

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended August 3, 2002

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

For the Transition Period From to

Commission File Number 1-8897

BIG LOTS, INC.

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

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

300 Phillipi Road, P.O. Box 28512, Columbus, Ohio
(Address of principal executive office)

43228-5311
(Zip Code)

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

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 ☐

The number of Common Shares, \$.01 par value, outstanding as of September 11, 2002 was 116,116,847 and there were no Preferred Shares, \$.01 par value, outstanding at that date.

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Part I. Financial Information
Item 1. FINANCIAL STATEMENTS
BIG LOTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In thousands, except per share amounts)

	Thirteen weeks ended		Twenty-Six weeks ended	
	August 3, 2002	August 4, 2001	August 3, 2002	August 4, 2001
Net sales	\$879,255	\$748,380	\$1,783,396	\$1,522,001
Costs and expenses:				
Cost of sales	510,993	448,453	1,036,632	908,156
Selling and administrative expenses	358,054	312,770	711,547	622,599
Interest expense	4,889	4,842	9,722	8,438
	<u>873,936</u>	<u>766,065</u>	<u>1,757,901</u>	<u>1,539,193</u>
Income (loss) before income taxes	5,319	(17,685)	25,495	(17,192)
Income tax expense (benefit)	2,101	(6,986)	10,070	(6,791)
Net income (loss)	<u>\$ 3,218</u>	<u>\$ (10,699)</u>	<u>\$ 15,425</u>	<u>\$ (10,401)</u>
Income (loss) per common share — basic	<u>\$ 0.03</u>	<u>\$ (0.09)</u>	<u>\$ 0.13</u>	<u>\$ (0.09)</u>
Income (loss) per common share — diluted	<u>\$ 0.03</u>	<u>\$ (0.09)</u>	<u>\$ 0.13</u>	<u>\$ (0.09)</u>
Weighted average common shares outstanding:				
Basic	116,019	113,594	115,597	113,209
Dilutive effect of stock options	1,447		884	
Diluted	<u>117,466</u>	<u>113,594</u>	<u>116,481</u>	<u>113,209</u>

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

BIG LOTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	August 3, 2002(a)	February 2, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 34,466	\$ 28,822
Inventories	804,370	705,293
Deferred income taxes	183,665	207,358
Refundable income taxes	9,168	9,308
Other current assets	51,016	43,293
Total current assets	1,082,685	994,074
Property and equipment – net	520,091	515,023
Other assets	26,214	24,112
	<u>\$1,628,990</u>	<u>\$1,533,209</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 246,754	\$ 205,522
Accrued liabilities	138,002	116,352
Total current liabilities	384,756	321,874
Long-term obligations	204,000	204,000
Deferred income taxes and other liabilities	76,049	79,802
Commitments and contingencies		
Shareholders' equity:		
Common stock – authorized 290,000 shares, \$.01 par value; issued 116,103 shares and 114,398 shares, respectively	1,161	1,144
Additional paid-in capital	457,180	435,970
Retained earnings	505,844	490,419
Total shareholders' equity	964,185	927,533
	<u>\$1,628,990</u>	<u>\$1,533,209</u>

(a) *Unaudited*

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

BIG LOTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	Twenty-Six Weeks Ended	
	August 3, 2002	August 4, 2001
Operating activities:		
Net income (loss)	\$ 15,425	\$ (10,401)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	39,901	32,643
Deferred income taxes	20,120	3,486
Loss on sale of equipment	464	460
Other	3,131	4,199
Change in assets and liabilities	(44,777)	(86,097)
Net cash provided by (used in) operating activities	34,264	(55,710)
Investing activities:		
Capital expenditures	(47,258)	(61,603)
Proceeds from sale of equipment	1,832	107
Other	1,464	(68)
Net cash used in investing activities	(43,962)	(61,564)
Financing activities:		
Payments for credit arrangements		(89,300)
Proceeds from long term debt arrangements		204,000
Proceeds from exercise of stock options	15,342	8,726
Proceeds from treasury rate lock		1,519
Net cash provided by financing activities	15,342	124,945
Increase in cash and cash equivalents	5,644	7,671
Cash and cash equivalents:		
Beginning of period	28,822	30,661
End of period	\$ 34,466	\$ 38,332
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 8,322	\$ 5,547
Cash paid for income taxes	\$ 34,141	\$ 676

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

BIG LOTS, INC. and SUBSIDIARIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

Note 1 — Basis of Presentation

All references herein to the “Company” are to Big Lots, Inc. and its subsidiaries. The Company manages its business on the basis of one segment, broadline closeout retailing. As of August 3, 2002 and August 4, 2001 all of the Company’s operations were located within the United States. The condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial information. The condensed consolidated balance sheet at August 3, 2002, and the condensed consolidated statements of operations and statements of cash flows for the thirteen and twenty-six week periods ended August 3, 2002, and August 4, 2001, respectively, have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations, and cash flows for all periods presented have been made. Such adjustments consisted only of normal recurring items.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted or condensed, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that the condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended February 2, 2002. Interim results are not necessarily indicative of results for a full year.

Note 2 — Summary of Significant Accounting Policies

Merchandise inventory

Merchandise inventory is carried at the lower of cost or market on a first-in, first-out basis, primarily on the retail method. Certain assumptions are made to properly record inventory at the lower of cost or market, and these assumptions are based on historical experience and current information. The Company’s assumptions include significant judgments and estimates made by management including merchandise markup, markdowns, shrinkage, and the aging of inventories, each of which could significantly impact the ending inventory valuation at cost as well as the resulting gross margins. Due to the nature of the Company’s purchasing practices for closeout and deeply discounted merchandise, vendors and merchandise suppliers generally do not offer the Company incentives such as slotting fees, co-operative advertising allowances, buydown agreements, or other forms of rebates that would materially reduce its cost of sales.

Long-lived assets

The Company has long-lived assets that consist primarily of property and equipment. The Company estimates useful lives on buildings and equipment using assumptions based on historical data and industry trends. Where there is an indication of impairment, the Company evaluates the fair value and future benefits of the related long-lived asset, and the anticipated undiscounted future net cash flows from the related asset is calculated and compared to the carrying value on the Company’s books. The Company’s assumptions related to estimates of future cash flows are based on historical results of cash flows adjusted for management projections for future periods taking into account known conditions and planned future activities. The Company’s assumptions regarding the fair value of its long-lived assets are based on the discounted future cash flows.

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Insurance reserves

The Company is self-insured for certain losses relating to general liability, workers' compensation, and employee medical benefit claims. The Company has purchased stop-loss coverage in order to limit its exposure to significant claims. Accrued insurance liabilities are based on claims filed and estimates of claims incurred but not reported. Such amounts are determined based on actuarially based calculations taking into account known trends and projections of future results. Actual claims experience can impact these calculations and, to the extent that subsequent claim costs vary from estimates, future earnings could be impacted and the impact could be material.

Income taxes

The Company has generated deferred tax assets or liabilities due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has established a valuation allowance to reduce its deferred tax assets to the balance that is more likely than not to be realized. The Company records liabilities relating to income taxes utilizing known obligations and estimates of potential obligations.

Pension liabilities

Pension and other retirement benefits, including all relevant assumptions required by accounting principles generally accepted in the United States of America, are evaluated each year. Due to the technical nature of retirement accounting, outside actuaries are used to provide assistance in calculating the estimated future obligations. Since there are many estimates and assumptions involved in retirement benefits, differences between actual future events and prior estimates and assumptions could result in adjustments to pension expenses and obligations. Such assumptions include the discount rate, rate of increase in compensation levels, and the expected long-term rate of return on the related assets.

Legal obligations

In the normal course of business, the Company must make continuing estimates of potential future legal obligations and liabilities, which requires the use of management's judgement on the outcome of various issues. Management may also use outside legal advice to assist in the estimating process; however, the ultimate outcome of various legal issues could be different from management's estimates, and adjustments to income could be required. The assumptions that are used by management are based on the requirements of Statement of Financial Accounting Standards ("SFAS") No. 5, "Accounting for Contingencies." The Company will record a liability related to legal obligations when it has determined that it is probable that the Company will be obligated to pay and the related amount can be reasonably estimated, and it will disclose the related facts in the footnotes to its financial statements, if material. If the Company determines that either an obligation is probable or reasonably possible, the Company will disclose the nature of the loss contingency and the range of possible loss, or include a statement that no estimate of loss can be made. The Company makes these determinations in consultation with its outside legal advisors.

Cost of sales

Cost of sales includes the cost of merchandise (including related inbound freight), markdowns and inventory shortage, as well as cash discounts and rebates. The Company classifies purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, and the other distribution network costs as selling and administrative expenses. Due to this classification, the Company's gross margins may not be comparable to those of other retailers that include costs related to their distribution network in cost of sales.

Selling and administrative expenses

The Company includes store expenses (such as payroll and occupancy costs), warehousing and distribution costs, advertising, buying, depreciation, insurance, and overhead costs in selling and administrative expenses.

Other comprehensive income

The Company's comprehensive income is equal to net income, as there are no items that qualify as components of other comprehensive income.

Investments

Any unrealized gains or losses on equity securities classified as available-for-sale are recorded in other comprehensive income net of applicable income taxes. At August 3, 2002, the Company held no available-for-sale equity securities.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

Note 3 — Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 eliminates the amortization of purchased goodwill and requires goodwill to be reviewed for impairment at least annually and expensed to earnings only in the periods in which the recorded value of goodwill is more than the fair value. SFAS No. 142 was effective for fiscal years beginning after December 15, 2001. This Statement was adopted in fiscal year 2002. Currently, this Statement does not materially impact the Company's financial statements.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires that an obligation associated with the retirement of a tangible long-lived asset be recognized as a liability when incurred. Subsequent to initial measurement, an entity recognizes changes in the amount of the liability resulting from the passage of time and revisions to either the timing or amount of estimated cash flows. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company does not believe this pronouncement will have a material impact on its financial position, results of operations, or cash flows.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement supersedes, SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," that address the disposal of a segment of a business. The Statement also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The Statement is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, and generally would be applied prospectively for disposal activities initiated by a commitment to a plan made after the entity's initial adoption of the Statement. This Statement was adopted in fiscal year 2002. Currently, this Statement does not materially impact the Company's financial statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements Nos. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 eliminates the requirement to classify gains and losses from the extinguishment of indebtedness as extraordinary, requires certain lease modifications to be treated the same as a sale-leaseback transaction, and makes other non-substantive technical corrections to existing pronouncements. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002, with earlier adoption encouraged. The Company does not expect the adoption of SFAS No. 145 to have a material impact on its financial position, results of operations, or cash flows.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires companies to recognize cost associated with exit or

disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan period. SFAS No. 146 is required to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Company does not expect the adoption of SFAS No. 146 to have a material impact on its financial position, results of operations, or cash flows.

Note 4 — Debt

On May 8, 2001, the Company entered into a \$512.5 million senior unsecured revolving credit agreement (“Revolving Credit Agreement”) with a group of financial institutions, which consisted of a \$358.75 million three-year revolving credit facility and a \$153.75 million 364-day facility, renewable annually. The Revolving Credit Agreement replaced the Company’s \$500 million senior unsecured Revolving Credit Facility (“Prior Revolver”) that was due to expire on May 6, 2002.

Also on May 8, 2001, the Company completed a \$204 million private placement of unsecured senior notes (“Senior Notes”) with maturities ranging from four to six years. Principal maturities of long-term debt for the current and next five fiscal years are as follows:

2002	—
2003	—
2004	—
2005	\$174 million
2006	\$ 15 million
2007	\$ 15 million

The Senior Notes currently carry a weighted-average yield of 8.21 percent and rank pari passu with the Company’s Revolving Credit Agreement. Proceeds from the issue were used to pay down the Prior Revolver.

Both the Revolving Credit and Senior Note Agreements contain customary affirmative and negative covenants including financial covenants requiring the Company to maintain specified fixed charge coverage and leverage ratios as well as a minimum level of net worth.

On October 30, 2001, the financial covenants of the Revolving Credit Agreement were amended to provide the Company with increased operating flexibility. On February 25, 2002, both the Revolving Credit Agreement and Senior Note Agreement were amended (“Second Amendment”) to revise the fixed charge coverage and leverage ratio financial covenant calculations. As part of the February 25, 2002 amendments, the Company provided collateral, consisting principally of its inventories, as security for both the Revolving Credit and Senior Note Agreements, and agreed to certain changes in other terms.

The Second Amendment to the Revolving Credit Agreement imposed certain limitations on the extent to which the Company may borrow under the Revolving Credit Agreement. The Company’s borrowing base will fluctuate monthly based on the value of the Company’s inventory, as determined in accordance with the Revolving Credit Agreement. On April 30, 2002, the Revolving Credit Agreement was further amended to increase the applicable borrowing base.

On May 8, 2002, the Company’s 364-day facility expired. This facility had not been used during the prior year and, accordingly, was not renewed. The Company believes that the remaining \$358.75 million three-year revolving credit facility, combined with the existing cash balances and the Senior Notes, provide sufficient liquidity to meet its operating and seasonal borrowing needs.

The amortization of debt issuance costs is included in interest expense in the statement of operations.

Note 5 — Contingencies and Litigation

The Company and certain subsidiaries are named as defendants in various legal proceedings and claims, including various employment related matters, which are incidental to their ordinary course of business. Management believes they have meritorious defenses and will aggressively defend the Company in these actions. No liabilities have been recorded relating to these matters because the obligations are not viewed as probable.

The Company is self-insured for certain losses relating to general liability, workers compensation, and employee medical benefit claims. The Company has purchased stop-loss coverage in order to limit its exposure to significant claims. Accrued insurance liabilities are based on claims filed and estimates of claims incurred but not reported.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement for Purposes of “Safe Harbor” Provisions of the Private Securities Litigation Reform Act of 1995

The Private Securities Litigation Reform Act of 1995 (the “Act”) provides a “safe harbor” for forward-looking statements to encourage companies to provide prospective information, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. The Company wishes to take advantage of the “safe harbor” provisions of the Act.

This report, as well as other verbal or written statements or reports made by or on the behalf of the Company, may contain or may incorporate material by reference which includes forward-looking statements within the meaning of the Act. Statements, other than those based on historical facts, which address activities, events, or developments that the Company expects or anticipates will or may occur in the future, including such things as future capital expenditures (including the amount and nature thereof), business strategy, expansion and growth of the Company’s business and operations, and other similar matters are forward-looking statements, which are based upon a number of assumptions concerning future conditions that may ultimately prove to be inaccurate. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions within the bounds of its knowledge of its business, actual events and results may materially differ from anticipated results described in such statement.

