

RETAIL VENTURES INC

Form 10-K/A

May 20, 2011

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K/A  
(Amendment No. 1)**

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

**For The Fiscal Year Ended January 29, 2011  
OR**

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

**Commission file number 1-10767  
RETAIL VENTURES, INC.**

(Exact name of registrant as specified in its charter)

Ohio

20-0090238

(State or other jurisdiction of incorporation or  
organization)

(I.R.S. Employer Identification No.)

4150 E. Fifth Avenue, Columbus, Ohio

43219

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (614) 238-4148

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

Title of each class:

Name of each exchange on which registered:

Common Shares, without par value

New York Stock Exchange

Premium Income Exchangeable Securities

None

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or

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information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

The aggregate market value of voting common equity held by non-affiliates of the registrant computed by reference to the price at which such voting common equity was last sold, as of July 31, 2010, was \$228,988,886.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 50,251,878 Common Shares were outstanding at March 1, 2011.

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**EXPLANATORY NOTE**

On March 28, 2011, Retail Ventures, Inc. ( Company, we, us, our and EDGAR Online ) filed its Annual Report Form 10-K for the fiscal year ended January 29, 2011 (the Original Filing ), with the Securities and Exchange Commission (the SEC ), and omitted the information required to be disclosed under Part III of Form 10-K.

The Company is filing this Amendment No. 1 (this Amendment ) on Form-10-K/A to provide the disclosure required by Part III of Form 10-K. This Amendment only amends information in Part III, Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters), Item 13 (Certain Relationships and Related Transactions, and Director Independence), Item 14 (Principal Accounting Fees and Services) and Part IV, Item 15 (Exhibits and Financial Statement Schedules). All other items as presented in the Original Filing are unchanged. Except for the foregoing amended and restated information, this Amendment does not amend, update or change any other information presented in the Original Filing.

In addition, as required by Rule 12b-15 of the Securities Exchange Act of 1934, this Amendment contains new certifications by our Principal Executive Officer and our Principal Financial Officer, filed as exhibits hereto.

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Set forth below is certain information relating to the Director s:

<b>Name</b>	<b>Age</b>	<b>Positions with the Company, Principal Occupations and Business Experience</b>	<b>Director Since</b>
Jay L. Schottenstein	56	Mr. Schottenstein has served as our Chairman of the Board of Directors since March 1992 and was Chief Executive Officer from April 1991 to July 1997 and from July 1999 to December 2000. Mr. Schottenstein has been Chairman of the Board of Directors of DSW Inc. since March 2005 and from March 2005 to April 2009 served as Chief Executive Officer. Mr. Schottenstein has also been Chairman of the Board of Directors of American Eagle Outfitters, Inc. (NYSE: AEO) and SSC since March 1992. He served as Vice Chairman of SSC from 1986 until March 1992 and as a director of SSC since 1982. He served in various executive capacities at SSC since 1976. Mr. Schottenstein has been a director of American Eagle Outfitters, Inc. since 1992. Mr. Schottenstein also serves as the manager of Schottenstein RVI, LLC and he is a director and Chairman of SEI, Inc. Mr. Schottenstein s extensive experience as a chairman and CEO of numerous companies brings strong leadership skills to our Board. He also has substantial institutional knowledge regarding the Company, including its operations and industries, due to his longstanding service to the Board and Company.	1991
Henry L. Aaron*	77	Mr. Aaron presently serves as Senior Vice President of the Atlanta National League Baseball Club, Inc., a professional sports organization, as Chairman of 755 Restaurant Corp., a quick service restaurant company, and as a director of Medallion Financial Corp., a specialty finance company, along with a number of other private business interests. Mr. Aaron has substantial institutional knowledge regarding the Company, including its operations and industries, due to his longstanding service to the Board.	2000
Ari Deshe	60	Mr. Deshe has served as Chairman and Chief Executive Officer of Safe Auto Insurance Company, a property and casualty insurance company since 1993. Mr. Deshe is a former director of American Eagle Outfitters, Inc. Mr. Deshe has extensive business, management and risk management experience. He has substantial institutional knowledge regarding the Company, including its operations and industries, due to his longstanding service to the Board.	1997



