pairing of the products, product design, manufacturing and marketing defects and/or breach of warranties. In the second quarter of 2015, we settled one of the lawsuits and settled another lawsuit in the third quarter of 2015. We settled an additional lawsuit in the first quarter of 2017. In the second quarter of 2017, we reached a settlement with the plaintiff in the final lawsuit. In the third quarter of 2017, we finalized the settlement with our insurance carriers and collected the associated settlement funds, which resulted in a \$3.0 million gain. During the second quarter of 2015, we recorded a \$4.5 million charge related to these matters.

### ***California Wage and Hour Matters***

We currently are defending three purported wage and hour class actions and several individual representative actions in California. The cases were brought by various current and/or former California associates alleging various violations of California wage and hour laws. Upon further consideration of these matters, including outcomes of cases against other retailers, during the first quarter of 2019, we determined a loss from these matters was probable and we increased our accrual for litigation by recording a \$7.3 million charge as our best estimate for these matters in aggregate. Since the end of the first quarter of 2019, we reached tentative settlements in each of the class actions, subject to final documentation and court approval. We intend to defend ourselves vigorously against the allegations levied in the remaining lawsuits. We believe the existing accrual for litigation remains appropriate.

### ***Other Matters***

We are involved in other legal actions and claims arising in the ordinary course of business. We currently believe that each such action and claim will be resolved without a material effect on our financial condition, results of operations, or liquidity. However, litigation involves an element of uncertainty. Future developments could cause these actions or claims to have a material effect on our financial condition, results of operations, and liquidity.

We are self-insured for certain losses relating to property, general liability, workers' compensation, and employee medical, dental, and prescription drug benefit claims, a portion of which is paid by employees, and we have purchased stop-loss coverage in order to limit significant exposure in these areas. Accrued insurance liabilities are actuarially determined based on claims filed and estimates of claims incurred but not reported. We use letters of credit, which amounted to \$41.3 million at February 1, 2020, as collateral to back certain of our self-insured losses with our claims administrators.

We have purchase obligations for outstanding purchase orders for merchandise issued in the ordinary course of our business that are valued at \$492.8 million, the entirety of which represents obligations due within one year of February 1, 2020. We have additional purchase obligations in the amount of \$363.7 million primarily related to distribution and transportation, information technology, print advertising, energy procurement, and other store security, supply, and maintenance commitments.

## NOTE 10 - GAIN ON SALE OF DISTRIBUTION CENTER

On October 30, 2019, we completed the sale of our distribution center located in Rancho Cucamonga, California. As part of our agreement with the purchaser, we are leasing the property back from the purchaser for six months while we wind down our operations at the distribution center. The lease permits us to exit the lease early or extend the lease for up to six additional months. Net proceeds from the sale of the distribution center were \$190.3 million and our gain on the sale was \$178.5 million.

## NOTE 11 – BUSINESS SEGMENT DATA

We use the following seven merchandise categories, which are consistent with our internal management and reporting of merchandise net sales: Food, Consumables, Soft Home, Hard Home, Furniture, Seasonal, and Electronics, Toys, & Accessories. The Food category includes our beverage & grocery, candy & snacks, and specialty foods departments. The Consumables category includes our health, beauty and cosmetics, plastics, paper, chemical, and pet departments. The Soft Home category includes the home décor, frames, fashion bedding, utility bedding, bath, window, decorative textile, home organization and area rugs departments. The Hard Home category includes our small appliances, table top, food preparation, stationery, greeting cards, and home maintenance departments. The Furniture category includes our upholstery, mattress, ready-to-assemble, and case goods departments. The Seasonal category includes our lawn & garden, summer, Christmas, and other holiday departments. The Electronics, Toys, & Accessories category includes our electronics, jewelry, hosiery, apparel, and toys departments.