The Company’s ability to achieve such results is subject to certain risks and uncertainties, any one, or a combination, of which could materially affect the results of the Company’s operations. These factors include: sourcing and purchasing merchandise, the cost of the merchandise, economic and weather conditions which affect buying patterns of the Company’s customers, changes in consumer spending and consumer debt levels, inflation, the Company’s ability to anticipate buying patterns and implement appropriate inventory strategies, continued availability of capital and financing, competitive pressures and pricing pressures, and other risks described from time to time in the Company’s filings with the Securities and Exchange Commission. Consequently, all of the forward-looking statements are qualified by these cautionary statements, and there can be no assurance that the results or developments anticipated by the Company will be realized or that they will have the expected effects on the Company or its business or operations.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date thereof. The Company undertakes no obligation to publicly release any revisions to the forward-looking statements contained in this report, or to update them to reflect events or circumstances occurring after the date of this report, or to reflect the occurrence of unanticipated events.

Recent Announcements

In relation with the Company's name change to Big Lots, Inc. (BLI), 434 stores under the names Odd Lots, Mac Frugal's, and Pic 'N' Save are being converted to Big Lots over a sixteen month period. Through August 3, 2002, 375 stores had been successfully converted. As of the end of the second quarter of 2002, 1,298 of the Company's 1,357 stores were under the Big Lots name. The remaining 59 stores were converted during the month of August 2002.

In connection with this process, the Company has made certain improvements to the converted sites. The improvements made vary by location and include, among other things, painting, lighting retrofits, new signage (interior and exterior), new flooring, and updated restrooms. The Company believes that Big Lots is its most recognizable brand name and that this change offers numerous opportunities to increase brand awareness among customers, suppliers, investors, and the general public. The Company believes the change will also allow it to leverage future television advertising and other expenses.

On September 16, 2002 the Company filed its certification statements with the Security and Exchange Commission in accordance with its fiscal reporting calendar.

Overview

The Company is the nation's largest broadline closeout retailer. At August 3, 2002, the Company operated a total of 1,357 stores in 45 states, operating as BIG LOTS, BIG LOTS FURNITURE, and PIC 'N' SAVE. The Company's goal is to build upon its leadership position by expanding its market presence in both existing and new markets. The Company believes that the combination of its strengths make it a low-cost value retailer well positioned for future growth.

Wholesale operations are currently conducted through BIG LOTS WHOLESALE, CONSOLIDATED INTERNATIONAL, WISCONSIN TOY, and with online shopping at biglotswholesale.com.

The Company has historically experienced, and expects to continue to experience, seasonal fluctuations, with a significant percentage of its net sales and operating profit being realized in the fourth quarter. In addition, the Company's quarterly results can be affected by the timing of store openings and closings, the amount of net sales contributed by new and existing stores and the timing of certain holidays. Furthermore, in anticipation of increased sales activity during the fourth quarter, the Company purchases substantial amounts of inventory during the second and third quarters and hires a significant number of temporary employees to increase store staffing during the fourth quarter.

The seasonality of the Company's business also influences the Company's demand for seasonal borrowings. The Company historically has drawn upon its seasonal credit lines in the first three quarters and has substantially repaid the borrowings during the fourth quarter. During the year-to-date period ended August 3, 2002, the Company has not yet drawn on its Revolving Credit Agreement and remained undrawn at August 3, 2002 with \$10.5 million of cash invested.

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The following table compares components of the statements of operations of the Company as a percent of net sales and reflects the number of stores in operation at the end of each period.

	Thirteen weeks ended		Twenty-Six weeks ended	
	August 3, 2002	August 4, 2001	August 3, 2002	August 4, 2001
Net sales	100.0%	100.0%	100.0%	100.0%
Gross profit	41.9	40.1	41.9	40.3
Selling and administrative expenses	40.7	41.8	39.9	40.9
Operating profit (loss)	1.2	(1.7)	2.0	(0.6)
Interest expense	0.6	0.6	0.5	0.6
Income (loss) from operations before income taxes	0.6	(2.4)	1.4	(1.1)
Income tax expense (benefit)	0.2	(0.9)	0.6	(0.4)
Net income (loss)	0.4%	(1.4)%	0.9%	(0.7)%
Number of stores in operation at end of period	1,357	1,322	1,357	1,322

Results of Operations

Net Sales

Net sales increased to \$879.3 million for the thirteen week period ended August 3, 2002, from \$748.4 million for the thirteen week period ended August 4, 2001, an increase of \$130.9 million, or 17.5%. This increase resulted primarily from comparable stores sales increase of 12.4%, with the remaining 5.1% growth driven primarily by an increase in the number of new stores during the year (net of store closings). The Company attributes its second quarter comparable store sales increase of 12.4% to an increase in the number of customer transactions of 6.5% and an increase in the dollar value of the average transaction of 5.9%.

Comparable store sales are calculated using all stores that have been open for at least two years as of the beginning of the fiscal year.

Net sales increased to \$1,783.4 million for the twenty-six week period ended August 3, 2002 from \$1,522.0 million for the same period of 2001, an increase of \$261.4 million, or 17.2%. This increase resulted primarily from comparable stores sales increase of 12.0%, with the remaining 5.2% growth driven primarily by an increase in the number of new stores during the year (net of store closings). The Company attributes its year-to-date comparable store sales increase of 12.0% to an increase in the number of customer transactions of 5.7% and an increase in the dollar value of the average transaction of 6.3%.

The Company believes the increase in the number of customer transactions and the increase in the dollar value of the average transaction for the thirteen and twenty-six week periods ended, August 3, 2002, may have resulted from several factors such as more reliable in-stock levels on consumables products, more productive advertising circulars, increased television advertising spending, the successful re-grand opening of 375 name change conversion stores, and the introduction of furniture departments in 131 stores. In terms of product categories, sales growth was driven primarily by increases in consumables, furniture, hardlines, home décor, and domestics.

The Company believes that future sales growth is dependent upon the increased number of customer transactions as well as increases in the dollar value of the average transaction. The following table summarizes comparable year-to-date store sales for all reportable periods as well as growth in customer transactions and in the value of the average transaction:

	Twenty-Six weeks ended	
	August 3, 2002	August 4, 2001
Comparable Store Sales	12.0%	1.7%
Customer Transactions	5.7%	(.4%)
Value of the Average Transaction	6.3%	2.1%

Gross Profit

Gross profit increased \$68.4 million in the second quarter of 2002 to \$368.3 million from \$299.9 million in the second quarter of 2001. Gross profit as a percent of net sales increased to 41.9% in the second quarter of 2002 compared to 40.1% in the second quarter of the prior year. Gross profit increased \$133.0 million in the first half of 2002 to \$746.8 million from \$613.8 million in the first half of 2001. Gross profit as a percent of net sales increased to 41.9% in the first half of 2002 compared to 40.3% in the first half of the prior year. The gross profit rate increase for both the thirteen and twenty-six week periods is primarily due to better than expected sales in higher markup categories such as domestics and home décor.

Selling and Administrative Expenses

Selling and administrative expenses increased \$45.3 million in the second quarter of 2002 to \$358.1 million from \$312.8 million in the second quarter of 2001. As a percent of net sales, selling and administrative expenses decreased to 40.7% from 41.8% in the prior year second quarter.

Selling and administrative expenses increased \$88.9 million in the first half of 2002 to \$711.5 million from \$622.6 million in the first half of 2001. As a percent of net sales, selling and administrative expenses decreased to 39.9% from 40.9% in the prior year twenty-six week period.

The rate improvement over last year for both the quarter and year-to-date is primarily due to accelerating comparable sales on a largely fixed expense base. The increase in selling and administrative spending year-to-date was driven by an increase in the number of stores, additional variable costs associated with the higher levels of sales (primarily store payroll, incentive compensation, distribution and transportation costs), investment in strategic repositioning initiatives, and insurance expense.

Warehousing and distribution costs, which are included in Selling and Administrative Expenses (see Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements), decreased 30 basis points as a percentage of sales for the second quarter as compared to 2001. For the twenty-six week period, warehousing and distribution costs decreased 40 basis points as a percentage of sales compared to the prior year twenty-six week period. The reduction in warehousing and distribution costs as a percentage of sales for the thirteen and twenty-six week periods is primarily due to productivity improvements and the leveraging of costs over a higher sales base.

Interest Expense

Interest expense, including the amortization of debt issuance costs, was \$4.9 million in the second quarter of 2002 compared to \$4.8 million in the second quarter of 2001, and was \$9.7 million for the twenty-six week periods ended August 3, 2002 compared to \$8.4 million for the same period of 2001. As a percentage of sales, interest expense remains relatively flat for the year. The 2002 interest primarily relates to the Senior Notes and the amortization of debt issuance costs. The increase in year-to-date interest expense over 2001 is primarily due to 2001 expense being favorably impacted by the capitalization of \$2.4 million of interest related to the Tremont, Pennsylvania distribution center. Additionally, the \$204.0 million of Senior Notes, which carry a higher interest rate than the variable-priced bank facility, were not in place until the second quarter of 2001. These increases were partially offset by lower levels of borrowings on the Company's Revolving Credit facility.

Income Taxes

The effective tax rate of the Company is currently at 39.5%. This remains unchanged from the prior year effective tax rate.

Capital Resources and Liquidity

On May 8, 2001, the Company entered into a \$512.5 million senior unsecured revolving credit agreement (“Revolving Credit Agreement”) with a group of financial institutions, which consisted of a \$358.75 million three-year revolving credit facility and a \$153.75 million 364-day facility, renewable annually. The Revolving Credit Agreement replaced the Company’s \$500 million senior unsecured Revolving Credit Facility (“Prior Revolver”) that was due to expire on May 6, 2002.

Also on May 8, 2001, the Company completed a \$204 million private placement of unsecured senior notes (“Senior Notes”) with maturities ranging from four to six years. Principal maturities of long-term debt for the current and next five fiscal years are as follows:

2002	—
2003	—
2004	—
2005	\$174 million
2006	\$ 15 million
2007	\$ 15 million

The Senior Notes currently carry a weighted-average yield of 8.21 percent and rank pari passu with the Company’s Revolving Credit Agreement. Proceeds from the issue were used to pay down the Prior Revolver.

Both the Revolving Credit and Senior Note Agreements contain customary affirmative and negative covenants including financial covenants requiring the Company to maintain specified fixed charge coverage and leverage ratios as well as a minimum level of net worth.

On October 30, 2001, the financial covenants of the Revolving Credit Agreement were amended to provide the Company with increased operating flexibility. On February 25, 2002, both the Revolving Credit Agreement and Senior Note Agreement were amended (“Second Amendment”) to revise the fixed charge coverage and leverage ratio financial covenant calculations. As part of the February 25, 2002 amendments, the Company provided collateral, consisting principally of its inventories, as security for both the Revolving Credit and Senior Note Agreements, and agreed to certain changes in other terms.

The Second Amendment to the Revolving Credit Agreement imposed certain limitations on the extent to which the Company may borrow under the Revolving Credit Agreement. The Company’s borrowing base will fluctuate monthly based on the value of the Company’s inventory, as determined in accordance with the Revolving Credit Agreement. On April 30, 2002, the Revolving Credit Agreement was further amended to increase the applicable borrowing base.

On May 8, 2002, the Company’s 364-day facility expired. This facility had not been used during the prior year and, accordingly, was not renewed. The Company believes that the remaining \$358.75 million three-year revolving credit facility, combined with the existing cash balances and the Senior Notes, provide sufficient liquidity to meet its operating and seasonal borrowing needs.

The amortization of debt issuance cost is included in interest expense in the statement of operations.

The primary sources of liquidity for the Company have been cash flow from operations, proceeds from the Senior Notes, and as necessary, borrowings under the Revolving Credit Agreement. Working capital at August 3, 2002, was \$697.9 million and for the twenty-six weeks then ended net cash provided by operations was \$34.3 million. The Company had no direct borrowings under the Revolving Credit Agreement at August 3, 2002. At such date, the

Company was contingently liable for outstanding letters of credit totaling \$37.1 million, and had \$10.5 million of invested funds.

In two payments received on May 31, 2002 and June 5, 2002, the Company received \$61.5 million in federal income tax refunds related to the newly expanded federal net operating loss carryback period provisions of the Job Creation and Worker Assistance Act of 2002. The company had recorded refundable income taxes of \$59.7 million related to this matter in the quarter ended May 4, 2002.

Capital expenditures were \$30.2 million for the thirteen week period ending August 3, 2002, a decrease of \$1.8 million from the same period of 2001. Capital expenditures were \$47.3 million for the twenty-six week period ending August 3, 2002, a decrease of \$14.3 million from the same period of 2001. Capital expenditures in 2002 were primarily driven by investments in strategic initiatives in conjunction with the Company's strategic repositioning, as well as new store openings. Capital expenditures in 2001 were primarily driven by new store openings and additional distribution center capacity. Capital expenditures requirements in 2002 are anticipated to be approximately \$100.0 million, primarily to convert remaining stores to the Big Lots name, to invest in new stores and store expansions, and to continue construction of a new distribution facility in Durant, Oklahoma.

Critical Accounting Policies and Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgement.

The Company's accounting policies are more fully described in the Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements. The Company has certain critical accounting policies and accounting estimates, which are described below.

Merchandise inventory. Merchandise inventory is carried at the lower of cost or market on a first-in, first-out basis, primarily on the retail method. Certain assumptions are made to properly record inventory at the lower of cost or market, and these assumptions are based on historical experience and current information. The Company's assumptions include significant judgments and estimates made by management including merchandise markup, markdowns, shrinkage, and the aging of inventories, each of which could significantly impact the ending inventory valuation at cost as well as the resulting gross margins. Due to the nature of the Company's purchasing practices for closeout and deeply discounted merchandise, vendors and merchandise suppliers generally do not offer the Company incentives such as slotting fees, co-operative advertising allowances, buydown agreements, or other forms of rebates that would materially reduce its cost of sales.

Long-lived assets. The Company has long-lived assets that consist primarily of property and equipment. The Company estimates useful lives on buildings and equipment using assumptions based on historical data and industry trends. Where there is an indication of impairment, the Company evaluates the fair value and future benefits of the related long-lived asset, and the anticipated undiscounted future net cash flows from the related asset is calculated and compared to the carrying value on the Company's books. The Company's assumptions related to estimates of future cash flows are based on historical results of cash flows adjusted for management projections for future periods taking into account known conditions and planned future activities. The Company's assumptions regarding the fair value of its long-lived assets are based on the discounted future cash flows.

Insurance reserves. The Company is self-insured for certain losses relating to general liability, workers' compensation, and employee medical benefit claims. The Company has purchased stop-loss coverage in order to limit its exposure to significant claims. Accrued insurance liabilities are based on claims filed and estimates of claims incurred but not reported. Such amounts are determined based on actuarially based calculations taking into account known trends and projections of future results. Actual claims experience can impact these calculations and, to the extent that subsequent claim costs vary from estimates, future earnings could be impacted and the impact could be material.