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<b>Name</b>	<b>Age</b>	<b>Positions with the Company, Principal Occupations and Business Experience</b>	<b>Director Since</b>
Jon P. Diamond	53	Mr. Diamond has served as Vice Chairman since November 2004 and President and Chief Operating Officer since 1996 of Safe Auto Insurance Company. Mr. Diamond is a former director of American Eagle Outfitters, Inc. Mr. Diamond has a broad knowledge of marketing and brand recognition. He has substantial institutional knowledge regarding the Company, including its operations and industries, due to his longstanding service to the Board.	1991
Elizabeth M. Eveillard*	64	Ms. Eveillard has served as an independent consultant since 2003. Ms. Eveillard served as a Senior Managing Director and a Consultant, Retailing and Apparel Group, of Bear, Stearns & Co., Inc., an investment banking company, from 2000 until 2003. Prior to that time, Ms. Eveillard served as the Managing Director, Head of Retailing Industry Group, of PaineWebber Inc., a financial services firm, from 1988 to 2000. From 1972 to 1988, Ms. Eveillard held various executive positions including Managing Director in the Merchandising Group with Lehman Brothers. Ms. Eveillard is also a director of Birks & Mayors, Inc. and is a former director of Tween Brands, Inc. Ms. Eveillard has a strong understanding of financial markets and significant investment banking experience covering the retail sector. She has substantial institutional knowledge regarding the Company, including its operations and industries, due to her longstanding service to the Board.	2001
Lawrence J. Ring*	62	Mr. Ring has served as the Chancellor Professor of Business Administration and (2004) EMBA Alumni Distinguished Professor of Executive Education, The Mason School of Business, The College of William and Mary ( W&M ) since 2001. From 1991 to 2000, he served as Professor of Business Administration at W&M, and from 1997 to 2002, Mr. Ring served as Faculty Coordinator of Executive Programs at W&M. From 1988 to 1991 he was Associate Dean for Academic Affairs at the Mason School and from 1985 to 1988 he was Director of the Executive MBA Program at W&M. In addition, Mr. Ring has also been an Adjunct Professor of Business Administration, The School of Executive Education, Babson College since 2000, and from 1994 to 2002, he served as Adjunct Assistant Professor, Department of Family and Community Medicine, Eastern Virginia	2005



Medical School. Professor Ring is also a member of the Board of Directors of Mr. Price Group, Ltd., Durban, South Africa. Mr. Ring previously served as a member of the International Advisory Board of Angus and Coote Jewelers, Sydney, Australia from 2000 to 2007; and as a director of Bon Ton Stores, York, Pa, Sportmart, Inc, Wheeling, Il, C. Lloyd Johnson Company, Inc., Norfolk, Virginia; and the Williamsburg Landing Corporation. Mr. Ring has substantial experience with global companies and the understanding of building brands, particularly in the retail industry. He has substantial institutional knowledge regarding the Company, including its operations and industries, due to his longstanding service to the Board.

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Name	Age	Positions with the Company, Principal Occupations and Business Experience	Director Since
Harvey L. Sonnenberg*	69	Mr. Sonnenberg was a partner in the certified public accounting firm, Weiser, LLP from 1994 to 2009, and currently serves as a Senior Director to that firm. Mr. Sonnenberg has been active in a number of professional organizations, including the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants, and has long been involved in rendering audit and advisory services to the retail, apparel, and consumer products industries. Mr. Sonnenberg is a certified public accountant and was the partner-in-charge of his firm's Sarbanes-Oxley and Corporate Governance practice. Mr. Sonnenberg has been a director of DSW Inc. since 2005. Mr. Sonnenberg's strong accounting background, particularly in the retail industry, brings accounting and related financial management experience to the Board. Also, he brings valuable board governance experience and substantial institutional knowledge regarding the Company, including its operations and industries, due to his longstanding service to the Board.	2001
James L. Weisman*	72	Mr. Weisman has been President and a member of Weisman Goldman Bowen & Grzywinski, LLP, a Pittsburgh, Pennsylvania law firm since 1998 and its predecessor law firms since 1978. Mr. Weisman has been in the private practice of law in Pittsburgh since 1963. His primary areas of practice have been in business transactions and reorganizations, and overseeing, directing and participating in civil litigation. Mr. Weisman has extensive experience in working with retail clients having prior to being elected to the Board of RVI in 2001 provided legal services to among other clients Value City Department Stores, Inc., Schottenstein Stores Corporation and American Eagle Outfitters, Inc. With Mr. Weisman's extensive legal background, particularly in the retail industry, he brings valuable board governance experience and substantial institutional knowledge regarding the Company, including its operations and industries, due to his longstanding service to the Board.	2001

\* Independent Directors under New York Stock Exchange ( NYSE ) listing standards.

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The following persons are executive officers of the Company as of April 30, 2011. Our officers are elected annually by our Board and serve at the pleasure of the Board.

James A. McGrady, age 60, became our Chief Executive Officer and President effective February 1, 2009, and continues in the Chief Financial Officer and Treasurer positions he held since December 2002. He served as our Executive Vice President and Chief Financial Officer, Treasurer and Secretary from December 2002 until January 2009, and previously was the Chief Financial Officer, Treasurer and Secretary from July 2000 until December 2002. Mr. McGrady is also a Vice President of DSW. From 1986 until July 2000, Mr. McGrady served as Vice President and Treasurer of Big Lots, Inc.

Julia A. Davis, age 50, became our Executive Vice President, General Counsel and Chief Compliance Officer effective June 2006, and assumed the position of Secretary effective May 20, 2009. She has served as our Executive Vice President and General Counsel since January 2003. She also served as Executive Vice President, General Counsel and Secretary of DSW from July 2005 until April 10, 2006. Prior to joining the Company, Ms. Davis was a partner in the Columbus office of the law firm of Vorys, Sater, Seymour and Pease LLP, where she represented and advised national and regional retailers in a wide variety of legal matters.

**General**

A total of five meetings of the Board of Directors of the Company were held during the 2010 fiscal year. Other than Mr. Aaron, all directors attended more than 75 percent of the aggregate of (i) the total number of meetings held by the Board of Directors and (ii) the total number of meetings held by all committees of the Board of Directors on which that director served during the period each served as a director or as a committee member.