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

The following table presents net sales data by merchandise category:

<i>(In thousands)</i>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Furniture	\$ 1,427,129	\$ 1,286,995	\$ 1,233,967
Soft Home	853,434	828,451	792,366
Consumables	803,593	799,038	822,533
Seasonal	773,720	765,619	765,674
Food	757,351	782,988	818,387
Hard Home	363,006	407,596	428,788
Electronics, Toys, & Accessories	344,947	367,418	402,647
Net sales	\$ 5,323,180	\$ 5,238,105	\$ 5,264,362

## NOTE 12 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized fiscal quarterly financial data for 2019 and 2018 is as follows:

<b>Fiscal Year 2019</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Year</b>
<i>(In thousands, except per share amounts) (a)</i>					
Net sales	\$ 1,295,796	\$ 1,252,414	\$ 1,167,988	\$ 1,606,982	\$ 5,323,180
Gross margin	519,047	498,230	463,386	634,019	2,114,682
Net income	15,540	6,178	126,982	93,764	242,464

Earnings per share:					
Basic	\$ 0.39	\$ 0.16	\$ 3.25	\$ 2.40	\$ 6.18
Diluted	0.39	0.16	3.25	2.39	6.16

<b>Fiscal Year 2018</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Year</b>
<i>(In thousands, except per share amounts) (a)</i>					
Net sales	\$ 1,267,983	\$ 1,222,169	\$ 1,149,402	\$ 1,598,551	\$ 5,238,105
Gross margin	511,958	491,419	459,174	659,344	2,121,895
Net income	31,239	24,164	(6,556)	108,047	156,894

Earnings per share:					
Basic	\$ 0.74	\$ 0.59	\$ (0.16)	\$ 2.70	\$ 3.84
Diluted	0.74	0.59	(0.16)	2.68	3.83

- (a) Earnings per share calculations for each fiscal quarter are based on the applicable weighted-average shares outstanding for each period, and the sum of the earnings per share for the four fiscal quarters may not necessarily be equal to the full year earnings per share amount.

## NOTE 13 – RESTRUCTURING COSTS

In March 2019, we announced a transformational restructuring initiative, referred to as “Operation North Star,” to both drive growth in our net sales and reduce costs within our business. We intend to generate costs savings from this initiative through improved markdown and merchandise management, reduced management layers, optimization of store labor, improved efficiencies in our supply chain, and reduced central and other costs. With the initial implementation of this initiative in 2019, we incurred upfront costs, including employee severance costs and consultancy fees, and made payments to execute the initiative.

During the first quarter of 2019, we incurred \$15.3 million in costs associated with our transformational restructuring initiative, which were recorded in selling and administrative expenses. During the second quarter of 2019, we incurred an additional \$19.5 million in costs from this initiative. In the third quarter of 2019, we incurred \$3.6 million in costs associated with this initiative. Transformational restructuring costs recorded in the fourth quarter of 2019 were immaterial.

The changes in our liabilities associated with severance and postemployment benefits, which are recorded in accrued operating expenses, during fiscal 2019 were as follows:

<i>(In thousands)</i>	
Balance at February 2, 2019	\$ —
Charges	14,597
Payments	(10,182)
Other	(2,222)
Balance at February 1, 2020	\$ 2,193

## **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), as of the end of the period covered by this report. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer have each concluded that such disclosure controls and procedures were effective as of the end of the period covered by this report.

#### **Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) for us. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Management assessed the effectiveness of our internal control over financial reporting as of February 1, 2020. In making its assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework* (2013 Framework). Based on this assessment, management, including our Principal Executive Officer and Principal Financial Officer, concluded that we maintained effective internal control over financial reporting as of February 1, 2020.

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on our internal control over financial reporting. The report appears in the Financial Statements and Supplementary Data section of this Form 10-K.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 9B. Other Information**

On March 30, 2020, the Company announced that it is withdrawing the guidance it issued on February 27, 2020 with respect to 2020 and the first quarter of 2020 as a result of the lack of business visibility into the impacts of the coronavirus (COVID-19) pandemic. The reason for the withdrawal of guidance included (1) demand volatility, which has resulted in positive low single digit comps year-to-date driven by strong March sales of essential items in our Food and Consumables merchandise categories, (2) unplanned expenses such as temporary store and distribution center wage increases and additional store cleaning costs, and (3) the cancellation of the planned chainwide in-store “Friends and Family” weekend event in April. The Company expects to resume providing an annual outlook when business conditions return to a more normal environment.