Income taxes. The Company has generated deferred tax assets or liabilities due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has established a valuation allowance to reduce its deferred tax assets to the balance that is more likely than not to be realized. The Company records liabilities relating to income taxes utilizing known obligations and estimates of potential obligations.

Pension liabilities. Pension and other retirement benefits, including all relevant assumptions required by accounting principles generally accepted in the United States of America, are evaluated each year. Due to the technical nature of retirement accounting, outside actuaries are used to provide assistance in calculating the estimated future obligations. Since there are many estimates and assumptions involved in retirement benefits, differences between actual future events and prior estimates and assumptions could result in adjustments to pension expenses and obligations. Such assumptions include the discount rate, rate of increase in compensation levels, and the expected long-term rate of return on the related assets.

Legal obligations. In the normal course of business, the Company must make continuing estimates of potential future legal obligations and liabilities, which requires the use of management's judgement on the outcome of various issues. Management may also use outside legal advice to assist in the estimating process; however, the ultimate outcome of various legal issues could be different from management's estimates, and adjustments to income could be required. The assumptions that are used by management are based on the requirements of SFAS No. 5, "Accounting for Contingencies." The Company will record a liability related to legal obligations when it has determined that it is probable that the Company will be obligated to pay and the related amount can be reasonably estimated, and it will disclose the related facts in the footnotes to its financial statements, if material. If the Company determines that either an obligation is probable or reasonably possible, the Company will disclose the nature of the loss contingency and the range of possible loss, or include a statement that no estimate of loss can be made. The Company makes these determinations in consultation with its outside legal advisors.

The above listing is not intended to be a comprehensive list of all the Company's accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States of America, with no need for management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. See the Company's audited Consolidated Financial Statements and Notes thereto for the fiscal year ended February 2, 2002, which contain accounting policies and other disclosures required by accounting principles generally accepted in the United States of America.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

All aspects of the retailing industry are highly competitive. The Company competes with discount stores (such as Wal-Mart®, KMart®, and Target®), dollar stores, deep discount drugstore chains, and other value-oriented specialty retailers. Certain of the Company's competitors have greater financial, distribution, marketing, and other resources than the Company.

The Company relies on buying opportunities from both existing and new sources, for which it competes with other closeout merchandisers and wholesalers. The Company believes that its management has long-standing relationships with its suppliers and is competitively positioned to continue to seek new sources in order to maintain an adequate continuing supply of quality merchandise at attractive prices.

The Company is subject to market risk from exposure to changes in interest rates based on its financing, investing, and cash management activities. The Company does not expect changes in interest rates in 2002 to have a material effect on income or cash flows; however, there can be no assurances that interest rates will not materially change.

The Company continues to believe that it has, or if necessary has the ability to obtain, adequate resources to fund ongoing operating requirements, future capital expenditures related to the expansion of existing businesses,

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development of new projects, and currently maturing obligations. Additionally, management is not aware of any current trends, events, demands, commitments or uncertainties which reasonably can be expected to have a material impact on the liquidity, capital resources, financial position, or results of operations of the Company.

Item 4. CONTROLS AND PROCEDURES. Not applicable.

Part II-Other Information

Item 1. LEGAL PROCEEDINGS. Not applicable.

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS. Not applicable.

Item 3. DEFAULTS UPON SENIOR SECURITIES. Not applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company held its Annual Meeting of Shareholders on May 21, 2002. At March 25, 2002, the record date, the Company had outstanding 114,169,193 common shares, \$.01 par value per share. The number of common shares of the Company represented in person or by proxy and eligible to vote was 108,159,621. For more information on the following proposals voted upon by the shareholders, see the Company's proxy statement dated April 12, 2002, the relevant portions of which are incorporated herein by reference.

- (1) The shareholders elected each of the nine nominees to the Board of Directors.

Director	For	Withheld
Albert J. Bell	106,850,037	1,309,584
Sheldon M. Berman	105,914,728	2,244,893
W. Eric Carlborg	105,854,911	2,304,710
Michael L. Glazer	106,897,154	1,262,467
David T. Kollat	105,855,878	2,303,743
Brenda J. Lauderback	105,904,046	2,255,575
Michael J. Potter	106,852,405	1,307,216
Dennis B. Tishkoff	106,839,176	1,320,445
William A. Wickham	105,929,129	2,230,492

- (2) The shareholders ratified the appointment of Deloitte & Touche LLP as independent public accountants of the Company.

For:	103,054,398
Against:	4,746,876
Withheld (including Broker No Vote):	358,347

- (3) The shareholders approved the proposal to transact such other business as may properly come before the Annual Meeting of Shareholders.

For:	61,970,717
Against:	28,325,047
Withheld (including Broker No Vote):	17,863,857

Item 5. OTHER INFORMATION. Not applicable.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

Exhibit No.	Document
10(a)	Employment Agreement with Kent A. W. Larsson dated July 29, 2002.
10(b)	Employment Agreement with Donald A. Mierzwa dated July 29, 2002.
10(c)	Employment Agreement with Brad A. Waite dated July 29, 2002.
10(d)	First Amendment to Big Lots, Inc. Amended and Restated Directors Stock Option Plan (filed as Exhibit 10 to the Company's Post-Effective Amendment No. 1 to Form S-8 Registration Statement Under the Securities Act of 1933 and incorporated herein by reference).
99(a)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99(b)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K. None

Signature

Pursuant to the requirements 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.

BIG LOTS, INC.
(Registrant)

Dated: September 16, 2002

By: /s/ Jeffrey G. Naylor

Jeffrey G. Naylor
Senior Vice President and Chief Financial Officer

Certification

I, Michael J. Potter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Big Lots, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report; and
3. Based on my knowledge, the financial statements and other financial information included in this quarterly 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 quarterly report.

Dated: September 16, 2002

By: /s/ Michael J. Potter

Michael J. Potter
Chairman of the Board, Chief Executive Officer and President

I, Jeffrey G. Naylor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Big Lots, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report; and
3. Based on my knowledge, the financial statements and other financial information included in this quarterly 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 quarterly report.

Dated: September 16, 2002

By: /s/ Jeffrey G. Naylor

Jeffrey G. Naylor
Senior Vice President and Chief Financial Officer

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into this 29th day of July, 2002, between Big Lots Stores, Inc., 300 Phillipi Road, Columbus, Ohio 43228, and its parent, affiliated, predecessor, successor, subsidiary and other related companies ("Employer") and Kent Larsson ("Executive").

WITNESSETH:

WHEREAS, the Employer desires to engage Executive to perform services for the Employer and Executive desires to perform such services, on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the sufficiency of which is hereby mutually acknowledged, the Parties hereby agree as follows:

1. EMPLOYMENT.

- (a) DUTIES AND SERVICES. Employer hereby employs Executive, as an Executive Vice President (or other appropriate title as designated by the Employer in its sole discretion) and Executive hereby accepts such employment, and shall perform services of a business, professional or commercial nature for the Employer in furtherance of the Employer's business. In performance of these duties, Executive shall be subject to the direction of and report to an individual holding one or more of the following titles: Chairman of the Board, Chief Executive Officer, President, Vice Chairman, and/or Chief Administrative Officer.
- (b) ADDITIONAL POSITIONS. Executive shall, without any compensation in addition to that which is specifically provided in this Agreement, serve as an officer of the

Employer and in such substitute or further offices or positions with Employer as shall from time to time be reasonably requested by the Employer. Each office and position with the Employer in which Executive may serve or to which he may be appointed shall be consistent in title and duties with Executive's position. For service as a director or officer of Employer, which service shall in each instance be deemed to be at the request of the Employer and its Board of Directors, Executive shall be entitled to the protection of the applicable indemnification provisions of the charter and by-laws of Employer and Employer agrees to indemnify and hold harmless Executive from and against any claims, liabilities, damages or expenses incurred by Executive in or arising out of the status, capacities and activities as an officer or director of the Employer, to the maximum extent permitted by law and in accordance with any agreement for indemnification. On any termination of this Agreement, Executive shall be deemed to have resigned from all offices and directorships held by Executive.

- (c) FULL TIME AND ATTENTION. Executive agrees to his employment as described herein and agrees to devote all of his time and best efforts to the performance of his duties under this Agreement. Except as expressly permitted herein, Executive shall not, without the prior written consent of Employer, directly or indirectly during the term of this Agreement, render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise. So long as it does not interfere with his full-time employment hereunder, Executive may attend to outside investments and serve as a director,

trustee or officer of or otherwise participate in educational, welfare, social, religious and civic organizations.

2. TERM.

Subject to the provisions for termination provided in this Agreement, the term of this Agreement shall commence on December 16, 2001 and shall continue thereafter until Executive's employment is terminated as provided in this Agreement.

3. COMPENSATION AND BENEFITS.

- (a) BASE SALARY. As full compensation for his services hereunder, the Employer shall pay Executive, an annual base salary (the "Base Salary") payable in equal installments on regular payroll dates designated by the Employer, an annual rate of Three Hundred and Fifty Thousand Dollars (\$350,000). The base salary may be adjusted from time to time in a manner that is consistent with Employer's compensation policies in effect for executives in the same or similar job classification, at the discretion of the Employer. Provided, however, that in no event shall the base salary be adjusted to an amount lower than the annual rate initially enumerated in this Paragraph.
- (b) BENEFITS. Executive shall be entitled to participate in any group health care, hospitalization, life insurance, dental, disability or other benefit plans ("Benefit Plans") available to executives in the same or similar job classification (other than bonus compensation or performance plans to the extent that such plans, in the case of Executive, are in lieu of the bonus plan set forth in Paragraph 4 herein). Executive's participation in and benefits under any such Benefit Plans shall be in

accordance with the terms and subject to the conditions specified in the governing document of the particular Benefit Plan(s).

- (c) VACATION AND SICK LEAVE. Executive shall be entitled to such periods of vacation and sick leave each year as provided under Employer's Vacation and Sick Leave Policy for executives of the same or similar job classification.
- (d) AUTOMOBILE ALLOWANCE. During the term of this Agreement, Employer shall provide Executive with an automobile or a monthly automobile allowance, in accordance with applicable policies of the Employer for executives of the same or similar job classification.

4. BONUS.

Executive shall be eligible to receive bonus compensation ("Bonus"), for the fiscal year beginning February 3, 2002, and for each subsequent fiscal year of employment completed during the term of this Agreement. Executive's bonus shall be an amount equal to the Base Salary at the end of such fiscal year multiplied by the Bonus Payout percentage as determined by the Bonus Program set each fiscal year by the Compensation Committee of Big Lots Inc's Board of Directors. The Bonus Program is based upon the achievement of Employer's annual financial plan. The Target Bonus for Executive is 60% of Base Salary and the Stretch Bonus for Executive is 120% of Base Salary, both of which are defined in the Bonus Program and are subject to adjustment by Big Lots, Inc's Board of Directors; provided however, Executive's Target Bonus shall never fall below 60% of Base Salary and Executive's Stretch Bonus shall never fall below 120% of base salary. Payment of the Bonus described in this Paragraph is subject to the following:

- (a) TIME OF PAYMENT. The Bonus herein will be paid at a time consistent with payment of a bonus to executives in the same or similar job classification;
- (b) CONTINUOUS EMPLOYMENT. In order to receive the Bonus, Executive must remain continuously employed by the Employer pursuant to the terms and conditions of this Agreement;
- (c) TERMINATION/RESIGNATION. No Bonus (or prorata portion thereof) will be paid if Executive is: (i) Terminated for cause pursuant to the terms contained in this Agreement, or (ii) voluntarily terminates or resigns his employment prior to the conclusion of the Employer's fiscal year or prior to the issuance of the bonus payment.
- (d) FISCAL YEAR. The term "fiscal year" shall mean the period commencing on the Sunday next following the Saturday closest to January 31 in a calendar year and ending the next following calendar year on the Saturday closest to January 31.

5. EXPENSES.

Employer shall reimburse Executive during the term of this Agreement for travel, entertainment and other expenses reasonably incurred by Executive in the promotion of Employer's business. Executive shall furnish such documentation and/or receipts with respect to reimbursement to be paid as requested by the Employer.

6. TERMINATION.

The employment of Executive under this Agreement and term hereof shall be controlled by this Agreement, exclusively and without regard to any termination, severance, income continuation, or similar policies of Employer. Such employment may be terminated:

- (a) WITHOUT CAUSE, EMPLOYER TERMINATION. By Employer without cause at any time upon thirty (30) days notice to the Executive of such termination, or
- (b) WITHOUT CAUSE, EXECUTIVE TERMINATION. By Executive without cause at any time upon thirty (30) days notice to the Employer of such termination, or
- (c) UPON DEATH OR LONG-TERM DISABILITY OF EXECUTIVE. By Employer upon the death or long-term disability of Executive, or
- (d) FOR CAUSE, EMPLOYER TERMINATION. By Employer for cause at any time. For purposes hereof, the term "cause" shall mean:
 - (i) Executive's conviction of fraud, a felony or other crime involving moral turpitude or Executive's commission of acts of embezzlement or theft in connection with his duties or in the course of his employment;
 - (ii) Executive engaging in Competitive Activities, disclosing confidential information, or his willful breach of any material provision of this Agreement.
 - (iii) The term "Competitive Activities" shall mean Executive's participation, without the written consent of the Board of Directors of the Employer, in any business enterprise if such business enterprise engages in direct competition with the Employer. For purposes of this Agreement, a business enterprise shall be considered in direct competition with the Employer, if such business enterprise's sales, related to any activity then engaged in by the Employer, amount to ten percent (10%) or more of such business enterprise's total sales or one percent (1%) of Employer's annual sales. "Competitive Activities" shall not include the mere ownership of

securities in any publicly-traded enterprise and the exercise of rights appurtenant thereto.

- (iv) Any termination of Executive for "cause" shall not be effective until Employer delivers written notice to Employee pursuant to the terms of Paragraph 11 of this Employment Agreement.
- (v) Any termination by reasons of the foregoing Subparagraphs (i)-(iv) shall not be in limitation of any other right or remedy the Employer may have under this Agreement, at law, in equity or otherwise.