There are no family relationships among our directors and executive officers except that Messrs. Deshe and Diamond are each married to a sister of Mr. Schottenstein.

**Corporate Governance Principles**

In March 2004, the Board of Directors adopted Corporate Governance Principles that address Board structure, membership (including nominee qualifications), performance, operations and management oversight. A copy of the Corporate Governance Principles can be found at the Company's corporate and investor website at [www.retailventuresinc.com](http://www.retailventuresinc.com) and is available in print (without charge) to any shareholder upon request by writing to Retail Ventures, Inc., Attention: Secretary, 4150 East 5<sup>th</sup> Avenue, Columbus, Ohio 43219.

The Company's Corporate Governance Principles provide that all incumbent directors and director nominees are encouraged to attend the annual meeting of shareholders. Messrs. Schottenstein, Aaron, Deshe, Diamond, Sonnenberg, Weisman and Ms. Eveillard attended the annual meeting of shareholders in 2010.

In accordance with the Company's Corporate Governance Guidelines and applicable NYSE listing standards, the Company's non-management directors meet in regularly scheduled executive sessions (without management present). The non-management directors of the Company alternate as the chair of such executive sessions as deemed appropriate by such directors. In addition, the Company's independent directors meet in executive session as appropriate matters for their consideration arise but, in any event, at least once a year.

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### **Director Independence**

Our director independence standards are set forth in our Corporate Governance Principles, a copy of which can be found at our corporate and investor website at [www.retailventuresinc.com](http://www.retailventuresinc.com). The Corporate Governance Principles provide that a majority of the directors should be persons who have been affirmatively determined by the Board of Directors to be independent. A director will be designated as independent if he or she (i) has no material relationship with us or our subsidiaries; (ii) satisfies the other independence criteria specified by applicable NYSE listing standards; (iii) has no business conflict with us or our subsidiaries; and (iv) otherwise meets applicable independence criteria specified by law, regulation, exchange requirement or the Board of Directors. During its review of director independence for fiscal 2010, the Board considered whether there were any transactions, relationships or arrangements between the Company and any director or any member of his or her immediate family (or any entity of which a director or an immediate family member is an executive officer, general partner or significant equity holder). Mr. Sonnenberg's service as a non-independent director of DSW was determined not to impair his independence related to us. As a result of this review, the Board of Directors affirmatively determined that the following persons had no such transactions, relationships or arrangements and qualified as independent under our director independence standards:

Henry L. Aaron

Elizabeth M. Eveillard

Lawrence J. Ring

Harvey L. Sonnenberg

James L. Weisman

The Board of Directors has a standing Nominating and Corporate Governance Committee, Compensation Committee and Audit Committee (each of which is comprised solely of independent directors).

### **Board's Role in the Risk Management Process**

Our Board and its committees play an important role in overseeing the identification, assessment and mitigation of risks that are material to us. In fulfilling this responsibility, the Board and its committees regularly consult with management to evaluate and, when appropriate, modify our risk management strategies. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed about such risks through committee reports.

DSW, our principal business operation, has adopted the concept of enterprise risk management (ERM). The DSW Board has charged DSW management with the responsibility of implementing an ERM program which was implemented in fiscal 2010. DSW's CEO, who reports to the DSW Board of Directors, is the sponsor of the ERM Program. As part of the ERM program, DSW management provides an annual report to the DSW Board regarding the significant DSW risks and what DSW management is doing to mitigate that risk.

Additionally, our Audit Committee assists the Board in fulfilling its oversight responsibility relating to the performance of our system of internal controls, legal and regulatory compliance, our audit, accounting and financial reporting processes, and the evaluation of enterprise risk issues, particularly those risk issues not overseen by other committees. The Audit Committee also reviews periodically with our General Counsel legal matters that may have a material adverse impact on our financial statements, compliance with laws and any material reports received from regulatory agencies. Our Compensation Committee is responsible for overseeing the management of risks relating to our compensation programs. Our Nominating and Corporate Governance Committee manages risks associated with corporate governance and business conduct and ethics.

### **Nominating and Corporate Governance Committee**

The members of the Nominating and Corporate Governance Committee are Messrs. Weisman (Chair), Sonnenberg and Ms. Eveillard, each of whom is independent in accordance with the applicable SEC rules and NYSE listing standards. A current copy of the Nominating and Corporate Governance Committee Charter, which was approved by the Board in September 2006, can be found on the Company's corporate and investor website at [www.retailventuresinc.com](http://www.retailventuresinc.com) and is available in print (without charge) to any shareholder upon request.



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The Nominating and Corporate Governance Committee met three times during the 2010 fiscal year. Its functions include assisting the Board in determining the desired qualifications of directors, identifying potential individuals meeting those qualification criteria, recommending to the Board a slate of nominees for election by the shareholders and reviewing candidates nominated by shareholders. In addition, the Nominating and Corporate Governance Committee reviews the Corporate Governance Principles, makes recommendations to the Board of Directors with respect to other corporate governance principles applicable to the Company, oversees the annual evaluation of the Board and committees of the Board, reviews management and Board succession plans and provides education for the Board.