### Part III

#### Item 10. Directors, Executive Officers and Corporate Governance

The information contained under the captions “Proposal One: Election of Directors,” “Governance,” and “Stock Ownership” in our definitive Proxy Statement for our annual meeting of Shareholders (“2020 Proxy Statement”), with respect to directors, shareholder nomination procedures, the code of ethics, the Audit Committee, our audit committee financial experts, and Section 16(a) beneficial ownership reporting compliance, is incorporated herein by reference in response to this item. The information contained in Part I of this Form 10-K under the caption “Supplemental Item. Executive Officers of the Registrant,” with respect to executive officers, is incorporated herein by reference in response to this item.

In the “Investor Relations” section of our website ([www.biglots.com](http://www.biglots.com)) under the “Corporate Governance” and “SEC Filings” captions, the following information relating to our corporate governance may be found: Corporate Governance Guidelines; charters of our Board of Directors’ Audit, Compensation, Nominating/Corporate Governance Committees, and our Public Policy and Environmental Affairs Committee; Code of Business Conduct and Ethics; Code of Ethics for Financial Officers; Chief Executive Officer and Chief Financial Officer certifications related to our SEC filings; the means by which shareholders may communicate with our Board of Directors; and transactions in our securities by our directors and executive officers. The Code of Business Conduct and Ethics applies to all of our associates, including our directors and our principal executive officer, principal financial officer, and principal accounting officer. The Code of Ethics for Financial Professionals applies to our Chief Executive Officer and all other Senior Financial Officers (as that term is defined therein) and contains provisions specifically applicable to the individuals serving in those positions. We intend to satisfy the requirement under Item 5.05 of Form 8-K regarding disclosure of any amendments to, and any waivers from, our Code of Business Conduct and Ethics (to the extent applicable to our directors and executive officers (including our principal executive officer, principal financial officer, and principal accounting officer)) and our Code of Ethics for Financial Professionals in the “Investor Relations” section of our website ([www.biglots.com](http://www.biglots.com)) under the “Corporate Governance” caption. We will provide any of the foregoing information without charge upon written request to our Corporate Secretary addressed to our principal executive offices at 4900 E. Dublin-Granville Road, Columbus, Ohio 43081.

#### Item 11. Executive Compensation

The information contained under the caption “Governance” with respect to Compensation Committee interlocks and insider participation and under the captions “Director Compensation,” “Executive Compensation” and “Compensation Committee Report” in the 2020 Proxy Statement is incorporated herein by reference in response to this item.



## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

### Equity Compensation Plan Information

The following table summarizes information as of February 1, 2020, relating to our equity compensation plans pursuant to which our common shares may be issued.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (#) (a)	Weighted-average exercise price of outstanding options, warrants, and rights (\$) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (#) (c)
Equity compensation plans approved by security holders	1,509,694 (1)(2)	35.93 (3)	3,307,877 (4)
Equity compensation plans not approved by security holders	—	—	—
Total	1,509,694	35.93 (3)	3,307,877

(1) Includes stock options, PSUs, and restricted stock units granted under the 2017 LTIP and the 2012 LTIP.

(2) The common shares issuable upon exercise of outstanding stock options granted under each shareholder-approved plan are as follows:

2017 LTIP	—
2012 LTIP	148,751

(3) The weighted average exercise price only represents stock options and does not take into account the PSUs and the restricted stock units granted under the 2017 LTIP.

(4) The common shares available for issuance under the 2017 LTIP are limited to 3,307,877 common shares. There are no common shares available for issuance under any of the other shareholder-approved plans.

The 2012 LTIP expired on May 24, 2017. The 2017 LTIP was approved in May 2017. See note 7 to the accompanying consolidated financial statements.

The information contained under the caption “Stock Ownership” in the 2020 Proxy Statement, with respect to the security ownership of certain beneficial owners and management, is incorporated herein by reference in response to this item.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

The information contained under the caption “Governance” in the 2020 Proxy Statement, with respect to the determination of director independence and related person transactions, is incorporated herein by reference in response to this item.

### Item 14. Principal Accounting Fees and Services

The information contained under the captions “Audit Committee Disclosure” in the 2020 Proxy Statement, with respect to our audit and non-audit services pre-approval policy and the fees paid to our independent registered public accounting firm, Deloitte & Touche LLP, is incorporated herein by reference in response to this item.