7. EFFECT OF TERMINATION.

- (a) WITHOUT CAUSE EFFECT, EMPLOYER TERMINATION. In the event of the termination of Executive's employment by Employer pursuant to Paragraph 6(a) above, Employer shall have no obligation to pay any compensation or benefits of any kind to Executive other than,
 - (i) Base Salary that has been earned but not been paid up to and including the date of termination;
 - (ii) A prorata portion of the Bonus under this Agreement based upon the amount of time worked by the Executive in the fiscal year when such termination is effective, provided, however, that such prorata portion will be determined in the ordinary course of business and paid at such time following the close of the fiscal year that such other eligible executives receive such payment;
 - (iii) A continuation of Base Salary, automobile allowance (or use of present company automobile), any Benefit Plans for which Executive is eligible

and enrolled, for twelve (12) months following the termination of this Agreement;

- (iv) The Benefit Plans and automobile allowance/use contained in Subparagraph (iii), above, shall cease if during the twelve (12) months following termination, Executive is entitled to receive the same or similar benefits from another employer.
- (b) WITHOUT CAUSE EFFECT, EXECUTIVE TERMINATION. In the event of the termination of Executive's employment by Executive pursuant to Paragraph 6(b) above, Employer shall have no obligation to pay any compensation or benefits of any kind to Executive other than Base Salary that has been earned but not been paid up to and including the date of termination, and Executive shall not be entitled to receive any Bonus under this Agreement or otherwise.
- (c) DEATH OR LONG-TERM DISABILITY. In the event of the termination of Executive's employment by reason of death or long-term disability pursuant to Paragraph 6(c) above, Employer shall have no obligation to pay any compensation or benefits of any kind to Executive or the Executive's estate, other than as follows:
 - (i) Base Salary that has been earned but not been paid up to and including the date of termination;
 - (ii) A prorata portion of the Bonus under this Agreement based upon the amount of time worked by the Executive in the fiscal year when such termination is effective, provided, however, that such prorata portion will be determined in the ordinary course of business and paid at such time

following the close of the fiscal year that such other eligible executives receive such payment;

(iii) In the case of long-term disability, a continuation of Base Salary and any Benefit Plans for which Executive is eligible and enrolled for six (6) months following the termination of this Agreement and any long-term disability benefits for which Executive is eligible under the Employer's long-term disability group insurance plan.

(iv) The term "Long-Term Disability" shall be construed as it is defined in the Employer's long-term disability group insurance plan.

(d) FOR CAUSE EFFECT. In the event of termination for any of the reasons for cause set forth in Paragraph 6(d), Executive shall not be entitled to further compensation or other benefits under this Agreement (other than as provided by law), except as to Base Salary that has been earned but not been paid up to and including the date of termination. Further, Executive shall not be entitled to receive any Bonus determined under this Agreement or otherwise.

8. CHANGE IN CONTROL.

If there is a Change in Control (as defined herein) and Executive's employment is thereupon terminated or terminated within twenty four (24) months after the effective date thereof, Executive shall be entitled to the termination benefits as set forth in this Paragraph in lieu of any termination benefits described in other Paragraphs of this Agreement. The provisions of this Paragraph shall not apply if the Employer terminates Executive's employment for cause (as defined in Paragraph 6(d) hereof) or if Executive terminates or resigns his employment (as defined in Paragraph 6(b) hereof).

- (a) CHANGE IN CONTROL BENEFITS. The benefits payable to Executive are as follows:
- (i) Employer shall pay to Executive a lump sum cash payment, net of any applicable withholding taxes, in an amount equal to two (2) times his Base Salary immediately prior to the effective date of such Change in Control (the "Lump Sum Payment"); provided, that if there are fewer than twenty four (24) months remaining from the date of Executive's termination to Executive's normal retirement date at age 65, Employer shall instead pay Executive a prorata amount of the Lump Sum Payment based upon the number of months remaining until Executive's normal retirement date at age 65. The applicable amount shall be paid on or before the next regular payroll date following the termination of the Executive's employment.
 - (ii) In addition to the payment described in Paragraph 8(a)(i) above, Employer shall pay to Executive a lump sum cash payment, net of any applicable withholding taxes, in an amount equal to two (2) times the Executive's then current Stretch Bonus, as defined in and determined annually by the Compensation Committee of the Employer's Board of Directors; provided, that
 - (A) In the event the Executive's Bonus is undefined or is not subject to a maximum payout, the Executive's Bonus shall be deemed to be 200% of the Executive's then current Base Salary, and
 - (B) If there are fewer than twenty four (24) months remaining from the date of Executive's termination to Executive's normal retirement date at age 65, Employer shall instead pay Executive a prorata

amount of the Lump Sum Bonus Payment based upon the number of months remaining until Executive's normal retirement date at age 65. Executive shall receive the Lump Sum Bonus Payment at the same time Executive receives the Lump Sum Payment described above.

- (iii) A continuation of any Benefit Plans for which Executive is eligible and enrolled for twelve (12) months following the termination of this Agreement; provided, that Executive's participation in the plans referred to herein shall be terminated (other than as provided by law) when and to the extent that Executive is entitled to receive the same or similar benefits from another employer during such period. Executive's participation in and benefits under any such plan shall be on the terms and subject to the conditions specified in the governing document of the particular Benefit Plan(s).
- (iv) If all or any portion of the amount payable under paragraph 8(a)(i) and 8(a)(ii) of this Employment Agreement, either alone or together with other amounts that Executive is entitled to receive in connection with a Change in Control, constitutes "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, that are subject to the excise tax imposed by Section 4999 of the Code (or any similar tax or assessment), the amounts payable hereunder shall be increased to the extent necessary to place Executive in the same after-tax position as Executive would have

been had no such excise tax or assessment been imposed on any such payment paid or payable to Executive under Paragraph 8(a)(i) and 8(a)(ii) of this Employment Agreement or any other payment that Executive may receive as a result of such Change in Control. The determination of the amount of any such tax or assessment and the resulting amount of incremental payment required hereby in connection therewith shall be made by the independent accounting firm employed by Employer immediately prior to the applicable Change in Control, within thirty (30) calendar days after the payment of the amount payable pursuant to Paragraph 8(a)(i) and 8(a)(ii) of this Employment Agreement. Said incremental payment shall be made within five (5) business days after said determination has been made.

- (v) If, after the date upon which any payment is to made under this Paragraph had been made, it is determined (pursuant to final judgment of a court of competent jurisdiction or an agreed upon tax assessment) that the amount of excise or other similar taxes or assessments payable by Executive is greater than the amount initially so determined, then Employer shall pay Executive an amount equal to the sum of (i) such additional excise or other similar taxes, plus (ii) any interest, fines and penalties resulting from such underpayment, plus (iii) an amount necessary to reimburse Executive for any income, excise or other tax or assessment payable by Executive with respect to the amounts specified in (i) and (ii) above, and the reimbursement provide by this clause (iii). Payment thereof shall be made

within five (5) business days after the date upon which such subsequent determination is made.

- (vi) In addition to the benefits described above, Executive shall be entitled to all rights derived under the Big Lots, Inc. 1996 Performance Incentive Plan, as Amended (f/k/a Consolidated Stores Corporation 1996 Performance Incentive Plan, as Amended) in the event of a Change in Effective Control (as defined in that plan).

(b) CHANGE IN CONTROL DEFINED. As used herein, "Change in Control" means any of the following events:

- (i) Any person or group (as defined for purposes of Section 13(d) of the Securities Exchange Act of 1934) becomes the beneficial owner of, or has the right to acquire (by contract, option, warrant, conversion of convertible securities or otherwise), 20% or more of the outstanding equity securities of Employer entitled to vote for the election of directors;
- (ii) A majority of the Board of Directors of Employer is replaced within any period of two (2) years or less by directors not nominated and approved by a majority of the directors of Employer in office at the beginning of such period (or their successors so nominated and approved), or a majority of the Board of Directors of Employer at any date consists of persons not so nominated and approved;
- (iii) The stockholders of Employer approve an agreement to reorganize, merge or consolidate with another corporation (other than Employer or an affiliate); or

- (iv) The stockholders of Employer adopt a plan or approve an agreement to sell or otherwise dispose of all or substantially all of Employer's assets (including without limitation, a plan of liquidation or dissolution), in a single transaction or series of related transactions.
- (c) EFFECTIVE DATE/TERMS. The effective date of any such Change in Control shall be the date upon which the last event occurs or last action taken such that the definition of such Change in Control (as set forth above) has been met. For purposes of this Agreement, the term "affiliate" shall mean:
 - (i) Any person or entity qualified as part of an affiliated group which includes Employer pursuant to Section 1504 of the Internal Revenue Code of 1986; or
 - (ii) Any person or entity qualified as part of a parent-subsidiary group of trades and businesses under common control within the meaning of Treasury Regulation Section 1.414(c)(2)(b). Determination of affiliate shall be tested as of the date immediately prior to any event constituting a Change in Control. The other provisions of this Paragraph notwithstanding, the term "Change in Control" shall not mean any transaction, merger, consolidation, or reorganization in which Employer exchanges or offers to exchange newly issued or treasury shares in an amount less than 50% of the then outstanding equity securities of Employer entitled to vote for the election of directors, for 51% 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 Employer or an

affiliate thereof (the "Acquired Corporation"), or for all or substantially all of the assets of the Acquired Corporation.

9. COVENANTS OF EXECUTIVE.

- (a) COVENANTS. Executive acknowledges that the principal businesses of Employer include the operation of its "Big Lots", "MacFrugal's" and "Pic N' Save" discount general merchandise consumer goods retail outlets, the inventories of which are acquired primarily through special purchase situations such as overstocks, closeouts, liquidations, bankruptcies, wholesale distribution of overstock, distress, liquidation and other volume inventories, the operation of its Big Lots Furniture Stores, and its wholesale operations (the "Company Business"); and Employer is one of the limited number of entities who have developed such business; and the Company Business is national in scope; and Executive's work for Employer will give him access to the confidential affairs of Employer; and the agreements and covenants of Executive contained in Subparagraphs (i)-(iii) herein ("Restrictive Covenants") are essential to the business and goodwill of Employer. Accordingly, Executive covenants and agrees that:
- (i) During the term of Executive's employment with Employer and for a period of one (1) year (the "Restricted Period") following the termination of his employment in any manner, Executive shall not in any location where Employer's retail stores are located throughout the United States, directly or indirectly, (1) engage in the Company Business for Executive's own account (other than pursuant to this Agreement), (2) render any services to any person engaged in such activities (other than Employer), or

(3) become employed, in any manner, by Wal-Mart, Kmart, Target, Dollar General, Family Dollar, Dollar Tree, Value City/Schottenstein Stores Corporation, Fred's, 99(cent) Stores, Canned Foods, Tuesday Morning, TJX Corporation, or any grocery store chain, regardless of size. Further, Employee agrees not to become employed, in any manner, by any parent or subsidiary of the above listed entities. However, in the event of a Change in Control as defined in this Agreement, the Restricted Period shall be for a period of six (6) months.

- (ii) During the term of Executive's employment with Employer and for a period of two (2) years following the termination of his employment in any manner, Executive shall keep secret and retain in strictest confidence, and shall not use for his benefit or the benefit of others, all confidential matters relating to the Company Business hereafter learned by Executive, and shall not disclose them to anyone except with Employer's express written consent and except for information which is at the time of receipt or thereafter, becomes publicly known through no wrongful act of Executive, or is received from a third party not under an obligation to keep such information confidential and without breach of this Agreement.
- (iii) During the term of Executive's employment with Employer and for a period of two (2) years following the termination of his employment in any manner, without Employer's prior written consent, Employee will not directly or indirectly, solicit or encourage to leave the employment of Employer any employee of Employer.

- (b) ACKNOWLEDGMENT. Executive acknowledges that the foregoing restrictions are reasonable in light of the nature of the services the Employer provides. Executive and the Employer agree that the Employer has legitimate reasons for requiring such Restrictive Covenants from Executive. Executive acknowledges that he understands the restrictions and has had an opportunity to fully discuss these restrictions with the Employer and accepts the restrictions.
- (c) MAXIMUM ENFORCEABLE RESTRICTION. In the event that any or all of the Restrictive Covenants contained in this Paragraph shall be determined by a court of competent jurisdiction to be unenforceable by reason of the temporal restrictions being too great, or by reason that the range of activities covered are too great, or for any other reason, they shall be interpreted to extend over the maximum period of time, range of activities or other restrictions as to which they may be enforceable.
- (d) INJUNCTIVE RELIEF. The Parties agree that a breach of the Restrictive Covenants contained in this Paragraph may cause irreparable damage to the Employer, the extent of which may be difficult to ascertain, and that the award of damages may not be adequate relief. Therefore, Executive agrees that, in the event of a breach or a threatened breach of the Restrictive Covenants, the Employer may institute an action to compel the specific performance of same and obtain injunctive relief, without bond; Executive agrees not to assert adequacy of money damages as a defense and agrees that such remedy shall be cumulative, not exclusive, and in addition to any other available remedies, and that the Employer may require

Executive to account for and pay over to Employer all compensation, profits, monies, accruals, increments, or other benefits derived or received by him as the result of any transactions constituting a breach of the Restrictive Covenants. Employer may set off any amounts finally determined by a court of competent jurisdiction to be due it under this Paragraph against any amounts owed to Executive. The Parties agree that any action for breach of the Restrictive Covenants and/or injunctive relief shall be venued in the Court of Common Pleas, Franklin County, Ohio, and that Ohio law governs the terms of this Agreement.

- (e) TOLLING PERIOD. Executive acknowledges that under the terms of the Restrictive Covenants contained in this Paragraph, the Employer is entitled to receive a period of one (1) year of non-competition, and two (2) years of non-solicitation and confidentiality immediately following termination of Executive's employment. Executive agrees that if any of these obligations to the Employer are breached during the one (1) year period or non-competition, and/or the two (2) year period of non-solicitation and confidentiality, then the time period will be extended for the length of time that Executive failed to fulfill his obligations.

10. WITHHOLDING TAXES.

Except as otherwise provided, all payments to Executive, including the bonus compensation under this Agreement, shall be subject to withholding on account of federal, state, and local taxes as required by law.

11. NOTICES.

Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, sent by facsimile transmission or sent by certified or

priority mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, or sent by facsimile transmission or, if mailed, five (5) days after the date of deposit in the United States mail as follows:

- (a) If to the Employer to: Big Lots Stores, Inc.
300 Phillipi Road
Columbus, Ohio 43228-1310
Attention: Vice President and
General Counsel
- With a copy to: Big Lots Stores, Inc.
300 Phillipi Road
Columbus, Ohio 43228-1310
Attention: Chief Executive Officer
- (b) If to the Executive to: Kent Larsson
9333 Lerwick Drive
Dublin, Ohio 43017
- (c) CHANGE OF ADDRESS. Any such person may by notice given in accordance with this Paragraph to the other parties hereto, designate another address or person for receipt by such person of notices hereunder.