The Nominating and Corporate Governance Committee meets to discuss, among other things, identification and evaluation of director candidates. Although there are no specific minimum qualifications that a director candidate must possess, candidates are identified and evaluated according to the qualification criteria set forth in the Board's Corporate Governance Principles, which includes, among other attributes, such candidate's independence, character, diversity, age, skills and experience. In considering diversity, the Nominating and Corporate Governance Committee may take into account various attributes, including background, skill set or viewpoint. In identifying potential candidates for Board membership, the Nominating and Corporate Governance Committee considers recommendations from the Board of Directors, shareholders and management. Pursuant to its charter, the Nominating and Corporate Governance Committee has the authority to retain consultants and search firms to assist in the process of identifying director candidates. No such consultants or search firms were retained during the 2010 fiscal year.

Other than the submission requirements set forth above, there are no differences in the manner in which the Nominating and Corporate Governance Committee evaluates a nominee for director based on whether the nominee is recommended by a shareholder.

The Nominating and Corporate Governance Committee also reviews all active litigation and other legal matters periodically with our General Counsel.

**Compensation Committee**

The members of the Compensation Committee are Ms. Eveillard (Chair) and Messrs. Sonnenberg, Ring and Weisman. Each member of the Compensation Committee is (1) an independent director as defined by Section 303A.00 of the NYSE listed company manual, (2) a non-employee director as defined by Rule 16b-3 under the Securities Exchange Act of 1934 (the Exchange Act) and (3) an outside director as defined by Section 162(m) of the Internal Revenue Code of 1986, as amended.

A current copy of the Compensation Committee Charter, which was approved by the Board in September 2006, can be found on the Company's corporate and investor website at [www.retailventuresinc.com](http://www.retailventuresinc.com) and is available in print (without charge) to any shareholder upon request.

The Compensation Committee met seven times during the 2010 fiscal year. The Compensation Committee's functions include: (i) reviewing and approving on an annual basis the corporate goals and objectives with respect to compensation for the Chief Executive Officer; (ii) evaluating the Chief Executive Officer's performance and, based upon these evaluations, setting the Chief Executive Officer's annual compensation; (iii) reviewing the performance and approving the evaluation process and compensation structure of the Company's other executive officers; (iv) making recommendations to the Board with respect to the Company's incentive compensation, retirement and other benefit plans; (v) making administrative and compensation decisions under such plans; and (vi) recommending to the Board of Directors the compensation for non-employee Board members.

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Additional information concerning the Compensation Committee's processes and procedures for determining executive compensation is provided within the Compensation Discussion and Analysis section of this proxy statement.

**Audit Committee**

The Company has a standing Audit Committee established in accordance with Sections 303A.06 and 303A.07 of the NYSE Listed Company Manual and Rule 10A-3 under the Exchange Act. The Audit Committee met eleven times during the 2010 fiscal year. Additional information concerning the Audit Committee, including its members and a summary of its functions, is provided below under the caption Audit Committee Report.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who are beneficial owners of more than ten percent of the Company's common shares to file reports of ownership and changes of ownership with the SEC and NYSE. The Company assists its directors and executive officers in completing and filing those reports. Based solely on a review of copies of those reports furnished to the Company and representations of the Company's directors and officers that no other reports were required, the Company believes that all filing requirements applicable to our directors, executive officers and greater than ten percent beneficial owners were complied with during the last completed fiscal year, except for one late Form 4 filing for Mr. Aaron.

**Code of Ethics and Corporate Governance Information**

The Company has adopted a code of ethics that applies to all of its directors, officers and employees, including its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and an additional code of ethics that applies to its senior financial officers. These codes of ethics, designated by the Company as the Code of Conduct and the Code of Ethics for Senior Financial Officers, respectively, can be found on the Company's investor website at [www.retailventuresinc.com](http://www.retailventuresinc.com) and are available in print (without charge) to any shareholder upon request. The Company intends to disclose any amendment to, or waiver from, any applicable provision of the Code of Conduct or Code of Ethics for Senior Financial Officers (if such amendment or waiver relates to elements listed under Item 406(b) of Regulation S-K and applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) by posting such information on the Company's corporate and investor website at [www.retailventuresinc.com](http://www.retailventuresinc.com).

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**ITEM 11. EXECUTIVE COMPENSATION  
COMPENSATION DISCUSSION AND ANALYSIS**

**Overview of the Compensation Committee of the Board**

The Compensation Committee of Retail Ventures (in this section the Committee) is comprised of four independent non-employee directors. The Committee sets the principles and strategies that serve to guide the design of the compensation programs of the Company's named executive officers (NEOs). The Committee annually evaluates the performance of the CEO, Mr. McGrady, and the other NEO, Ms. Davis. Taking their performance evaluations into consideration and other factors as set forth below, the Committee then approves their compensation levels. The Committee has retained an independent compensation consultant to assist it with its responsibilities. The compensation consultant reports directly to the Committee. The Committee periodically meets in executive session with its independent consultant with and without members of management present, and reports to the Board of Directors on its actions.