## Part IV

### Item 15. Exhibits, Financial Statement Schedules

#### Index to Consolidated Financial Statements, Financial Statement Schedules and Exhibits

(a) Documents filed as part of this report:

(1) Financial Statements

Reports of Independent Registered Public Accounting Firm	<u>34</u>
Consolidated Statements of Operations and Comprehensive Income	<u>38</u>
Consolidated Balance Sheets	<u>39</u>
Consolidated Statements of Shareholders' Equity	<u>40</u>
Consolidated Statements of Cash Flows	<u>41</u>
Notes to Consolidated Financial Statements	<u>42</u>

All other financial statements not listed in the preceding index are omitted because they are not required or are not applicable or because the information required to be set forth therein either was not material or is included in the consolidated financial statements or notes thereto.

(2) Financial Statement Schedules

All schedules are omitted because they are not required or are not applicable or because the information required to be set forth therein either was not material or is included in the consolidated financial statements or notes thereto.

(3) **Exhibits.** Exhibits marked with an asterisk (\*) are filed herewith. The Exhibit marked with two asterisks (\*\*) is furnished electronically with this Annual Report. Copies of exhibits will be furnished upon written request and payment of our reasonable expenses in furnishing the exhibits. Exhibits 10.1 through 10.46 are management contracts or compensatory plans or arrangements.

<u>Exhibit No.</u>	<u>Document</u>
<u>2</u>	Agreement of Merger (incorporated herein by reference to Exhibit 2 to our Form 10-Q for the quarter ended May 5, 2001) (File No. 1-8897).
<u>3.1</u>	Amended Articles of Incorporation (incorporated herein by reference to Exhibit 3(a) to our Form 10-Q for the quarter ended May 5, 2001) (File No. 1-8897).
<u>3.2</u>	Amendment to the Amended Articles of Incorporation of Big Lots, Inc. (incorporated herein by reference to Exhibit 3.1 to our Form 8-K dated May 27, 2010) (File No. 1-8897).
<u>3.3</u>	Code of Regulations (incorporated herein by reference to Exhibit 3(b) to our Form 10-Q for the quarter ended May 5, 2001) (File No. 1-8897).
<u>4</u>	Specimen Common Share Certificate (incorporated herein by reference to Exhibit 4(a) to our Form 10-K for the year ended February 2, 2002) (File No. 1-8897).
<u>10.1</u>	Big Lots 2005 Long-Term Incentive Plan, as amended and restated effective May 27, 2010 (incorporated herein by reference to Exhibit 4.4 to our Form S-8 dated March 3, 2011) (File No. 1-8897).
<u>10.2</u>	Form of Big Lots 2005 Long-Term Incentive Plan Non-Qualified Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.4 to our Form 8-K dated February 21, 2006) (File No. 1-8897).
<u>10.3</u>	Form of Big Lots 2005 Long-Term Incentive Plan Non-Qualified Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.3 to our Form 8-K dated March 4, 2009) (File No. 1-8897).
<u>10.4</u>	Form of Big Lots 2005 Long-Term Incentive Plan Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.4 to our Form 8-K dated March 4, 2009) (File No. 1-8897).
<u>10.5</u>	Big Lots 2012 Long-Term Incentive Plan, as amended and restated effective May 29, 2014 (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated May 29, 2014).
<u>10.6</u>	Form of Big Lots 2012 Long-Term Incentive Plan Non-Qualified Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.2 to our Form 8-K dated May 23, 2012) (File No. 1-8897).