12. SEVERABLE PROVISIONS.
The provisions of this Agreement are severable, and if any one or more provisions may be determined to be invalid or otherwise unenforceable, in whole or in part, the remaining provisions and any partially unenforceable provision, to the maximum extent enforceable, shall, nevertheless, be binding and enforceable.

13. MODIFICATION.

This Agreement collectively sets forth the entire understanding of the Parties with respect to the subject matter hereof, supersedes all existing agreements between them concerning such subject matter, and may be modified only by a written instrument duly executed by each party.

14. WAIVER.

Any waiver by either party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a party to insist upon strict adherence to any term of this Agreement on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any waiver must be in writing.

15. BINDING EFFECT.

Executive's rights and obligations under this Agreement shall not be transferable by assignment or otherwise, such rights shall not be subject to commutation, encumbrance, or the claims of Executive's creditors, and any attempt to do any of the foregoing shall be void. The provisions of this Agreement shall be binding upon and inure to the benefit of Executive and his heirs and personal representatives, and shall be binding upon and inure to the benefit of the Employer and its successors.

16. NO THIRD-PARTY BENEFICIARIES.

This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement.

17. HEADINGS.

The headings in this Agreement are solely for the convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

18. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. GOVERNING LAW, JURISDICTION AND ARBITRATION.

This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without giving effect to conflict of laws. Any dispute arising out of or relating to this Agreement or any breach of this Agreement, with the exceptions of the Restrictive Covenants contained in Paragraph 9, shall be submitted to and determined in binding arbitration, and such method shall be the exclusive method for resolving such disputes. This provision includes any and all claims and remedies that the Executive could bring against the Employer arising out of his employment, including, but not limited to, claims for negligence, wrongful discharge, discrimination, harassment, intentional tort, infliction of emotional distress, defamation, or loss of consortium. Submission may be made by either party and must be made within thirty (30) days subsequent to the dispute arising. Thereafter, the parties hereto shall take such steps as are necessary to assure that the dispute will be promptly settled by arbitration, in accordance with the then-current Commercial Arbitration Rules of the American Arbitration Association, within ninety (90) days of its submission. The arbitration shall be conducted by a single arbitrator selected by the parties. If the parties have not selected an arbitrator within ten (10) days of written demand for arbitration, the arbitrator shall be selected by the American Arbitration Association. Each party shall bear all its own legal

fees and expenses. All arbitration proceedings shall be conducted in the federal judicial district where Executive maintains his principal place of employment for the Company. Judgment upon any award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

20. EMPLOYER PROPERTY.

Upon termination of Executive's employment for any reason, or at any time at the Employer's request, Executive shall deliver up to the Employer, all property, keys, materials, documents, records, manuals, notebooks, or papers and any copies thereof maintained in any form that in any way relate to the business and activities of the Employer that may be in the possession, or under the control of Executive.

21. CONFLICTING AGREEMENTS.

Executive represents and warrants that he is free to enter into this Agreement and that Executive has not made and will not make any agreements in conflict with this Agreement.

22. SURVIVAL.

The covenants, agreements, representations, and warranties contained in or made pursuant to this Agreement shall survive Executive's termination of employment, whatever the reason for termination of such employment, and shall survive any termination of this Agreement, irrespective of any investigation made by or on behalf of any party.

WHEREUPON, the Parties hereto voluntarily enter into this Agreement as of this 29th day of July, 2002.

Big Lots Stores, Inc.

Executive

/s/ Albert J. Bell

/s/ Kent A. W. Larsson

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By: Albert J. Bell

Printed Name: Kent Larsson

- - - - -

Its: Vice Chairman and CAO

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into this 29th day of July, 2002, between Big Lots Stores, Inc., 300 Phillipi Road, Columbus, Ohio 43228, and its parent, affiliated, predecessor, successor, subsidiary and other related companies ("Employer") and Donald A. Mierzwa ("Executive").

WITNESSETH:

WHEREAS, the Employer desires to engage Executive to perform services for the Employer and Executive desires to perform such services, on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the sufficiency of which is hereby mutually acknowledged, the Parties hereby agree as follows:

1. EMPLOYMENT.

- (a) DUTIES AND SERVICES. Employer hereby employs Executive, as an Executive Vice President (or other appropriate title as designated by the Employer in its sole discretion) and Executive hereby accepts such employment, and shall perform services of a business, professional or commercial nature for the Employer in furtherance of the Employer's business. In performance of these duties, Executive shall be subject to the direction of and report to an individual holding one or more of the following titles: Chairman of the Board, Chief Executive Officer, President, Vice Chairman, and/or Chief Administrative Officer.
- (b) ADDITIONAL POSITIONS. Executive shall, without any compensation in addition to that which is specifically provided in this Agreement, serve as an officer of the

Employer and in such substitute or further offices or positions with Employer as shall from time to time be reasonably requested by the Employer. Each office and position with the Employer in which Executive may serve or to which he may be appointed shall be consistent in title and duties with Executive's position. For service as a director or officer of Employer, which service shall in each instance be deemed to be at the request of the Employer and its Board of Directors, Executive shall be entitled to the protection of the applicable indemnification provisions of the charter and by-laws of Employer and Employer agrees to indemnify and hold harmless Executive from and against any claims, liabilities, damages or expenses incurred by Executive in or arising out of the status, capacities and activities as an officer or director of the Employer, to the maximum extent permitted by law and in accordance with any agreement for indemnification. On any termination of this Agreement, Executive shall be deemed to have resigned from all offices and directorships held by Executive.

- (c) FULL TIME AND ATTENTION. Executive agrees to his employment as described herein and agrees to devote all of his time and best efforts to the performance of his duties under this Agreement. Except as expressly permitted herein, Executive shall not, without the prior written consent of Employer, directly or indirectly during the term of this Agreement, render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise. So long as it does not interfere with his full-time employment hereunder, Executive may attend to outside investments and serve as a director,

trustee or officer of or otherwise participate in educational, welfare, social, religious and civic organizations.

2. TERM.

Subject to the provisions for termination provided in this Agreement, the term of this Agreement shall commence on December 16, 2001 and shall continue thereafter until Executive's employment is terminated as provided in this Agreement.

3. COMPENSATION AND BENEFITS.

- (a) BASE SALARY. As full compensation for his services hereunder, the Employer shall pay Executive, an annual base salary (the "Base Salary") payable in equal installments on regular payroll dates designated by the Employer, an annual rate of Three Hundred and Fifty Thousand Dollars (\$350,000). The base salary may be adjusted from time to time in a manner that is consistent with Employer's compensation policies in effect for executives in the same or similar job classification, at the discretion of the Employer. Provided, however, that in no event shall the base salary be adjusted to an amount lower than the annual rate initially enumerated in this Paragraph.
- (b) BENEFITS. Executive shall be entitled to participate in any group health care, hospitalization, life insurance, dental, disability or other benefit plans ("Benefit Plans") available to executives in the same or similar job classification (other than bonus compensation or performance plans to the extent that such plans, in the case of Executive, are in lieu of the bonus plan set forth in Paragraph 4 herein). Executive's participation in and benefits under any such Benefit Plans shall be in

accordance with the terms and subject to the conditions specified in the governing document of the particular Benefit Plan(s).

- (c) VACATION AND SICK LEAVE. Executive shall be entitled to such periods of vacation and sick leave each year as provided under Employer's Vacation and Sick Leave Policy for executives of the same or similar job classification.
- (d) AUTOMOBILE ALLOWANCE. During the term of this Agreement, Employer shall provide Executive with an automobile or a monthly automobile allowance, in accordance with applicable policies of the Employer for executives of the same or similar job classification.

4. BONUS.

Executive shall be eligible to receive bonus compensation ("Bonus"), for the fiscal year beginning February 3, 2002, and for each subsequent fiscal year of employment completed during the term of this Agreement. Executive's bonus shall be an amount equal to the Base Salary at the end of such fiscal year multiplied by the Bonus Payout percentage as determined by the Bonus Program set each fiscal year by the Compensation Committee of Big Lots Inc's Board of Directors. The Bonus Program is based upon the achievement of Employer's annual financial plan. The Target Bonus for Executive is 60% of Base Salary and the Stretch Bonus for Executive is 120% of Base Salary, both of which are defined in the Bonus Program and are subject to adjustment by Big Lots, Inc's Board of Directors; provided however, Executive's Target Bonus shall never fall below 60% of Base Salary and Executive's Stretch Bonus shall never fall below 120% of base salary. Payment of the Bonus described in this Paragraph is subject to the following:

- (a) TIME OF PAYMENT. The Bonus herein will be paid at a time consistent with payment of a bonus to executives in the same or similar job classification;
- (b) CONTINUOUS EMPLOYMENT. In order to receive the Bonus, Executive must remain continuously employed by the Employer pursuant to the terms and conditions of this Agreement;
- (c) TERMINATION/RESIGNATION. No Bonus (or prorata portion thereof) will be paid if Executive is: (i) Terminated for cause pursuant to the terms contained in this Agreement, or (ii) voluntarily terminates or resigns his employment prior to the conclusion of the Employer's fiscal year or prior to the issuance of the bonus payment.
- (d) FISCAL YEAR. The term "fiscal year" shall mean the period commencing on the Sunday next following the Saturday closest to January 31 in a calendar year and ending the next following calendar year on the Saturday closest to January 31.

5. EXPENSES.

Employer shall reimburse Executive during the term of this Agreement for travel, entertainment and other expenses reasonably incurred by Executive in the promotion of Employer's business. Executive shall furnish such documentation and/or receipts with respect to reimbursement to be paid as requested by the Employer.

6. TERMINATION.

The employment of Executive under this Agreement and term hereof shall be controlled by this Agreement, exclusively and without regard to any termination, severance, income continuation, or similar policies of Employer. Such employment may be terminated:

- (a) WITHOUT CAUSE, EMPLOYER TERMINATION. By Employer without cause at any time upon thirty (30) days notice to the Executive of such termination, or
- (b) WITHOUT CAUSE, EXECUTIVE TERMINATION. By Executive without cause at any time upon thirty (30) days notice to the Employer of such termination, or
- (c) UPON DEATH OR LONG-TERM DISABILITY OF EXECUTIVE. By Employer upon the death or long-term disability of Executive, or
- (d) FOR CAUSE, EMPLOYER TERMINATION. By Employer for cause at any time. For purposes hereof, the term "cause" shall mean:
 - (i) Executive's conviction of fraud, a felony or other crime involving moral turpitude or Executive's commission of acts of embezzlement or theft in connection with his duties or in the course of his employment;
 - (ii) Executive engaging in Competitive Activities, disclosing confidential information, or his willful breach of any material provision of this Agreement.
 - (iii) The term "Competitive Activities" shall mean Executive's participation, without the written consent of the Board of Directors of the Employer, in any business enterprise if such business enterprise engages in direct competition with the Employer. For purposes of this Agreement, a business enterprise shall be considered in direct competition with the Employer, if such business enterprise's sales, related to any activity then engaged in by the Employer, amount to ten percent (10%) or more of such business enterprise's total sales or one percent (1%) of Employer's annual sales. "Competitive Activities" shall not include the mere ownership of

securities in any publicly-traded enterprise and the exercise of rights appurtenant thereto.

- (iv) Any termination of Executive for "cause" shall not be effective until Employer delivers written notice to Employee pursuant to the terms of Paragraph 11 of this Employment Agreement.
- (v) Any termination by reasons of the foregoing Subparagraphs (i)-(iv) shall not be in limitation of any other right or remedy the Employer may have under this Agreement, at law, in equity or otherwise.

7. EFFECT OF TERMINATION.

- (a) WITHOUT CAUSE EFFECT, EMPLOYER TERMINATION. In the event of the termination of Executive's employment by Employer pursuant to Paragraph 6(a) above, Employer shall have no obligation to pay any compensation or benefits of any kind to Executive other than,
 - (i) Base Salary that has been earned but not been paid up to and including the date of termination;
 - (ii) A prorata portion of the Bonus under this Agreement based upon the amount of time worked by the Executive in the fiscal year when such termination is effective, provided, however, that such prorata portion will be determined in the ordinary course of business and paid at such time following the close of the fiscal year that such other eligible executives receive such payment;
 - (iii) A continuation of Base Salary, automobile allowance (or use of present company automobile), any Benefit Plans for which Executive is eligible

and enrolled, for twelve (12) months following the termination of this Agreement;

- (iv) The Benefit Plans and automobile allowance/use contained in Subparagraph (iii), above, shall cease if during the twelve (12) months following termination, Executive is entitled to receive the same or similar benefits from another employer.
- (b) WITHOUT CAUSE EFFECT, EXECUTIVE TERMINATION. In the event of the termination of Executive's employment by Executive pursuant to Paragraph 6(b) above, Employer shall have no obligation to pay any compensation or benefits of any kind to Executive other than Base Salary that has been earned but not been paid up to and including the date of termination, and Executive shall not be entitled to receive any Bonus under this Agreement or otherwise.
- (c) DEATH OR LONG-TERM DISABILITY. In the event of the termination of Executive's employment by reason of death or long-term disability pursuant to Paragraph 6(c) above, Employer shall have no obligation to pay any compensation or benefits of any kind to Executive or the Executive's estate, other than as follows:
 - (i) Base Salary that has been earned but not been paid up to and including the date of termination;
 - (ii) A prorata portion of the Bonus under this Agreement based upon the amount of time worked by the Executive in the fiscal year when such termination is effective, provided, however, that such prorata portion will be determined in the ordinary course of business and paid at such time

following the close of the fiscal year that such other eligible executives receive such payment;

(iii) In the case of long-term disability, a continuation of Base Salary and any Benefit Plans for which Executive is eligible and enrolled for six (6) months following the termination of this Agreement and any long-term disability benefits for which Executive is eligible under the Employer's long-term disability group insurance plan.

(iv) The term "Long-Term Disability" shall be construed as it is defined in the Employer's long-term disability group insurance plan.

(d) FOR CAUSE EFFECT. In the event of termination for any of the reasons for cause set forth in Paragraph 6(d), Executive shall not be entitled to further compensation or other benefits under this Agreement (other than as provided by law), except as to Base Salary that has been earned but not been paid up to and including the date of termination. Further, Executive shall not be entitled to receive any Bonus determined under this Agreement or otherwise.

8. CHANGE IN CONTROL.

If there is a Change in Control (as defined herein) and Executive's employment is thereupon terminated or terminated within twenty four (24) months after the effective date thereof, Executive shall be entitled to the termination benefits as set forth in this Paragraph in lieu of any termination benefits described in other Paragraphs of this Agreement. The provisions of this Paragraph shall not apply if the Employer terminates Executive's employment for cause (as defined in Paragraph 6(d) hereof) or if Executive terminates or resigns his employment (as defined in Paragraph 6(b) hereof).