**Business Context for Compensation Decisions in Fiscal Year 2010**

Following the disposition of its Value City and Filene's Basement businesses in 2008 and 2009, respectively, the Company continued in 2010 as a holding company with all of its operations conducted through its subsidiary, DSW Inc. Because of the changed scope of responsibilities for Company officers, the Company restructured the Company officer profile such that the position of CEO was combined with the position of CFO, held by Mr. McGrady; and the position of General Counsel assumed responsibility for all executive responsibilities not carried out by the CEO/CFO, including, but not limited to, various administrative, human resource and management responsibilities for the Company. The Company officers worked continuously in 2010 on the review and development of strategic alternatives to maximize value for its shareholders, and specifically on supporting the work of the RVI Strategic Review Committee created to review, evaluate and negotiate independently a downstream merger or similar transaction with DSW or any other strategic alternative that the Strategic Review Committee deemed advisable, which included the management and reduction of RVI outstanding liabilities. The Company also worked in 2010 managing and enhancing its liquidity position pending the realization of such strategic alternatives. RVI's efforts to enhance liquidity included the January 15, 2010 sale to DSW of 320,000 Class B Common Shares, without par value, held by RVI of DSW for an aggregate amount of \$8.0 million.

The Committee approached compensation decisions in fiscal 2010 in the context of a desire to retain Mr. McGrady and Ms. Davis for the ongoing management and execution of the strategic alternative review and the downstream merger transaction with DSW.



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Historical and Current Components of Executive Compensation and the Design of NEO Compensation Programs

**Primary Objective**

**Influence Our Ability To:**

Pay competitively.

Retain outstanding executives.

Pay for performance.

Motivate executives to achieve our business and strategic goals.

Design compensation programs that support the Company's businesses with emphasis on critical short-term objectives and retention as well as incentives for establishing long-term shareholder value.

Establish goals that reflect long-term shareholder value.

Given the critical nature of the Company's ongoing review and development of its strategic alternatives and the downstream merger transaction with DSW, the Committee sought to manage compensation comparisons for a reduced-size organization so as to minimize disruption and retain its NEOs. The NEOs' compensation in the past has generally been established pursuant to individual employment agreements, and has included a base salary, a bonus opportunity, stock appreciation rights (SARs) and, in certain cases, restricted stock units (RSUs). As discussed below, for fiscal 2010, the Committee determined that a target bonus was not feasible and has instead provided retention incentives to the current NEOs.

The following elements have comprised the Company's compensation programs for NEOs and represents methods of compensation for the two remaining NEOs:

**Base Salaries:** Competitive base salaries have been established at or above median to help balance overall total cash compensation due to the absence of an automatic program of annual long-term equity grants for the two remaining NEOs. When approving base salaries, the Committee considered many factors, including total compensation, the scope of responsibilities, years of experience, the competitive marketplace and the proven performance of the executive.

**Long-Term Equity and Equity-Related Incentives:** To align the interests of management with long-term shareholder interests, the Committee provides long-term incentives to NEOs. The Committee administers the Company's equity incentive plans and has the authority, in its discretion, to decide who will receive awards. The Company has a Second Amended and Restated 2000 Stock Incentive Plan (the 2000 Plan) that provides for the issuance of awards to purchase up to 13,000,000 common shares to management, key employees of the Company and affiliates, consultants and directors of the Company. The 2000 Plan was originally approved by shareholders on August 29, 2001. The 2000 Plan provides for the issuance of stock options, SARs, restricted stock, performance units and performance shares. Stock options granted to NEOs and others generally vest 20% per year on a cumulative basis and remain exercisable for a period of ten years from the date of grant. Unless provided otherwise in the award agreements, all outstanding options granted under the Company's equity incentive plans will become immediately exercisable in the event of a change in control, as defined in the 2000 Plan.

The Company has no requirement for NEOs to own RVI common shares. The Committee believes that the long-term equity and equity-related incentives created for the NEOs appropriately aligns their interests with those of the shareholders. The Company does have an Insider Trading Policy that prohibits insider trading and requires Company pre-clearance of trading in the common shares of the Company or the DSW Class A Shares.

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The Company does not have an ongoing, annual program of granting long-term equity or equity-related incentives. Instead, long-term equity incentives are included in the annual evaluation of compensation, to determine if the Committee's described compensation objectives for NEOs are being met or require additional grants to achieve those objectives. In addition, the Committee responds to requests by management for grants for purposes of retention. The long-term equity incentives granted to NEOs are typically in the form of stock options, standard or performance-based SARs, shares of restricted stock and RSUs. The long-term equity incentives are designed to reward NEOs for increasing long-term shareholder value, provide a competitive total compensation and to retain the NEOs at the Company. With respect to stock options and SARs, the exercise price is determined by the share price on the date of the grant. RSUs are granted to provide an additional mix of equity value in a compensation package, and to enhance the retention aspects of an NEO's total compensation. RSUs are not granted pursuant to the 2000 Plan, although terms in the 2000 Plan that may be applicable to the RSUs are applied to those RSUs. RSUs have no voting or dividend rights and can be exercised only for cash. The Committee reviews the degree to which past awards have been earned and retired, and considers future awards based on driving additional shareholder value and providing fair compensation for future performance.

The Committee provides grants of RSUs for the purpose of providing incentives for executives to remain with the Company because these grants have intrinsic value from the date of grant. The value of RSUs also increases with increases in stock price, but RSUs are typically granted in much smaller amounts than SARs because of the total value imparted in a grant of RSUs.