<u>Exhibit No.</u>	<u>Document</u>
<u>10.7</u>	Form of Big Lots 2012 Long-Term Incentive Plan Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.3 to our Form 8-K dated May 23, 2012) (File No. 1-8897).
<u>10.8</u>	Form of Big Lots 2012 Long-Term Incentive Plan Restricted Stock Retention Award Agreement (incorporated herein by reference to Exhibit 10.14 to our Form 10-K for the year ended February 2, 2013) (File No. 1-8897).
<u>10.9</u>	Form of Big Lots 2012 Long-Term Incentive Plan Restricted Stock Award Agreement for Nonemployee Directors (incorporated herein by reference to Exhibit 10.4 to our Form 8-K dated May 23, 2012) (File No. 1-8897).
<u>10.10</u>	Form of Big Lots 2012 Long-Term Incentive Plan Performance Share Units Award Agreement (incorporated herein by reference to Exhibit 10.9 to our Form 8-K dated April 29, 2013).
<u>10.11</u>	Form of Big Lots 2012 Long-Term Incentive Plan Performance Share Units Award Agreement (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated March 4, 2015).
<u>10.12</u>	Form of Big Lots 2012 Long-Term Incentive Plan Restricted Stock Units Award Agreement (incorporated herein by reference to Exhibit 10.2 to our Form 8-K dated March 4, 2015).
<u>10.13</u>	Form of Big Lots 2012 Long-Term Incentive Plan Deferral Election Form and Deferred Stock Units Award Agreement for Non-Employee Directors (incorporated herein by reference to Exhibit 10.13 to our Form 10-K for the year ended January 28, 2017).
<u>10.14</u>	Big Lots 2017 Long-Term Incentive Plan (incorporated herein by reference to Appendix A to our definitive proxy statement on Schedule 14A relating to the 2017 Annual Meeting of Shareholders filed April 11, 2017).
<u>10.15</u>	Form of Big Lots 2017 Long-Term Incentive Plan Restricted Stock Units Award Agreement (incorporated herein by reference to Exhibit 10.1 to our Form 10-Q for the quarter ended April 29, 2017).
<u>10.16</u>	Form of Big Lots 2017 Long-Term Incentive Plan Performance Share Units Award Agreement (incorporated herein by reference to Exhibit 10.2 to our Form 10-Q for the quarter ended April 29, 2017).
<u>10.17</u>	Form of Big Lots 2017 Long-Term Incentive Plan Restricted Stock Units Retention Award Agreement (incorporated herein by reference to Exhibit 10.1 to our Form 10-Q for the quarter ended August 4, 2018).
<u>10.18</u>	Form of Big Lots 2017 Long-Term Incentive Plan Deferral Election Form and Deferred Stock Units Award for Non-Employee Directors (incorporated herein by reference to Exhibit 10.1 to our Form 10-Q for the quarter ended October 28, 2017).
<u>10.19</u>	Big Lots, Inc. Amended and Restated Director Stock Option Plan (incorporated by reference to Exhibit 10(c)(ii) to Consolidated (Delaware)'s Annual Report on Form 10-K for the fiscal year ended February 1, 1992) (File No. 1-8897).
<u>10.20</u>	First Amendment to Big Lots, Inc. Amended and Restated Director Stock Option Plan, effective August 20, 2002 (incorporated herein by reference to Exhibit 10(d) to our Form 10-Q for the quarter ended August 3, 2002 (File No. 1-8897)).
<u>10.21</u>	Amendment to Big Lots, Inc. Amended and Restated Director Stock Option Plan, effective March 5, 2008 (incorporated herein by reference to Exhibit 10.5 to our Form 10-Q for the quarter ended May 3, 2008) (File No. 1-8897).
<u>10.22</u>	Form of Option Award Agreement under the Big Lots, Inc. Amended and Restated Director Stock Option Plan (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated September 9, 2004) (File No. 1-8897).
<u>10.23</u>	Big Lots 2006 Bonus Plan, as amended and restated effective May 29, 2014 (incorporated herein by reference to Exhibit 10.2 to our Form 8-K dated May 29, 2014).
<u>10.24</u>	Big Lots 2019 Bonus Plan (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated March 5, 2019).
<u>10.25</u>	Big Lots Savings Plan (incorporated herein by reference to Exhibit 10.8 to our Form 10-K for the year ended January 29, 2005) (File No. 1-8897).
<u>10.26</u>	Big Lots Supplemental Savings Plan, as amended and restated effective December 31, 2015 (incorporated herein by reference to Exhibit 10.25 to our Form 10-K for the year ended January 30, 2016).
<u>10.27</u>	Big Lots Executive Benefit Plan (incorporated herein by reference to Exhibit 10(m) to our Form 10-K for the year ended January 31, 2004) (File No. 1-8897).
<u>10.28</u>	First Amendment to Big Lots Executive Benefit Plan (incorporated herein by reference to Exhibit 10.11 to our Form 10-Q for the quarter ended November 1, 2008) (File No. 1-8897).
<u>10.29</u>	Executive Employment Agreement with David J. Campisi (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated March 17, 2015).

