

BIG LOTS INC  
Form 10-Q  
September 07, 2007

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**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 4, 2007

or

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

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

Commission File Number 1-8897

**BIG LOTS, INC.**

(Exact name of registrant as specified in its charter)

Ohio  
(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 offices)

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 x No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer x                      Accelerated filer                      Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

“ Nox

The number of the registrant’s common shares, \$0.01 par value, outstanding as of August 31, 2007, was 101,774,473.

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**BIG LOTS, INC.**

**FORM 10-Q**

**FOR THE FISCAL QUARTER ENDED AUGUST 4, 2007**

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	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 4, 2007	July 29, 2006	August 4, 2007	July 29, 2006
Net sales	\$ 1,084,891	\$ 1,056,535	\$ 2,213,290	\$ 2,148,157
Cost of sales	663,817	644,242	1,345,303	1,297,542
Gross margin	421,074	412,293	867,987	850,615
Selling and administrative expenses	365,823	380,116	748,509	772,505
Depreciation expense	21,828	24,927	43,592	49,580
Operating profit	33,423	7,250	75,886	28,530
Interest expense	(105)	(115)	(197)	(205)
Interest and investment income	1,592	754	4,602	1,148
Income from continuing operations before income taxes	34,910	7,889	80,291	29,473
Income tax expense	12,775	3,185	29,132	10,265
Income from continuing operations	22,135	4,704	51,159	19,208
Income (loss) from discontinued operations, net of tax expense (benefit) of \$795, \$(170), \$629, and \$(676), respectively	1,249	(405)	989	(1,196)
Net income	\$ 23,384	\$ 4,299	\$ 52,148	\$ 18,012
Income (loss) per common share - basic				
Continuing operations	\$ 0.21	\$ 0.04	\$ 0.47	\$ 0.17
Discontinued operations	0.01	-	0.01	(0.01)
	\$ 0.22	\$ 0.04	\$ 0.48	\$ 0.16
Income (loss) per common share - diluted				
Continuing operations	\$ 0.21	\$ 0.04	\$ 0.47	\$ 0.17
Discontinued operations	0.01	-	0.01	(0.01)
	\$ 0.22	\$ 0.04	\$ 0.48	\$ 0.16
Weighted-average common shares outstanding:				
Basic	106,490	111,094	108,204	112,029

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Dilutive effect of share-based awards	1,262	1,139	1,497	1,008
Diluted	107,752	112,233	109,701	113,037

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

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Table of Contents**BIG LOTS, INC. AND SUBSIDIARIES****Consolidated Balance Sheets****(In thousands, except par value)**

	(Unaudited) August 4, 2007	February 3, 2007
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 108,639	\$ 281,657
Inventories	713,838	758,185
Deferred income taxes	58,793	60,292
Other current assets	61,110	48,913
Total current assets	942,380	1,149,047
Property and equipment - net	491,626	505,647
Deferred income taxes	52,679	45,057
Other assets	21,302	20,775
Total assets	\$ 1,507,987	\$ 1,720,526
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 209,389	\$ 193,996
Property, payroll, and other taxes	69,246	93,706
Accrued operating expenses	97,607	58,815
Insurance reserves	40,816	43,518
KB bankruptcy lease obligation	8,811	12,660
Accrued salaries and wages	29,893	43,515
Income taxes payable	2,087	28,022
Total current liabilities	457,849	474,232
Deferred rent	34,441	37,801
Insurance reserves	43,591	44,238
Unrecognized tax benefits	30,274	-
Other liabilities	34,778	34,552
Shareholders' equity:		
Preferred shares - authorized 2,000 shares; \$0.01 par value: none issued	-	-
Common shares - authorized 298,000 shares; \$0.01 par value; issued 117,495 shares; outstanding 101,714 shares and 109,633 shares, respectively	1,175	1,175
Treasury shares - 15,781 shares and 7,862 shares, respectively, at cost	(406,891)	(124,182)
Additional paid-in capital	487,186	477,318
Retained earnings	831,258	781,325
Accumulated other comprehensive income (loss)	(5,674)	(5,933)
Total shareholders' equity	907,054	1,129,703
Total liabilities and shareholders' equity	\$ 1,507,987	\$ 1,720,526

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





Table of Contents
**BIG LOTS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Shareholders' Equity (Unaudited)**  
**(In thousands)**

	Common		Treasury	
	Shares	Amount	Shares	Amount
Balance - January 28, 2006	113,932	\$ 1,175	3,563	\$
Net income	-	-	-	-
Adjustment due to SFAS No. 123(R)	-	-	-	-
Purchases of common shares	(8,746)	-	8,746	(
Structured share repurchase	-	-	-	-
Exercise of stock options	1,770	-	(1,770)	-
Tax benefit from share-based awards	-	-	-	-
Treasury shares used for matching contributions to savings plan	404	-	(404)	-
Sale of treasury shares used for deferred compensation plan	34	-	(34)	-
Share-based employee compensation expense	-	-	-	-
Balance - July 29, 2006	107,394	1,175	10,101	(
Net income	-	-	-	-