Historically, the Company settled SARs in cash, primarily due to restrictions imposed by the Company's credit facilities and other dilution considerations. Beginning in fiscal year 2003, the Company issued SARs, subject to the applicable terms of the 2000 Plan. Some of these SARs are subject to an Option Price Protection Provision (OPPP) and are awarded at the greater of market value or \$4.50 per share and are subject to a vesting schedule. The OPPP provides that the issuance of any options to replace the SARs is contingent and entirely at the discretion of the Company. This was done because stock options were not available to be awarded due to loan-related restrictions on the issuance of stock options and other dilution considerations. Currently, the Company's intention is to settle all future exercises of SARs granted under the 2000 Plan in the form of common shares, unless prohibited by the individual's award agreement. The OPPP does not apply once SARs are actually exercised.

Beginning in fiscal year 2004, the Company issued RSUs to several NEOs. The RSUs do not have voting or dividend rights and may be settled only in cash. On the date of vesting of any RSUs, the Company pays cash to the holder in an amount equal to the fair market value, as defined in the Company's 2000 Plan, of a share of Company common stock.

DSW has a 2005 Equity Incentive Plan that provides for the issuance of options to purchase up to 7,600,000 DSW Class A Shares or the issuance of stock units to management, key employees of DSW and affiliates, consultants, and directors of DSW. Stock options generally vest 20% per year on a cumulative basis and remain exercisable for a period of ten years from the date of grant. The DSW Compensation Committee and Board of Directors, which act independently of the Company, have historically granted DSW stock options to some of the Company's NEOs based on their efforts in connection with the DSW IPO and past and ongoing services performed for DSW.

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**Other forms of compensation:**

**Benefits**

The Company offers health and welfare plans to the two NEOs consistent with those accorded to other employees including medical, life, dental and disability coverage as well as a qualified 401(k) retirement savings opportunity, all at the election and contribution of the NEO. The Company permits 401(k) contributions up to \$16,500, and for NEOs that qualify by age, an additional \$5,500 unmatched catch-up contributions for a total of \$22,000, which is the limit established by the IRS for 2010. The Company historically provided a 100% match of contributions which did not exceed 3% of pay and a 50% company match of contributions from 3% to 5% of pay, but made the decision for fiscal 2009 to suspend the company match of contributions to align the two NEOs benefits with those offered to other employees to achieve savings for the Company. In fiscal 2010, the Committee made the decision to restore the company match of contributions. The Company does not provide supplemental retirement plans, deferred compensation plans or special life insurance policies for the NEOs.

**Perquisites**

The two NEOs each receive a car allowance and fuel reimbursement benefit. The Committee believes that the allowances and tax gross-ups incorporated into the allowances are in line with general industry practice for similar allowances provided to NEOs by competing retail organizations.

**Benchmarking Executive Compensation Competitiveness**

The Committee retained an independent executive compensation consulting firm, Towers Watson, to advise it on all elements of NEO compensation including base salary, short-term incentives and long-term equity compensation. The firm is independent from the Company. For the Committee's fiscal 2010 compensation decisions, the Committee asked Watson Wyatt, prior to its merger into Towers Watson to review appropriate data as a basis for guidance as to the competitiveness and fairness of the decisions it made regarding the NEOs fiscal 2010 compensation packages. Specifically, Watson Wyatt evaluated the NEO retention awards against (1) the comparable positions from published survey data from Mercer and Watson Wyatt, compared to the retail industry and RVI's revenue size; (2) proprietary and other information regarding retention award programs provided to executives at companies involved in bankruptcy or restructuring; and (3) total compensation for high-ranking officers at smaller revenue companies.

**Agreements with Key Executives**

**CEO and CFO Jim McGrady**

Mr. McGrady entered into an employment agreement with the Company effective June 21, 2000, with an initial term ending June 21, 2003. Mr. McGrady's employment agreement extends automatically for successive 12-month periods unless either party notifies the other of an intent to terminate, in writing, at least 60 calendar days prior to the date of automatic extension. The agreement provided for a minimum annual salary of \$300,000 and a bonus, if Board-approved, of at least 40 percent of Mr. McGrady's base salary if predetermined performance measures set annually are met. Mr. McGrady's base salary has been increased over the years and Mr. McGrady's bonus at target was later increased to 50 percent of base salary and included a minimum threshold bonus opportunity at 25 percent of base salary and a maximum bonus opportunity of 100 percent of base salary. As discussed below, pursuant to an amendment to Mr. McGrady's employment agreement, Mr. McGrady's annual base salary was reduced to \$200,000 effective June 22, 2008. Mr. McGrady's agreement provides for his participation in the 401(k) plan and welfare benefit plans of the Company at a level commensurate with his title and position. The agreement also provides for a car allowance and fuel reimbursement benefit.

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The Company may terminate the employment agreement during its term, for any reason, upon 30 days written notice to Mr. McGrady, and may, in its sole discretion, require Mr. McGrady to cease active employment immediately. In the event of such a termination (other than termination for cause), Mr. McGrady shall be entitled to: (i) severance pay in the form of base salary for 12 months, subject to certain provisos; (ii) payment of any incentive bonus declared, but unpaid, if he has been employed the full fiscal year prior to the date of termination; and (iii) continuation of his health coverage for 12 months under the same terms as provided to other Company executives, subject to certain provisos. If the Company terminates Mr. McGrady's employment for cause, the Company's obligations under the employment agreement cease on Mr. McGrady's last day of active employment, except that the Company shall pay to Mr. McGrady: (i) any unpaid portion of his salary earned to the date of termination; (ii) any unpaid, declared bonus; and (iii) any unpaid business expenses properly incurred by Mr. McGrady under the employment agreement prior to termination.