<u>Exhibit No.</u>	<u>Document</u>
<u>10.30</u>	Offer Letter with Bruce Thorn (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated August 21, 2018).
<u>10.31</u>	Separation Agreement with David J. Campisi (incorporated herein by reference to Exhibit 10.1 to our Form 10-Q for the quarter ended May 5, 2018) (File No. 1-8897).
<u>10.32</u>	Second Amended and Restated Employment Agreement with Lisa M. Bachmann (incorporated herein by reference to Exhibit 10.2 to our Form 8-K dated April 29, 2013).
<u>10.33</u>	Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.12 to our Form 10-Q for the quarter ended November 1, 2008) (File No. 1-8897).
<u>10.34</u>	Form of Executive Severance Agreement (incorporated herein by reference to Exhibit 10.13 to our Form 10-Q for the quarter ended November 1, 2008) (File No. 1-8897).
<u>10.35</u>	Form of Senior Executive Severance Agreement (incorporated herein by reference to Exhibit 10.14 to our Form 10-Q for the quarter ended November 1, 2008) (File No. 1-8897).
<u>10.36</u>	Big Lots Executive Severance Plan (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated August 28, 2014).
<u>10.37</u>	Form of Big Lots Executive Severance Plan Acknowledgment and Agreement (incorporated by reference to Exhibit 10.2 to our Form 8-K dated August 28, 2014).
<u>10.38</u>	Credit Agreement among Big Lots, Inc., Big Lots Stores, Inc. and Big Lots Canada, Inc., as borrowers, the Guarantors named therein, and the Banks named therein (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated July 22, 2011) (File No. 1-8897).
<u>10.39</u>	First Amendment to Credit Agreement among Big Lots, Inc., Big Lots Stores, Inc. and Big Lots Canada, Inc., as borrowers, the Guarantors named therein, and the Banks named therein (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated May 30, 2013).
<u>10.40</u>	Second Amendment to Credit Agreement among Big Lots, Inc., Big Lots Stores, Inc., as borrowers, the Guarantors named therein, and the Banks named therein (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated May 28, 2015).
<u>10.41</u>	Credit Agreement, dated August 31, 2018, by and among Big Lots, Inc. and Big Lots Stores, Inc., as borrowers, the Guarantors named therein, and the Banks named therein (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated August 29, 2018).
<u>10.42</u>	Security Agreement between Big Lots Stores, Inc. and Big Lots Capital, Inc. (incorporated herein by reference to Exhibit 10.2 to our Form 8-K dated October 29, 2004) (File No. 1-8897).
<u>10.43</u>	Stock Purchase Agreement between KB Acquisition Corporation and Consolidated Stores Corporation (incorporated herein by reference to Exhibit 2(a) to our Form 10-Q for the quarter ended October 28, 2000) (File No. 1-8897).
<u>10.44</u>	Acquisition Agreement between Big Lots, Inc. and Liquidation World Inc. (incorporated herein by reference to Exhibit 10.1 to our Form 8-K dated May 26, 2011) (File No. 1-8897).
<u>10.45</u>	AVDC Participation Agreement incorporated herein by reference to Exhibit 10.40 to our Form 10-K for the year ended February 3, 2018) (File No. 1-8897).
<u>10.46</u>	AVDC Lease Agreement (Real Property) (incorporated herein by reference to Exhibit 10.41 to our Form 10-K for the year ended February 3, 2018) (File No. 1-8897).
<u>10.47</u>	AVDC Construction Agency Agreement (incorporated herein by reference to Exhibit 10.42 to our Form 10-K for the year ended February 3, 2018) (File No. 1-8897).
<u>21*</u>	Subsidiaries.
<u>23*</u>	Consent of Deloitte & Touche LLP.
<u>24*</u>	Power of Attorney for Jeffrey P. Berger, James R. Chambers, Sebastian J. DiGrande, Marla C. Gottschalk, Cynthia T. Jamison, Christopher J. McCormick, Nancy A. Reardon, and Wendy L. Schoppert.
<u>31.1*</u>	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<u>31.2*</u>	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<u>32.1*</u>	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
<u>32.2*</u>	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
<u>101.Def*</u>	XBRL Taxonomy Definition Linkbase Document
<u>101.Pre*</u>	XBRL Taxonomy Presentation Linkbase Document
<u>101.Lab*</u>	XBRL Taxonomy Labels Linkbase Document
<u>101.Cal*</u>	XBRL Taxonomy Calculation Linkbase Document

<u>Exhibit No.</u>	<u>Document</u>
101.Sch	XBRL Taxonomy Schema Linkbase Document
101.Ins	XBRL Taxonomy Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

**Item 16. Form 10-K Summary**

None.

## Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 31<sup>st</sup> day of March 2020.

### **BIG LOTS, INC.**

By: /s/ Bruce K. Thorn

\_\_\_\_\_  
Bruce K. Thorn

*President and Chief Executive Officer*

(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 31<sup>st</sup> day of March 2020.

By: /s/ Bruce K. Thorn

\_\_\_\_\_  
Bruce K. Thorn

*President and Chief Executive Officer*

(Principal Executive Officer)

By: /s/ Jonathan E. Ramsden

\_\_\_\_\_  
Jonathan E. Ramsden

*Executive Vice President, Chief Financial and  
Administrative Officer*

(Principal Financial Officer, Principal Accounting Officer  
and Duly Authorized Officer)

/s/ Jeffrey P. Berger \*

\_\_\_\_\_  
Jeffrey P. Berger

Director

/s/ Cynthia T. Jamison \*

\_\_\_\_\_  
Cynthia T. Jamison

Director

/s/ James R. Chambers \*

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James R. Chambers

Director

/s/ Christopher J. McCormick \*

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Christopher J. McCormick

Director

/s/ Sebastian J. DiGrande \*

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Sebastian J. DiGrande

Director

/s/ Nancy A. Reardon \*

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Nancy A. Reardon

Director

/s/ Marla C. Gottschalk \*

\_\_\_\_\_  
Marla C. Gottschalk

Director

/s/ Wendy L. Schoppert \*

\_\_\_\_\_  
Wendy L. Schoppert

Director

\* The above named Directors of the Registrant execute this report by Ronald A. Robins, Jr., their attorney-in-fact, pursuant to the power of attorney executed by the above-named Directors all in the capacities indicated and on the 4<sup>th</sup> day of March 2020, and filed herewith.

By: /s/ Ronald A. Robins, Jr.

\_\_\_\_\_  
Ronald A. Robins, Jr.

*Attorney-in-Fact*

## SUBSIDIARIES

<u>Name</u>	<u>Jurisdiction</u>
Big Lots Capital, Inc.	OH
Big Lots F&S, Inc.	OH
Big Lots Online LLC	OH
Big Lots Stores, Inc.	OH
BLSI Property, LLC	DE
Capital Retail Systems, Inc.	OH
Closeout Distribution, Inc.	PA
Consolidated Property Holdings, Inc.	NV
CSC Distribution, Inc.	AL
C.S. Ross Company	OH
Durant DC, LLC	OH
Great Basin LLC	DE
Industrial Products of New England, Inc.	ME
Mac Frugal's Bargains Close-outs Inc.	DE
Midwestern Home Products, Inc.	DE
PNS Stores, Inc.	CA
Sahara LLC	DE
Sonoran LLC	DE
Tool and Supply Company of New England, Inc.	DE
West Coast Liquidators, Inc.	CA
Barn Acquisition Corporation	DE
Fashion Barn, Inc.	NY
Fashion Barn of Oklahoma, Inc.	OK
Fashion Bonanza, Inc.	NY
Midwestern Home Products Company, Ltd.	OH
Rogers Fashion Industries, Inc.	NY
SS Investments Corporation	DE
BLC LLC	DE
Liquidation Services, Inc.	DE
Liquidation World U.S.A. Holding Corp.	DE
Liquidation World U.S.A Inc.	DE
LQW Traders Inc.	DE
North American Solutions, Inc.	DE
Talon Wholesale, Inc.	DE
Big Lots eCommerce LLC	OH
AVDC, Inc.	OH
BLHQ LLC	OH
Broyhill, LLC	OH

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements listed below on Form S-8 of our reports dated March 31, 2020, relating to the consolidated financial statements of Big Lots, Inc. and subsidiaries (the “Company”), and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended February 1, 2020.