- (a) CHANGE IN CONTROL BENEFITS. The benefits payable to Executive are as follows:
- (i) Employer shall pay to Executive a lump sum cash payment, net of any applicable withholding taxes, in an amount equal to two (2) times his Base Salary immediately prior to the effective date of such Change in Control (the "Lump Sum Payment"); provided, that if there are fewer than twenty four (24) months remaining from the date of Executive's termination to Executive's normal retirement date at age 65, Employer shall instead pay Executive a prorata amount of the Lump Sum Payment based upon the number of months remaining until Executive's normal retirement date at age 65. The applicable amount shall be paid on or before the next regular payroll date following the termination of the Executive's employment.
 - (ii) In addition to the payment described in Paragraph 8(a)(i) above, Employer shall pay to Executive a lump sum cash payment, net of any applicable withholding taxes, in an amount equal to two (2) times the Executive's then current Stretch Bonus, as defined in and determined annually by the Compensation Committee of the Employer's Board of Directors; provided, that
 - (A) In the event the Executive's Bonus is undefined or is not subject to a maximum payout, the Executive's Bonus shall be deemed to be 200% of the Executive's then current Base Salary, and
 - (B) If there are fewer than twenty four (24) months remaining from the date of Executive's termination to Executive's normal retirement date at age 65, Employer shall instead pay Executive a prorata

amount of the Lump Sum Bonus Payment based upon the number of months remaining until Executive's normal retirement date at age 65. Executive shall receive the Lump Sum Bonus Payment at the same time Executive receives the Lump Sum Payment described above.

- (iii) A continuation of any Benefit Plans for which Executive is eligible and enrolled for twelve (12) months following the termination of this Agreement; provided, that Executive's participation in the plans referred to herein shall be terminated (other than as provided by law) when and to the extent that Executive is entitled to receive the same or similar benefits from another employer during such period. Executive's participation in and benefits under any such plan shall be on the terms and subject to the conditions specified in the governing document of the particular Benefit Plan(s).
- (iv) If all or any portion of the amount payable under paragraph 8(a)(i) and 8(a)(ii) of this Employment Agreement, either alone or together with other amounts that Executive is entitled to receive in connection with a Change in Control, constitutes "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, that are subject to the excise tax imposed by Section 4999 of the Code (or any similar tax or assessment), the amounts payable hereunder shall be increased to the extent necessary to place Executive in the same after-tax position as Executive would have

been had no such excise tax or assessment been imposed on any such payment paid or payable to Executive under Paragraph 8(a)(i) and 8(a)(ii) of this Employment Agreement or any other payment that Executive may receive as a result of such Change in Control. The determination of the amount of any such tax or assessment and the resulting amount of incremental payment required hereby in connection therewith shall be made by the independent accounting firm employed by Employer immediately prior to the applicable Change in Control, within thirty (30) calendar days after the payment of the amount payable pursuant to Paragraph 8(a)(i) and 8(a)(ii) of this Employment Agreement. Said incremental payment shall be made within five (5) business days after said determination has been made.

- (v) If, after the date upon which any payment is to made under this Paragraph had been made, it is determined (pursuant to final judgment of a court of competent jurisdiction or an agreed upon tax assessment) that the amount of excise or other similar taxes or assessments payable by Executive is greater than the amount initially so determined, then Employer shall pay Executive an amount equal to the sum of (i) such additional excise or other similar taxes, plus (ii) any interest, fines and penalties resulting from such underpayment, plus (iii) an amount necessary to reimburse Executive for any income, excise or other tax or assessment payable by Executive with respect to the amounts specified in (i) and (ii) above, and the reimbursement provide by this clause (iii). Payment thereof shall be made

within five (5) business days after the date upon which such subsequent determination is made.

- (vi) In addition to the benefits described above, Executive shall be entitled to all rights derived under the Big Lots, Inc. 1996 Performance Incentive Plan, as Amended (f/k/a Consolidated Stores Corporation 1996 Performance Incentive Plan, as Amended) in the event of a Change in Effective Control (as defined in that plan).

(b) CHANGE IN CONTROL DEFINED. As used herein, "Change in Control" means any of the following events:

- (i) Any person or group (as defined for purposes of Section 13(d) of the Securities Exchange Act of 1934) becomes the beneficial owner of, or has the right to acquire (by contract, option, warrant, conversion of convertible securities or otherwise), 20% or more of the outstanding equity securities of Employer entitled to vote for the election of directors;
- (ii) A majority of the Board of Directors of Employer is replaced within any period of two (2) years or less by directors not nominated and approved by a majority of the directors of Employer in office at the beginning of such period (or their successors so nominated and approved), or a majority of the Board of Directors of Employer at any date consists of persons not so nominated and approved;
- (iii) The stockholders of Employer approve an agreement to reorganize, merge or consolidate with another corporation (other than Employer or an affiliate); or

- (iv) The stockholders of Employer adopt a plan or approve an agreement to sell or otherwise dispose of all or substantially all of Employer's assets (including without limitation, a plan of liquidation or dissolution), in a single transaction or series of related transactions.
- (c) EFFECTIVE DATE/TERMS. The effective date of any such Change in Control shall be the date upon which the last event occurs or last action taken such that the definition of such Change in Control (as set forth above) has been met. For purposes of this Agreement, the term "affiliate" shall mean:
 - (i) Any person or entity qualified as part of an affiliated group which includes Employer pursuant to Section 1504 of the Internal Revenue Code of 1986; or
 - (ii) Any person or entity qualified as part of a parent-subsidiary group of trades and businesses under common control within the meaning of Treasury Regulation Section 1.414(c)(2)(b). Determination of affiliate shall be tested as of the date immediately prior to any event constituting a Change in Control. The other provisions of this Paragraph notwithstanding, the term "Change in Control" shall not mean any transaction, merger, consolidation, or reorganization in which Employer exchanges or offers to exchange newly issued or treasury shares in an amount less than 50% of the then outstanding equity securities of Employer entitled to vote for the election of directors, for 51% 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 Employer or an

affiliate thereof (the "Acquired Corporation"), or for all or substantially all of the assets of the Acquired Corporation.

9. COVENANTS OF EXECUTIVE.

- (a) COVENANTS. Executive acknowledges that the principal businesses of Employer include the operation of its "Big Lots", "MacFrugal's" and "Pic N' Save" discount general merchandise consumer goods retail outlets, the inventories of which are acquired primarily through special purchase situations such as overstocks, closeouts, liquidations, bankruptcies, wholesale distribution of overstock, distress, liquidation and other volume inventories, the operation of its Big Lots Furniture Stores, and its wholesale operations (the "Company Business"); and Employer is one of the limited number of entities who have developed such business; and the Company Business is national in scope; and Executive's work for Employer will give him access to the confidential affairs of Employer; and the agreements and covenants of Executive contained in Subparagraphs (i)-(iii) herein ("Restrictive Covenants") are essential to the business and goodwill of Employer. Accordingly, Executive covenants and agrees that:
- (i) During the term of Executive's employment with Employer and for a period of one (1) year (the "Restricted Period") following the termination of his employment in any manner, Executive shall not in any location where Employer's retail stores are located throughout the United States, directly or indirectly, (1) engage in the Company Business for Executive's own account (other than pursuant to this Agreement), (2) render any services to any person engaged in such activities (other than Employer), or

(3) become employed, in any manner, by Wal-Mart, Kmart, Target, Dollar General, Family Dollar, Dollar Tree, Value City/Schottenstein Stores Corporation, Fred's, 99(cent) Stores, Canned Foods, Tuesday Morning, TJX Corporation, or any grocery store chain, regardless of size. Further, Employee agrees not to become employed, in any manner, by any parent or subsidiary of the above listed entities. However, in the event of a Change in Control as defined in this Agreement, the Restricted Period shall be for a period of six (6) months.

- (ii) During the term of Executive's employment with Employer and for a period of two (2) years following the termination of his employment in any manner, Executive shall keep secret and retain in strictest confidence, and shall not use for his benefit or the benefit of others, all confidential matters relating to the Company Business hereafter learned by Executive, and shall not disclose them to anyone except with Employer's express written consent and except for information which is at the time of receipt or thereafter, becomes publicly known through no wrongful act of Executive, or is received from a third party not under an obligation to keep such information confidential and without breach of this Agreement.
- (iii) During the term of Executive's employment with Employer and for a period of two (2) years following the termination of his employment in any manner, without Employer's prior written consent, Employee will not directly or indirectly, solicit or encourage to leave the employment of Employer any employee of Employer.

- (b) ACKNOWLEDGMENT. Executive acknowledges that the foregoing restrictions are reasonable in light of the nature of the services the Employer provides. Executive and the Employer agree that the Employer has legitimate reasons for requiring such Restrictive Covenants from Executive. Executive acknowledges that he understands the restrictions and has had an opportunity to fully discuss these restrictions with the Employer and accepts the restrictions.
- (c) MAXIMUM ENFORCEABLE RESTRICTION. In the event that any or all of the Restrictive Covenants contained in this Paragraph shall be determined by a court of competent jurisdiction to be unenforceable by reason of the temporal restrictions being too great, or by reason that the range of activities covered are too great, or for any other reason, they shall be interpreted to extend over the maximum period of time, range of activities or other restrictions as to which they may be enforceable.
- (d) INJUNCTIVE RELIEF. The Parties agree that a breach of the Restrictive Covenants contained in this Paragraph may cause irreparable damage to the Employer, the extent of which may be difficult to ascertain, and that the award of damages may not be adequate relief. Therefore, Executive agrees that, in the event of a breach or a threatened breach of the Restrictive Covenants, the Employer may institute an action to compel the specific performance of same and obtain injunctive relief, without bond; Executive agrees not to assert adequacy of money damages as a defense and agrees that such remedy shall be cumulative, not exclusive, and in addition to any other available remedies, and that the Employer may require Executive to account for and pay over to Employer all compensation, profits,

monies, accruals, increments, or other benefits derived or received by him as the result of any transactions constituting a breach of the Restrictive Covenants. Employer may set off any amounts finally determined by a court of competent jurisdiction to be due it under this Paragraph against any amounts owed to Executive. The Parties agree that any action for breach of the Restrictive Covenants and/or injunctive relief shall be venued in the Court of Common Pleas, Franklin County, Ohio, and that Ohio law governs the terms of this Agreement.

- (e) TOLLING PERIOD. Executive acknowledges that under the terms of the Restrictive Covenants contained in this Paragraph, the Employer is entitled to receive a period of one (1) year of non-competition, and two (2) years of non-solicitation and confidentiality immediately following termination of Executive's employment. Executive agrees that if any of these obligations to the Employer are breached during the one (1) year period or non-competition, and/or the two (2) year period of non-solicitation and confidentiality, then the time period will be extended for the length of time that Executive failed to fulfill his obligations.

10. WITHHOLDING TAXES.

Except as otherwise provided, all payments to Executive, including the bonus compensation under this Agreement, shall be subject to withholding on account of federal, state, and local taxes as required by law.

11. NOTICES.

Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, sent by facsimile transmission or sent by certified or priority mail, postage prepaid. Any such notice shall be deemed given when so delivered

personally, or sent by facsimile transmission or, if mailed, five (5) days after the date of deposit in the United States mail as follows:

- (a) If to the Employer to: Big Lots Stores, Inc.
300 Phillipi Road
Columbus, Ohio 43228-1310
Attention: Vice President and
General Counsel

With a copy to: Big Lots Stores, Inc.
300 Phillipi Road
Columbus, Ohio 43228-1310
Attention: Chief Executive Officer
- (b) If to the Executive to: Donald A. Mierzwa
5739 Medallian Drive
Westerville, OH 43082
- (c) CHANGE OF ADDRESS. Any such person may by notice given in accordance with this Paragraph to the other parties hereto, designate another address or person for receipt by such person of notices hereunder.

12. SEVERABLE PROVISIONS.

The provisions of this Agreement are severable, and if any one or more provisions may be determined to be invalid or otherwise unenforceable, in whole or in part, the remaining provisions and any partially unenforceable provision, to the maximum extent enforceable, shall, nevertheless, be binding and enforceable.

13. MODIFICATION.

This Agreement collectively sets forth the entire understanding of the Parties with respect to the subject matter hereof, supersedes all existing agreements between them concerning

such subject matter, and may be modified only by a written instrument duly executed by each party.

14. WAIVER.

Any waiver by either party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a party to insist upon strict adherence to any term of this Agreement on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any waiver must be in writing.

15. BINDING EFFECT.

Executive's rights and obligations under this Agreement shall not be transferable by assignment or otherwise, such rights shall not be subject to commutation, encumbrance, or the claims of Executive's creditors, and any attempt to do any of the foregoing shall be void. The provisions of this Agreement shall be binding upon and inure to the benefit of Executive and his heirs and personal representatives, and shall be binding upon and inure to the benefit of the Employer and its successors.

16. NO THIRD-PARTY BENEFICIARIES.

This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement.

17. HEADINGS.

The headings in this Agreement are solely for the convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

18. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. GOVERNING LAW, JURISDICTION AND ARBITRATION.

This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without giving effect to conflict of laws. Any dispute arising out of or relating to this Agreement or any breach of this Agreement, with the exceptions of the Restrictive Covenants contained in Paragraph 9, shall be submitted to and determined in binding arbitration, and such method shall be the exclusive method for resolving such disputes. This provision includes any and all claims and remedies that the Executive could bring against the Employer arising out of his employment, including, but not limited to, claims for negligence, wrongful discharge, discrimination, harassment, intentional tort, infliction of emotional distress, defamation, or loss of consortium. Submission may be made by either party and must be made within thirty (30) days subsequent to the dispute arising. Thereafter, the parties hereto shall take such steps as are necessary to assure that the dispute will be promptly settled by arbitration, in accordance with the then-current Commercial Arbitration Rules of the American Arbitration Association, within ninety (90) days of its submission. The arbitration shall be conducted by a single arbitrator selected by the parties. If the parties have not selected an arbitrator within ten (10) days of written demand for arbitration, the arbitrator shall be selected by the American Arbitration Association. Each party shall bear all its own legal fees and expenses. All arbitration proceedings shall be conducted in the federal judicial district where Executive maintains his principal place of employment for the Company.

Judgment upon any award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

20. EMPLOYER PROPERTY.

Upon termination of Executive's employment for any reason, or at any time at the Employer's request, Executive shall deliver up to the Employer, all property, keys, materials, documents, records, manuals, notebooks, or papers and any copies thereof maintained in any form that in any way relate to the business and activities of the Employer that may be in the possession, or under the control of Executive.

21. CONFLICTING AGREEMENTS.

Executive represents and warrants that he is free to enter into this Agreement and that Executive has not made and will not make any agreements in conflict with this Agreement.