Either the Company or Mr. McGrady may terminate the agreement at the end of its term or any extension thereof, or Mr. McGrady may voluntarily terminate his employment with the Company, by giving 60 calendar days written notice. In the event of any such termination, the Company shall have no further obligations to Mr. McGrady under the agreement, except that the Company shall pay to Mr. McGrady (i) any unpaid portion of his salary earned to the date of termination, and (ii) any unpaid, declared bonus, together with any unpaid business expenses properly incurred by Mr. McGrady under the agreement prior to termination.

Effective June 22, 2008, the Company and Mr. McGrady entered into an amendment to his June 21, 2000 employment agreement. Special compensation arrangements include an annual base salary of \$200,000 and special retention payments consisting of two \$200,000 payments made in fiscal 2009. In addition, monthly retention payments of \$10,000 are being paid over a 54 month period commencing on February 1, 2009 through and including July 1, 2013. If Mr. McGrady is terminated pursuant to Section 5.3 of his employment agreement, the monthly retention continues and will not be affected by the termination. As a condition to receiving these retention payments, upon the termination of Mr. McGrady's employment and if requested by the Company, Mr. McGrady will enter into a mutually agreeable consulting agreement with the Company for a period up to and including July 31, 2013 provided, however, that the terms of such consulting agreement shall not cause Mr. McGrady's termination to fail to qualify as a separation from service within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (Section 409A). Effective February 1, 2009, Mr. McGrady was appointed Chief Executive Officer and President of the Company. He also retains the Chief Financial Officer responsibilities.

**General Counsel Julia Davis**

Ms. Davis entered into an employment agreement with the Company effective as of April 29, 2004. The agreement provided for an annual salary of \$260,000 and a cash bonus of 50% of her base salary if Board-approved predetermined performance measures set annually are met with a minimum annual threshold bonus potential of 25 percent of base salary and a maximum annual bonus potential of 100 percent of base salary. In addition, for each year Ms. Davis's annual salary is less than \$300,000, she will receive a minimum guaranteed bonus to raise her salary to \$300,000. The agreement also provides for Ms. Davis's participation in the 401(k) plan or welfare benefit plans of the Company at a level commensurate with her title and position. The agreement also provides for a car allowance and fuel reimbursement benefit.

If the Company terminates Ms. Davis's employment for cause, or if Ms. Davis voluntarily terminates her employment with the Company, the Company shall pay to Ms. Davis: (i) the unpaid base salary Ms. Davis earned to the date of termination; (ii) any unpaid cash incentive bonus earned for the fiscal year that ends before the fiscal year during which such termination occurs; (iii) equity incentives to which Ms. Davis is entitled under the 2000 Plan and the applicable stock option and RSU agreements; and (iv) any rights accruing to Ms. Davis under any applicable employee benefit plan, fund or program.

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If the Company terminates Ms. Davis employment without cause, Ms. Davis will be entitled to: (i) her base salary for 12 months beginning on the date of termination; (ii) reimbursement for the cost of maintaining continuing health coverage for a period of no more than 12 months following the date of termination, subject to certain provisos; (iii) the pro rata share of any cash incentive bonus that she would have otherwise received for the year of termination had she not been terminated; (iv) exercise any outstanding stock options that are vested on the date of termination and those that would have vested during the one year following the effective date of termination, in each case subject to the terms of the 2000 Plan and any applicable agreement thereunder; and (v) any rights accruing to her under any applicable employee benefit plan, fund or program.

**Covenants Applicable to all Key Executives**

The executives listed above have in their employment agreements the following obligations: non-competition, for the period of post-termination benefits or one year, whichever is longer; non-solicitation, for a period of two years; non-interference with company business, for a period of two years; confidentiality; nondisparagement; and cooperation, for an ongoing period of time.

**Fiscal Year 2010 NEO Compensation Decisions and Rationale**

The Committee had previously assembled pay packages for its CEO, Mr. McGrady and General Counsel, Ms. Davis, deemed, at the time, sufficient to attract and retain these individuals.

At the beginning of fiscal 2010, the Committee discussed with both Mr. McGrady and Ms. Davis whether their current compensation, without the opportunity for incentive compensation in fiscal 2010, was appropriate to retain them through the end of the fiscal year. The Committee also reviewed the analysis supplied by the independent compensation consultant. Based on this and on its view of the personal performance and the attainment of specific goals by the NEOs, the Committee discussed and analyzed the various alternatives with its independent compensation consultant and in subsequent meetings voted to implement compensation decisions for the NEOs. These fiscal year 2010 decisions are described below to assist a full understanding of the NEOs current compensation.

**No Increase to Fiscal 2010 Base Salaries**

In February, 2010 the Committee determined, in consultation with its NEOs and its independent compensation consultant, that in light of the difficult economic environment and the restructured responsibilities of the NEOs, there would be no increases in the base salaries of the NEOs for fiscal 2010.