- 1) Post-Effective Amendment No. 1 to Registration Statement No. 33-42502 on Form S-8 pertaining to Big Lots, Inc. Director Stock Option Plan;
- 2) Post-Effective Amendment No. 1 to Registration Statement No. 33-42692 on Form S-8 pertaining to Big Lots, Inc. Supplemental Savings Plan;
- 3) Post-Effective Amendment No. 2 to Registration Statement No. 33-19309 on Form S-8 pertaining to Big Lots, Inc. Savings Plan;
- 4) Post-Effective Amendment No. 1 to Registration Statement No. 333-32063 on Form S-8 pertaining to Big Lots, Inc. 1996 Performance Incentive Plan;
- 5) Registration Statement No. 333-140181 on Form S-8 pertaining to the Big Lots 2005 Long-Term Incentive Plan;
- 6) Registration Statement No. 333-152481 on Form S-8 pertaining to the Big Lots 2005 Long-Term Incentive Plan;
- 7) Registration Statement No. 333-172592 on Form S-8 pertaining to the Big Lots 2005 Long-Term Incentive Plan;
- 8) Registration Statement No. 333-179836 on Form S-8 pertaining to the Big Lots 2005 Long-Term Incentive Plan;
- 9) Registration Statement No. 333-181619 on Form S-8 pertaining to the Big Lots 2012 Long-Term Incentive Plan; and
- 10) Registration Statement No. 333-218262 on Form S-8 pertaining to the Big Lots 2017 Long-Term Incentive Plan;

/s/ DELOITTE & TOUCHE LLP

Columbus, Ohio

March 31, 2020



## POWER OF ATTORNEY

Each director of Big Lots, Inc. (the “Company”) whose signature appears below hereby appoints Ronald A. Robins, Jr. as the undersigned’s attorney to sign, in the undersigned’s name and behalf of each such director and in any and all capacities stated below, and to cause to be filed with the Securities and Exchange Commission (the “Commission”), the Company’s Annual Report on Form 10-K (the “Form 10-K”) for the fiscal year ended February 1, 2020, and likewise to sign and file with the Commission any and all amendments thereto, including any and all exhibits and other documents required to be included therewith, and the Company hereby also appoints Ronald A. Robins, Jr. as its attorney-in-fact with like authority to sign and file the Form 10-K and any amendments thereto granting to such attorneys-in-fact full power of substitution and revocation, and hereby ratifying all that any such attorneys-in-fact or their substitutes may do by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this instrument to be effective as of March 4, 2020.

**Signature****Title**/s/ Jeffrey P. Berger

Director

Jeffrey P. Berger

/s/ James R. Chambers

Director

James R. Chambers

/s/ Sebastian J. DiGrande

Director

Sebastian J. DiGrande

/s/ Marla C. Gottschalk

Director

Marla C. Gottschalk

/s/ Cynthia T. Jamison

Director

Cynthia T. Jamison

/s/ Christopher J. McCormick

Director

Christopher J. McCormick

/s/ Nancy A. Reardon

Director

Nancy A. Reardon

/s/ Wendy L. Schoppert

Director

Wendy L. Schoppert

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bruce K. Thorn, certify that:

1. I have reviewed this annual report on Form 10-K of Big Lots, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 31, 2020

By: /s/ Bruce K. Thorn

Bruce K. Thorn

*President and Chief Executive Officer*

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jonathan E. Ramsden, certify that:

1. I have reviewed this annual report on Form 10-K of Big Lots, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 31, 2020

By: /s/ Jonathan E. Ramsden

Jonathan E. Ramsden

*Executive Vice President, Chief Financial and  
Administrative Officer*

(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is provided pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and accompanies the annual report on Form 10-K (the “Report”) for the year ended February 1, 2020, of Big Lots, Inc. (the “Company”). I, Bruce K. Thorn, President and Chief Executive Officer of the Company, certify that:

- (i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2020

By: /s/ Bruce K. Thorn

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Bruce K. Thorn

*President and Chief Executive Officer*

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

This certification is provided pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and accompanies the annual report on Form 10-K (the “Report”) for the year ended February 1, 2020, of Big Lots, Inc. (the “Company”). I, Jonathan E. Ramsden, Executive Vice President, Chief Financial and Administrative Officer of the Company, certify that:

- (i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2020

By: /s/ Jonathan E. Ramsden

Jonathan E. Ramsden

*Executive Vice President, Chief Financial and  
Administrative Officer*

(Principal Financial Officer)