22. SURVIVAL.

The covenants, agreements, representations, and warranties contained in or made pursuant to this Agreement shall survive Executive's termination of employment, whatever the reason for termination of such employment, and shall survive any termination of this Agreement, irrespective of any investigation made by or on behalf of any party.

WHEREUPON, the Parties hereto voluntarily enter into this Agreement as of this 29th day of July, 2002.

Big Lots Stores, Inc.

Executive

/s/ Albert J. Bell

/s/ Donald A. Mierzwa

By: Albert J. Bell

Printed Name: Donald A. Mierzwa

Its: Vice Chairman and CAO

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into this 29th day of July, 2002, between Big Lots Stores, Inc., 300 Phillipi Road, Columbus, Ohio 43228, and its parent, affiliated, predecessor, successor, subsidiary and other related companies ("Employer") and Brad A. Waite ("Executive").

WITNESSETH:

WHEREAS, the Employer desires to engage Executive to perform services for the Employer and Executive desires to perform such services, on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the sufficiency of which is hereby mutually acknowledged, the Parties hereby agree as follows:

1. EMPLOYMENT.

- (a) DUTIES AND SERVICES. Employer hereby employs Executive, as an Executive Vice President (or other appropriate title as designated by the Employer in its sole discretion) and Executive hereby accepts such employment, and shall perform services of a business, professional or commercial nature for the Employer in furtherance of the Employer's business. In performance of these duties, Executive shall be subject to the direction of and report to an individual holding one or more of the following titles: Chairman of the Board, Chief Executive Officer, President, Vice Chairman, and/or Chief Administrative Officer.
- (b) ADDITIONAL POSITIONS. Executive shall, without any compensation in addition to that which is specifically provided in this Agreement, serve as an officer of the

Employer and in such substitute or further offices or positions with Employer as shall from time to time be reasonably requested by the Employer. Each office and position with the Employer in which Executive may serve or to which he may be appointed shall be consistent in title and duties with Executive's position. For service as a director or officer of Employer, which service shall in each instance be deemed to be at the request of the Employer and its Board of Directors, Executive shall be entitled to the protection of the applicable indemnification provisions of the charter and by-laws of Employer and Employer agrees to indemnify and hold harmless Executive from and against any claims, liabilities, damages or expenses incurred by Executive in or arising out of the status, capacities and activities as an officer or director of the Employer, to the maximum extent permitted by law and in accordance with any agreement for indemnification. On any termination of this Agreement, Executive shall be deemed to have resigned from all offices and directorships held by Executive.

- (c) FULL TIME AND ATTENTION. Executive agrees to his employment as described herein and agrees to devote all of his time and best efforts to the performance of his duties under this Agreement. Except as expressly permitted herein, Executive shall not, without the prior written consent of Employer, directly or indirectly during the term of this Agreement, render services of a business, professional or commercial nature to any other person or firm, whether for compensation or otherwise. So long as it does not interfere with his full-time employment hereunder, Executive may attend to outside investments and serve as a director,

trustee or officer of or otherwise participate in educational, welfare, social, religious and civic organizations.

2. TERM.

Subject to the provisions for termination provided in this Agreement, the term of this Agreement shall commence on December 16, 2001 and shall continue thereafter until Executive's employment is terminated as provided in this Agreement.

3. COMPENSATION AND BENEFITS.

- (a) BASE SALARY. As full compensation for his services hereunder, the Employer shall pay Executive, an annual base salary (the "Base Salary") payable in equal installments on regular payroll dates designated by the Employer, an annual rate of Three Hundred Seventy Five Thousand Dollars (\$375,000). The base salary may be adjusted from time to time in a manner that is consistent with Employer's compensation policies in effect for executives in the same or similar job classification, at the discretion of the Employer. Provided, however, that in no event shall the base salary be adjusted to an amount lower than the annual rate initially enumerated in this Paragraph.
- (b) BENEFITS. Executive shall be entitled to participate in any group health care, hospitalization, life insurance, dental, disability or other benefit plans ("Benefit Plans") available to executives in the same or similar job classification (other than bonus compensation or performance plans to the extent that such plans, in the case of Executive, are in lieu of the bonus plan set forth in Paragraph 4 herein). Executive's participation in and benefits under any such Benefit Plans shall be in

accordance with the terms and subject to the conditions specified in the governing document of the particular Benefit Plan(s).

- (c) VACATION AND SICK LEAVE. Executive shall be entitled to such periods of vacation and sick leave each year as provided under Employer's Vacation and Sick Leave Policy for executives of the same or similar job classification.
- (d) AUTOMOBILE ALLOWANCE. During the term of this Agreement, Employer shall provide Executive with an automobile or a monthly automobile allowance, in accordance with applicable policies of the Employer for executives of the same or similar job classification.

4. BONUS.

Executive shall be eligible to receive bonus compensation ("Bonus"), for the fiscal year beginning February 3, 2002, and for each subsequent fiscal year of employment completed during the term of this Agreement. Executive's bonus shall be an amount equal to the Base Salary at the end of such fiscal year multiplied by the Bonus Payout percentage as determined by the Bonus Program set each fiscal year by the Compensation Committee of Big Lots Inc's Board of Directors. The Bonus Program is based upon the achievement of Employer's annual financial plan. The Target Bonus for Executive is 60% of Base Salary and the Stretch Bonus for Executive is 120% of Base Salary, both of which are defined in the Bonus Program and are subject to adjustment by Big Lots, Inc's Board of Directors; provided however, Executive's Target Bonus shall never fall below 60% of Base Salary and Executive's Stretch Bonus shall never fall below 120% of base salary. Payment of the Bonus described in this Paragraph is subject to the following:

- (a) TIME OF PAYMENT. The Bonus herein will be paid at a time consistent with payment of a bonus to executives in the same or similar job classification;
- (b) CONTINUOUS EMPLOYMENT. In order to receive the Bonus, Executive must remain continuously employed by the Employer pursuant to the terms and conditions of this Agreement;
- (c) TERMINATION/RESIGNATION. No Bonus (or prorata portion thereof) will be paid if Executive is: (i) Terminated for cause pursuant to the terms contained in this Agreement, or (ii) voluntarily terminates or resigns his employment prior to the conclusion of the Employer's fiscal year or prior to the issuance of the bonus payment.
- (d) FISCAL YEAR. The term "fiscal year" shall mean the period commencing on the Sunday next following the Saturday closest to January 31 in a calendar year and ending the next following calendar year on the Saturday closest to January 31.

5. EXPENSES.

Employer shall reimburse Executive during the term of this Agreement for travel, entertainment and other expenses reasonably incurred by Executive in the promotion of Employer's business. Executive shall furnish such documentation and/or receipts with respect to reimbursement to be paid as requested by the Employer.

6. TERMINATION.

The employment of Executive under this Agreement and term hereof shall be controlled by this Agreement, exclusively and without regard to any termination, severance, income continuation, or similar policies of Employer. Such employment may be terminated:

- (a) WITHOUT CAUSE, EMPLOYER TERMINATION. By Employer without cause at any time upon thirty (30) days notice to the Executive of such termination, or
- (b) WITHOUT CAUSE, EXECUTIVE TERMINATION. By Executive without cause at any time upon thirty (30) days notice to the Employer of such termination, or
- (c) UPON DEATH OR LONG-TERM DISABILITY OF EXECUTIVE. By Employer upon the death or long-term disability of Executive, or
- (d) FOR CAUSE, EMPLOYER TERMINATION. By Employer for cause at any time. For purposes hereof, the term "cause" shall mean:
 - (i) Executive's conviction of fraud, a felony or other crime involving moral turpitude or Executive's commission of acts of embezzlement or theft in connection with his duties or in the course of his employment;
 - (ii) Executive engaging in Competitive Activities, disclosing confidential information, or his willful breach of any material provision of this Agreement.
 - (iii) The term "Competitive Activities" shall mean Executive's participation, without the written consent of the Board of Directors of the Employer, in any business enterprise if such business enterprise engages in direct competition with the Employer. For purposes of this Agreement, a business enterprise shall be considered in direct competition with the Employer, if such business enterprise's sales, related to any activity then engaged in by the Employer, amount to ten percent (10%) or more of such business enterprise's total sales or one percent (1%) of Employer's annual sales. "Competitive Activities" shall not include the mere ownership of

securities in any publicly-traded enterprise and the exercise of rights appurtenant thereto.

- (iv) Any termination of Executive for "cause" shall not be effective until Employer delivers written notice to Employee pursuant to the terms of Paragraph 11 of this Employment Agreement.
- (v) Any termination by reasons of the foregoing Subparagraphs (i)-(iv) shall not be in limitation of any other right or remedy the Employer may have under this Agreement, at law, in equity or otherwise.

7. EFFECT OF TERMINATION.

- (a) WITHOUT CAUSE EFFECT, EMPLOYER TERMINATION. In the event of the termination of Executive's employment by Employer pursuant to Paragraph 6(a) above, Employer shall have no obligation to pay any compensation or benefits of any kind to Executive other than,
 - (i) Base Salary that has been earned but not been paid up to and including the date of termination;
 - (ii) A prorata portion of the Bonus under this Agreement based upon the amount of time worked by the Executive in the fiscal year when such termination is effective, provided, however, that such prorata portion will be determined in the ordinary course of business and paid at such time following the close of the fiscal year that such other eligible executives receive such payment;
 - (iii) A continuation of Base Salary, automobile allowance (or use of present company automobile), any Benefit Plans for which Executive is eligible

and enrolled, for twelve (12) months following the termination of this Agreement;

- (iv) The Benefit Plans and automobile allowance/use contained in Subparagraph (iii), above, shall cease if during the twelve (12) months following termination, Executive is entitled to receive the same or similar benefits from another employer.
- (b) WITHOUT CAUSE EFFECT, EXECUTIVE TERMINATION. In the event of the termination of Executive's employment by Executive pursuant to Paragraph 6(b) above, Employer shall have no obligation to pay any compensation or benefits of any kind to Executive other than Base Salary that has been earned but not been paid up to and including the date of termination, and Executive shall not be entitled to receive any Bonus under this Agreement or otherwise.
- (c) DEATH OR LONG-TERM DISABILITY. In the event of the termination of Executive's employment by reason of death or long-term disability pursuant to Paragraph 6(c) above, Employer shall have no obligation to pay any compensation or benefits of any kind to Executive or the Executive's estate, other than as follows:
 - (i) Base Salary that has been earned but not been paid up to and including the date of termination;
 - (ii) A prorata portion of the Bonus under this Agreement based upon the amount of time worked by the Executive in the fiscal year when such termination is effective, provided, however, that such prorata portion will be determined in the ordinary course of business and paid at such time

following the close of the fiscal year that such other eligible executives receive such payment;

(iii) In the case of long-term disability, a continuation of Base Salary and any Benefit Plans for which Executive is eligible and enrolled for six (6) months following the termination of this Agreement and any long-term disability benefits for which Executive is eligible under the Employer's long-term disability group insurance plan.

(iv) The term "Long-Term Disability" shall be construed as it is defined in the Employer's long-term disability group insurance plan.

(d) FOR CAUSE EFFECT. In the event of termination for any of the reasons for cause set forth in Paragraph 6(d), Executive shall not be entitled to further compensation or other benefits under this Agreement (other than as provided by law), except as to Base Salary that has been earned but not been paid up to and including the date of termination. Further, Executive shall not be entitled to receive any Bonus determined under this Agreement or otherwise.

8. CHANGE IN CONTROL.

If there is a Change in Control (as defined herein) and Executive's employment is thereupon terminated or terminated within twenty four (24) months after the effective date thereof, Executive shall be entitled to the termination benefits as set forth in this Paragraph in lieu of any termination benefits described in other Paragraphs of this Agreement. The provisions of this Paragraph shall not apply if the Employer terminates Executive's employment for cause (as defined in Paragraph 6(d) hereof) or if Executive terminates or resigns his employment (as defined in Paragraph 6(b) hereof).

(a) CHANGE IN CONTROL BENEFITS. The benefits payable to Executive are as follows:

(i) Employer shall pay to Executive a lump sum cash payment, net of any applicable withholding taxes, in an amount equal to two (2) times his Base Salary immediately prior to the effective date of such Change in Control (the "Lump Sum Payment"); provided, that if there are fewer than twenty four (24) months remaining from the date of Executive's termination to Executive's normal retirement date at age 65, Employer shall instead pay Executive a prorata amount of the Lump Sum Payment based upon the number of months remaining until Executive's normal retirement date at age 65. The applicable amount shall be paid on or before the next regular payroll date following the termination of the Executive's employment.

(ii) In addition to the payment described in Paragraph 8(a)(i) above, Employer shall pay to Executive a lump sum cash payment, net of any applicable withholding taxes, in an amount equal to two (2) times the Executive's then current Stretch Bonus, as defined in and determined annually by the Compensation Committee of the Employer's Board of Directors; provided, that

(A) In the event the Executive's Bonus is undefined or is not subject to a maximum payout, the Executive's Bonus shall be deemed to be 200% of the Executive's then current Base Salary, and

(B) If there are fewer than twenty four (24) months remaining from the date of Executive's termination to Executive's normal retirement date at age 65, Employer shall instead pay Executive a prorata

amount of the Lump Sum Bonus Payment based upon the number of months remaining until Executive's normal retirement date at age 65. Executive shall receive the Lump Sum Bonus Payment at the same time Executive receives the Lump Sum Payment described above.

- (iii) A continuation of any Benefit Plans for which Executive is eligible and enrolled for twelve (12) months following the termination of this Agreement; provided, that Executive's participation in the plans referred to herein shall be terminated (other than as provided by law) when and to the extent that Executive is entitled to receive the same or similar benefits from another employer during such period. Executive's participation in and benefits under any such plan shall be on the terms and subject to the conditions specified in the governing document of the particular Benefit Plan(s).
- (iv) If all or any portion of the amount payable under paragraph 8(a)(i) and 8(a)(ii) of this Employment Agreement, either alone or together with other amounts that Executive is entitled to receive in connection with a Change in Control, constitutes "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision, that are subject to the excise tax imposed by Section 4999 of the Code (or any similar tax or assessment), the amounts payable hereunder shall be increased to the extent necessary to place Executive in the same after-tax position as Executive would have

been had no such excise tax or assessment been imposed on any such payment paid or payable to Executive under Paragraph 8(a)(i) and 8(a)(ii) of this Employment Agreement or any other payment that Executive may receive as a result of such Change in Control. The determination of the amount of any such tax or assessment and the resulting amount of incremental payment required hereby in connection therewith shall be made by the independent accounting firm employed by Employer immediately prior to the applicable Change in Control, within thirty (30) calendar days after the payment of the amount payable pursuant to Paragraph 8(a)(i) and 8(a)(ii) of this Employment Agreement. Said incremental payment shall be made within five (5) business days after said determination has been made.