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Adjustment due to SFAS No. 158	-	-	-
Purchases of common shares	(715)	-	715
Structured share repurchase	-	-	-
Exercise of stock options	2,902	-	(2,902)
Tax benefit from share-based awards	-	-	-
Sale of treasury shares used for deferred compensation plan	52	-	(52)
Share-based employee compensation expense	-	-	-
Balance - February 3, 2007	109,633	1,175	7,862
Net income	-	-	-

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Grant Date	Expiration Date	Equity Incentive Plan Awards:		Equity Incentive Plan Awards: Value of Stock Have Not Vested (\$)
						Number of Unearned Shares That Have Not Vested	Equity Incentive Plan Awards: Value of Stock Have Not Vested (\$)	
Norman H. Asbjornson				5/25/10	N/A	525	(1)	10,957
				5/17/11	N/A	1,500	(2)	31,305
				5/15/12	N/A	2,250	(3)	46,958
Robert G. Fergus	6,000	19.47		5/15/12	5/15/22			
				8/13/12	N/A	2,000	(4)	41,740

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Kathy I.								
Sheffield	3,600	900	11.31	3/10/08	3/10/18			
	4,500	3,000	10.21	3/9/09	3/9/19			
	6,000	9,000	15.51	5/25/10	5/25/20			
		10,000	19.47	5/15/12	5/15/22			
				8/13/12	N/A	2,000	(4)	41,740
David E.								
Knebel	3,600	900	11.31	3/10/08	3/10/18			
	12,000	3,000	10.23	10/17/08	10/17/18			
	4,500	3,000	10.21	3/9/09	3/9/19			
	6,000	9,000	15.51	5/25/10	5/25/20			
		10,000	19.47	5/15/12	5/15/22			
				8/13/12	N/A	2,000	(4)	41,740
Scott M.								
Asbjornson		900	11.31	3/10/08	3/10/18			
		3,000	10.21	3/9/09	3/9/19			
		9,000	15.51	5/25/10	5/25/20			
		10,000	19.47	5/15/12	5/15/22			
				8/13/12	N/A	2,000	(4)	41,740

- (1) The restricted stock awards vest ratably over 5 years and will be fully vested in May 2013.
- (2) The restricted stock awards vest ratably over 3 years and will be vested in May 2014.
- (3) The restricted stock awards vest ratably over 3 years and will be vested in May 2015.
- (4) The restricted stock awards vest ratably over 3 years and will be fully vested in August 2017.

The following table presents information regarding the exercise of stock options by Named Executive Officers during 2012. All shares and prices have been adjusted to reflect stock splits.

## Option Exercises and Stock Vesting

Name	Option Awards	
	Number of Shares Exercised (#)	Valued Realized on Exercise (\$)
Norman H. Asbjornson	-	-
Robert G. Fergus	-	-
Kathy I. Sheffield	56,250	658,350
David E. Knebel	43,750	480,600
Scott M. Asbjornson	41,100	267,549

The following table sets forth information concerning our equity compensation plans as of December 31, 2012. All shares and prices have been adjusted to reflect stock splits.

## Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a))
			(c)
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	743,675	15.23	477,232
Equity compensation plans not approved by security holders (2)	--	--	--
Total	743,675	15.23	477,232

(1) Consists of shares covered by the AAON 1992 Stock Option Plan, as amended, and the 2007 LTIP.

(2) We do not maintain any equity compensation plans that have not been approved by the stockholders.



## Director Compensation

Effective April 1, 2011, our directors are paid quarterly fees of \$5,000 (\$3,750 prior to April 2011) and attendance fees of \$1,500 (\$1,200 prior to April 2011) if present in person at Board meetings or \$950 (\$750 prior to April 2011) if participating by conference telephone call. In addition, our Directors are paid attendance fees of \$1,250 (\$1,000 prior to April 2011) per meeting for service on our Audit Committee and \$1,000 (\$750 prior to April 2011) per meeting for service on the Compensation Committee and the Governance Committee (up to a maximum of five meetings per committee per year) and the Chairman of the Audit Committee is paid an additional fee of \$2,250 (\$1,750 prior to April 2011) per quarter and the Chairman of the Compensation Committee and the Chairman of the Governance Committee are paid an additional fee of \$1,250 (\$750 prior to April 2011) per quarter. In 2007, following the adoption of our LTIP, we adopted a policy of annually granting each of our directors shares of restricted stock. Effective April 2011, the annual grant of restricted stock increased from 1,050 to 1,500 shares (2,250 shares following our 3-for-2 stock split on June 13, 2011). We made our annual grants of restricted stock awards in May 2012, at which time Messrs. Asbjornson, Johnson, Short, Lackey, McElroy, Levine and Cappy received restricted stock awards for 2,250 shares of stock, which vest ratably over three years.

Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)	Restricted Stock Awards(1) (\$)	Stock Options (\$)	All Other Comp. (\$)	Total (\$)
John B. Johnson, Jr.	27,500	42,221(2)		-	69,721
Jack E. Short	40,000	42,221(3)		-	82,221
Paul K. Lackey, Jr.	41,500	42,221(4)		-	83,721
A.H. McElroy II	41,500	42,221(4)		-	83,721
Jerry R. Levine	37,500	42,221(5)		54,000 (6)	133,721
Joseph E. Cappy	33,000	42,221(7)		-	75,221

(1) The values reflect grant date fair value of awards at \$18.76 per share granted on May 15, 2012. Compensation costs are recognized over the requisite service period. See also, the discussion of assumptions made in valuing these awards in the notes to the Company's financial statements.

(2) As of December 31, 2012, 4,275 shares associated with restricted stock awards were outstanding.

(3) As of December 31, 2012, 4,275 shares associated with restricted stock awards were outstanding.

(4) As of December 31, 2012, 4,275 shares associated with restricted stock awards were outstanding. Non-qualified options have not been granted during his term as a Board member.

(5) As of December 31, 2012, 11,000 shares underlying non-qualified options received in connection with services rendered as a consultant to the Company in 2010 were outstanding and 4,275 shares associated with restricted stock awards were outstanding.

(6) Compensation for investor relations consulting services provided to the Company.

(7) As of December 31, 2012, 8,025 shares associated with restricted stock awards were outstanding. Non-qualified options have not been granted during his term as a Board member.

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## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of securities ownership and changes in such ownership with the SEC, and SEC rules require such persons to furnish the Company with copies of all Section 16(a) forms they file. Based solely upon a review of copies of all Section 16(a) forms furnished to us during our most recent fiscal year, the Company believes that all Section 16(a) filing requirements were met during 2012, except that one Form 4 was not timely filed with respect to the gifting by Norman H. Asbjornson of 3,966 shares of AAON Common Stock to various members of his family on October 17, 2012. This transaction was reported on a Form 5, filed with the SEC on February 13, 2013 (which was within 45 days of the end of the Company's fiscal year).

## INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee has selected Grant Thornton LLP ("GT") as our independent registered public accounting firm for the fiscal year ending December 31, 2013. Representatives of GT are expected to be present at the Annual Meeting with the opportunity to make a statement if they so desire and to be available to respond to appropriate questions.

### Fees and Independence

Our Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax and other services performed by the independent auditor. The following services were authorized by the Audit Committee.

**Audit Fees.** GT billed us an aggregate of \$597,060 and \$374,320 for professional services rendered for the audits of our financial statements for the years ended December 31, 2012, and 2011, respectively, and reviews of the related quarterly financial statements.

**All Other Fees.** No other fees were billed by GT to us during 2012 or 2011.

The Audit Committee of the Board of Directors has determined that the provision of services by GT described above is compatible with maintaining GT's independence as our registered public accounting firm.

## STOCKHOLDER PROPOSALS FOR 2014 ANNUAL MEETING

Stockholder proposals intended to be presented at the 2014 Annual Meeting and to be included in our Proxy Statement must be received at the our executive offices, 2425 South Yukon, Tulsa, Oklahoma 74107, no later than December 3, 2013.

However, a stockholder who otherwise intends to present business at the 2014 Annual Meeting of stockholders, including nominations of persons to our Board of Directors, must also comply with the requirements set forth in our Bylaws. The Bylaws state, among other things, that to bring business before an annual meeting or to nominate a person for our Board of Directors, a stockholder must give written notice that complies with the Bylaws to the Secretary of AAON not less than 60 days nor more than 90 days in advance of the anniversary date of the immediately preceding annual meeting. Thus, a notice of a stockholder proposal or nomination for the 2014 Annual Meeting of stockholders, submitted other than pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), will be untimely if given before February 21, 2014, or after March 22, 2014. As to any such proposals, the proxies named in management's proxy for that meeting will be entitled to exercise their discretionary authority on that proposal unless we receive notice of the matter to be proposed between February 21, 2014 and



March 22, 2014. Even if proper notice is received on a timely basis, the proxies named in management's proxy for that meeting may nevertheless exercise their discretionary authority with respect to such matter by advising stockholders of such proposal and how they intend to exercise their discretion to vote on such matter to the extent permitted under Rule 14a-4(c)(2) of the Exchange Act.

OTHER MATTERS

Management knows of no business which will be presented at the 2013 Annual Meeting other than to elect two directors for their ensuing terms.

The cost of preparing, assembling and providing all proxy solicitation materials will be paid by us. We will, upon request, reimburse brokers for the costs incurred by them in forwarding solicitation materials to such of their customers as are the beneficial holders of our Common Stock registered in the names of such brokers.

By Order of the Board of Directors

Norman H. Asbjornson  
President/CEO

April 8, 2013

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