- (v) If, after the date upon which any payment is to made under this Paragraph had been made, it is determined (pursuant to final judgment of a court of competent jurisdiction or an agreed upon tax assessment) that the amount of excise or other similar taxes or assessments payable by Executive is greater than the amount initially so determined, then Employer shall pay Executive an amount equal to the sum of (i) such additional excise or other similar taxes, plus (ii) any interest, fines and penalties resulting from such underpayment, plus (iii) an amount necessary to reimburse Executive for any income, excise or other tax or assessment payable by Executive with respect to the amounts specified in (i) and (ii) above, and the reimbursement provide by this clause (iii). Payment thereof shall be made

within five (5) business days after the date upon which such subsequent determination is made.

- (vi) In addition to the benefits described above, Executive shall be entitled to all rights derived under the Big Lots, Inc. 1996 Performance Incentive Plan, as Amended (f/k/a Consolidated Stores Corporation 1996 Performance Incentive Plan, as Amended) in the event of a Change in Effective Control (as defined in that plan).

- (b) CHANGE IN CONTROL DEFINED. As used herein, "Change in Control" means any of the following events:

- (i) Any person or group (as defined for purposes of Section 13(d) of the Securities Exchange Act of 1934) becomes the beneficial owner of, or has the right to acquire (by contract, option, warrant, conversion of convertible securities or otherwise), 20% or more of the outstanding equity securities of Employer entitled to vote for the election of directors;
- (ii) A majority of the Board of Directors of Employer is replaced within any period of two (2) years or less by directors not nominated and approved by a majority of the directors of Employer in office at the beginning of such period (or their successors so nominated and approved), or a majority of the Board of Directors of Employer at any date consists of persons not so nominated and approved;
- (iii) The stockholders of Employer approve an agreement to reorganize, merge or consolidate with another corporation (other than Employer or an affiliate); or

- (iv) The stockholders of Employer adopt a plan or approve an agreement to sell or otherwise dispose of all or substantially all of Employer's assets (including without limitation, a plan of liquidation or dissolution), in a single transaction or series of related transactions.
- (c) EFFECTIVE DATE/TERMS. The effective date of any such Change in Control shall be the date upon which the last event occurs or last action taken such that the definition of such Change in Control (as set forth above) has been met. For purposes of this Agreement, the term "affiliate" shall mean:
 - (i) Any person or entity qualified as part of an affiliated group which includes Employer pursuant to Section 1504 of the Internal Revenue Code of 1986; or
 - (ii) Any person or entity qualified as part of a parent-subsidiary group of trades and businesses under common control within the meaning of Treasury Regulation Section 1.414(c)(2)(b). Determination of affiliate shall be tested as of the date immediately prior to any event constituting a Change in Control. The other provisions of this Paragraph notwithstanding, the term "Change in Control" shall not mean any transaction, merger, consolidation, or reorganization in which Employer exchanges or offers to exchange newly issued or treasury shares in an amount less than 50% of the then outstanding equity securities of Employer entitled to vote for the election of directors, for 51% 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 Employer or an

affiliate thereof (the "Acquired Corporation"), or for all or substantially all of the assets of the Acquired Corporation.

9. COVENANTS OF EXECUTIVE.

(a) COVENANTS. Executive acknowledges that the principal businesses of Employer include the operation of its "Big Lots", "MacFrugal's" and "Pic N' Save" discount general merchandise consumer goods retail outlets, the inventories of which are acquired primarily through special purchase situations such as overstocks, closeouts, liquidations, bankruptcies, wholesale distribution of overstock, distress, liquidation and other volume inventories, the operation of its Big Lots Furniture Stores, and its wholesale operations (the "Company Business"); and Employer is one of the limited number of entities who have developed such business; and the Company Business is national in scope; and Executive's work for Employer will give him access to the confidential affairs of Employer; and the agreements and covenants of Executive contained in Subparagraphs (i)-(iii) herein ("Restrictive Covenants") are essential to the business and goodwill of Employer. Accordingly, Executive covenants and agrees that:

(i) During the term of Executive's employment with Employer and for a period of one (1) year (the "Restricted Period") following the termination of his employment in any manner, Executive shall not in any location where Employer's retail stores are located throughout the United States, directly or indirectly, (1) engage in the Company Business for Executive's own account (other than pursuant to this Agreement), (2) render any services to any person engaged in such activities (other than Employer), or

(3) become employed, in any manner, by Wal-Mart, Kmart, Target, Dollar General, Family Dollar, Dollar Tree, Value City/Schottenstein Stores Corporation, Fred's, 99(cent) Stores, Canned Foods, Tuesday Morning, TJX Corporation, or any grocery store chain, regardless of size. Further, Employee agrees not to become employed, in any manner, by any parent or subsidiary of the above listed entities. However, in the event of a Change in Control as defined in this Agreement, the Restricted Period shall be for a period of six (6) months.

- (ii) During the term of Executive's employment with Employer and for a period of two (2) years following the termination of his employment in any manner, Executive shall keep secret and retain in strictest confidence, and shall not use for his benefit or the benefit of others, all confidential matters relating to the Company Business hereafter learned by Executive, and shall not disclose them to anyone except with Employer's express written consent and except for information which is at the time of receipt or thereafter, becomes publicly known through no wrongful act of Executive, or is received from a third party not under an obligation to keep such information confidential and without breach of this Agreement.
- (iii) During the term of Executive's employment with Employer and for a period of two (2) years following the termination of his employment in any manner, without Employer's prior written consent, Employee will not directly or indirectly, solicit or encourage to leave the employment of Employer any employee of Employer.

- (b) ACKNOWLEDGMENT. Executive acknowledges that the foregoing restrictions are reasonable in light of the nature of the services the Employer provides. Executive and the Employer agree that the Employer has legitimate reasons for requiring such Restrictive Covenants from Executive. Executive acknowledges that he understands the restrictions and has had an opportunity to fully discuss these restrictions with the Employer and accepts the restrictions.
- (c) MAXIMUM ENFORCEABLE RESTRICTION. In the event that any or all of the Restrictive Covenants contained in this Paragraph shall be determined by a court of competent jurisdiction to be unenforceable by reason of the temporal restrictions being too great, or by reason that the range of activities covered are too great, or for any other reason, they shall be interpreted to extend over the maximum period of time, range of activities or other restrictions as to which they may be enforceable.
- (d) INJUNCTIVE RELIEF. The Parties agree that a breach of the Restrictive Covenants contained in this Paragraph may cause irreparable damage to the Employer, the extent of which may be difficult to ascertain, and that the award of damages may not be adequate relief. Therefore, Executive agrees that, in the event of a breach or a threatened breach of the Restrictive Covenants, the Employer may institute an action to compel the specific performance of same and obtain injunctive relief, without bond; Executive agrees not to assert adequacy of money damages as a defense and agrees that such remedy shall be cumulative, not exclusive, and in addition to any other available remedies, and that the Employer may require Executive to account for and pay over to Employer all compensation, profits,

monies, accruals, increments, or other benefits derived or received by him as the result of any transactions constituting a breach of the Restrictive Covenants. Employer may set off any amounts finally determined by a court of competent jurisdiction to be due it under this Paragraph against any amounts owed to Executive. The Parties agree that any action for breach of the Restrictive Covenants and/or injunctive relief shall be venued in the Court of Common Pleas, Franklin County, Ohio, and that Ohio law governs the terms of this Agreement.

- (e) TOLLING PERIOD. Executive acknowledges that under the terms of the Restrictive Covenants contained in this Paragraph, the Employer is entitled to receive a period of one (1) year of non-competition, and two (2) years of non-solicitation and confidentiality immediately following termination of Executive's employment. Executive agrees that if any of these obligations to the Employer are breached during the one (1) year period or non-competition, and/or the two (2) year period of non-solicitation and confidentiality, then the time period will be extended for the length of time that Executive failed to fulfill his obligations.

10. WITHHOLDING TAXES.

Except as otherwise provided, all payments to Executive, including the bonus compensation under this Agreement, shall be subject to withholding on account of federal, state, and local taxes as required by law.

11. NOTICES.

Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, sent by facsimile transmission or sent by certified or priority mail, postage prepaid. Any such notice shall be deemed given when so delivered

personally, or sent by facsimile transmission or, if mailed, five (5) days after the date of deposit in the United States mail as follows:

(a) If to the Employer to: Big Lots Stores, Inc.
300 Phillipi Road
Columbus, Ohio 43228-1310
Attention: Vice President and General
Counsel

With a copy to: Big Lots Stores, Inc.
300 Phillipi Road
Columbus, Ohio 43228-1310
Attention: Chief Executive Officer

(b) If to the Executive to: Brad A. Waite
2879 Wickliffe Woods Court
Columbus, Ohio 43221

(c) CHANGE OF ADDRESS. Any such person may by notice given in accordance with this Paragraph to the other parties hereto, designate another address or person for receipt by such person of notices hereunder.

12. SEVERABLE PROVISIONS.

The provisions of this Agreement are severable, and if any one or more provisions may be determined to be invalid or otherwise unenforceable, in whole or in part, the remaining provisions and any partially unenforceable provision, to the maximum extent enforceable, shall, nevertheless, be binding and enforceable.

13. MODIFICATION.

This Agreement collectively sets forth the entire understanding of the Parties with respect to the subject matter hereof, supersedes all existing agreements between them concerning

such subject matter, and may be modified only by a written instrument duly executed by each party.

14. WAIVER.

Any waiver by either party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a party to insist upon strict adherence to any term of this Agreement on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. Any waiver must be in writing.

15. BINDING EFFECT.

Executive's rights and obligations under this Agreement shall not be transferable by assignment or otherwise, such rights shall not be subject to commutation, encumbrance, or the claims of Executive's creditors, and any attempt to do any of the foregoing shall be void. The provisions of this Agreement shall be binding upon and inure to the benefit of Executive and his heirs and personal representatives, and shall be binding upon and inure to the benefit of the Employer and its successors.

16. NO THIRD-PARTY BENEFICIARIES.

This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement.

17. HEADINGS.

The headings in this Agreement are solely for the convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

18. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. GOVERNING LAW, JURISDICTION AND ARBITRATION.

This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without giving effect to conflict of laws. Any dispute arising out of or relating to this Agreement or any breach of this Agreement, with the exceptions of the Restrictive Covenants contained in Paragraph 9, shall be submitted to and determined in binding arbitration, and such method shall be the exclusive method for resolving such disputes. This provision includes any and all claims and remedies that the Executive could bring against the Employer arising out of his employment, including, but not limited to, claims for negligence, wrongful discharge, discrimination, harassment, intentional tort, infliction of emotional distress, defamation, or loss of consortium. Submission may be made by either party and must be made within thirty (30) days subsequent to the dispute arising. Thereafter, the parties hereto shall take such steps as are necessary to assure that the dispute will be promptly settled by arbitration, in accordance with the then-current Commercial Arbitration Rules of the American Arbitration Association, within ninety (90) days of its submission. The arbitration shall be conducted by a single arbitrator selected by the parties. If the parties have not selected an arbitrator within ten (10) days of written demand for arbitration, the arbitrator shall be selected by the American Arbitration Association. Each party shall bear all its own legal fees and expenses. All arbitration proceedings shall be conducted in the federal judicial district where Executive maintains his principal place of employment for the Company.

Judgment upon any award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

20. EMPLOYER PROPERTY.

Upon termination of Executive's employment for any reason, or at any time at the Employer's request, Executive shall deliver up to the Employer, all property, keys, materials, documents, records, manuals, notebooks, or papers and any copies thereof maintained in any form that in any way relate to the business and activities of the Employer that may be in the possession, or under the control of Executive.

21. CONFLICTING AGREEMENTS.

Executive represents and warrants that he is free to enter into this Agreement and that Executive has not made and will not make any agreements in conflict with this Agreement.

22. SURVIVAL.

The covenants, agreements, representations, and warranties contained in or made pursuant to this Agreement shall survive Executive's termination of employment, whatever the reason for termination of such employment, and shall survive any termination of this Agreement, irrespective of any investigation made by or on behalf of any party.

WHEREUPON, the Parties hereto voluntarily enter into this Agreement as of this 29th day of July, 2002.

Big Lots Stores, Inc.

Executive

/s/ Albert J. Bell

/s/ Brad A. Waite

By: Albert J. Bell

Printed Name: Brad A. Waite

Its: Vice Chairman and CAO

FIRST AMENDMENT
TO BIG LOTS, INC. AMENDED AND RESTATED
DIRECTOR STOCK OPTION PLAN

This First Amendment (the "Amendment"), dated August 20, 2002 (the "Effective Date"), to the Big Lots, Inc. Amended and Restated Director Stock Option Plan (f/k/a Consolidated Stores Corporation Amended and Restated Director Stock Option Plan) (the "Plan") is hereby made by the Board of Directors (the "Board") of Big Lots, Inc. (the "Company"). Terms not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Plan.

WHEREAS, the Board believes it to be in the best interest of the Company to amend Section 5 of the Plan to increase the number of shares of Common Stock awarded and issued annually under an Option from 5,000 shares to 10,000 shares;

WHEREAS, Section 16 of the Plan authorizes the Board, at any time, to amend the Plan, except that no amendment to the Plan shall be made within six (6) months of any previous amendment; and

WHEREAS, the Plan has not been amended in the six (6) months preceding the Effective Date.

NOW, THEREFORE, the Board hereby amends the Plan as follows:

The first sentence of Section 5 of the Plan shall be deleted in its entirety and replaced as follows:

Each Outside Director will be awarded and issued annually an Option to purchase ten thousand (10,000) shares of Common Stock.

Except as expressly modified by this Amendment, all terms of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned have caused this instrument to be executed on behalf of the Company this 11th day of September, 2002.

ATTEST:

BIG LOTS, INC.

/s/ Charles W. Haubiel II

By: /s/ Michael J. Potter

Charles W. Haubiel II
Vice President, General Counsel
and Corporate Secretary

Michael J. Potter
Chairman, Chief Executive Officer
and President

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended August 3, 2002 of Big Lots, Inc. (the "Issuer"). I, Michael J. Potter, Chief Executive Officer of Issuer, certify that:

- (i) the Form 10-Q 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(a) or 78o(d)); and
- (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: September 16, 2002

/s/ Michael J. Potter

Michael J. Potter

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended August 3, 2002 of Big Lots, Inc. (the "Issuer"). I, Jeffrey G. Naylor, Chief Financial Officer of Issuer, certify that:

- (i) the Form 10-Q 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(a) or 78o(d)); and
- (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Dated: September 16, 2002

/s/ Jeffrey G. Naylor

Jeffrey G. Naylor