**Reinstating the Fiscal 2010 401(k) Company Matching Contribution**

In February, 2010 the Committee decided to reinstate the Company's program to match 401(k) contributions, following the suspension of this match in fiscal 2009 which reduced the compensation of the Company NEOs by the amount of such match. The Committee determined that this approach was fair and equitable given the application of the reinstated benefit for the few remaining Retail Ventures Services employees.

**Grant of Retention Equity Awards**

In February, 2010 the Committee took action designed to retain the Chief Executive Officer and the General Counsel in the context of their revised responsibilities, revised corporate opportunities and challenges in a difficult economic environment.

The Committee approved the award of 50,000 shares of Restricted Stock to the Chief Executive Officer and an award of 20,000 shares of Restricted Stock to the General Counsel, effective at the close of business of February 22, 2010. Each of the Restricted Stock awards vests 100% on February 22, 2011. In the event that (1) there is a change of control as defined in the Restricted Stock Award Agreements or (2) Mr. McGrady or Ms. Davis has a termination of service because of death, disability or involuntary termination without cause during the period of restriction, the Restricted Stock shall vest immediately in full. Mr. McGrady and Ms. Davis may not sell, transfer, pledge, or otherwise dispose of the Restricted Stock during the period of restriction; however, they each may exercise full voting rights with respect to the Restricted Stock and in general will be entitled to receive dividends and other distributions paid with respect to the Restricted Stock during the period of restriction.

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The Committee determined, in consultation with Mr. McGrady and its independent compensation consultant, that these retention equity awards were reasonable and fair in the context of each NEO's compensation package and that it provided the appropriate incentive for the Company officers to remain in their positions. The Committee determined that the retention of the NEO officers was critical for continuing, non-disruptive leadership of the Company's review and execution of its potential downstream merger with DSW or other strategic alternatives for the following reasons: the NEOs' considerable experience and knowledge of Company business history, financial, legal and other matters, facts and circumstances, and the need for and value of such specific experience and knowledge in the wake of the disposition of the Value City and Filene's Basement businesses and the need for their subsequent oversight of transition issues related to these transactions and for subsequent developing corporate strategies; the NEOs' strong performance and demonstrated proficiency in all of their designated responsibilities; and, the need for the NEOs to assume all executive responsibilities previously carried out by other executives, including but not limited to various administrative, human resource and management responsibilities for the Company. The Committee determined that the total fiscal 2010 compensation it approved for the NEOs was consistent with competitive market data for the compensation and retention of these NEOs, particularly considering that there was no other compensation increase provided for fiscal 2010 and there was no other short-term or long-term incentive compensation provided for fiscal 2010. The Committee determined that the NEOs' fiscal 2010 compensation was reasonable, fair, supported by the developed recommendations of its independent compensation consultant and was appropriate to achieve the goal of retaining the NEOs.

**Appropriateness of NEO Compensation Design and Outcomes**

In its components and in total, the Committee concluded that each NEO's compensation is fair, reasonable and appropriate and received support for this conclusion from the analysis and guidance provided by its independent compensation consultant and from its discussions with the NEOs. Through the process of its annual approval of incentive awards and equity grants, and as specifically explained above, the Committee maintains control over each NEO's compensation plan and ensures that it is consistent with the interests of shareholders.

**Tax/Accounting Considerations**

The Committee generally develops the Company's compensation programs such that NEO compensation is fully deductible for federal income tax purposes. However, in certain situations, it may approve compensation that will not meet these requirements in order to ensure competitive levels of total compensation. Likewise, the Committee is aware of the financial accounting treatment of the Company's compensation programs and decisions, but accounting considerations do not determine the amount or types of compensation the Company pays or the timing of its payment.

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**THE COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on the Compensation Committee's review and discussion with management, the Compensation Committee has recommended to the Board of Directors, and the Board of Directors has approved, that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for fiscal 2010 as amended.

Respectfully  
submitted,

**Compensation  
Committee**

Elizabeth M.  
Eveillard, Chair  
Lawrence J. Ring  
Harvey L.  
Sonnenberg  
James L. Weisman

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The following table summarizes compensation awarded or paid to, or earned by, each of our NEOs during the Company's 2010, 2009 and 2008 fiscal years. The Company follows a 52/53-week fiscal year that ends on the Saturday nearest to January 31 in each year. Fiscal years 2010, 2009 and 2008 consisted of 52 weeks.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Award(s) (\$) <sup>(1)</sup>	Option Award(s) (\$) <sup>(1)</sup>	Non-Equity Incentive		Total (\$)
						Plan Compensation (\$)	All Other Compensation (\$) <sup>(2)</sup>	
Jay L. Schottenstein Chairman	2010	\$ 750,000 <sup>(3)</sup>	\$ 500,000 <sup>(4)</sup>	None	\$ 776,342 <sup>(5)</sup>	None	\$ 2,703	\$ 2,029,045
	2009	\$ 750,000 <sup>(3)</sup>	\$ 250,000 <sup>(4)</sup>	None	None	None	None	\$ 1,000,000
	2008	\$ 750,000 <sup>(3)</sup>	None	None	\$ 537,321 <sup>(5)</sup>	None	\$ 1,082	\$ 1,288,403
James A. McGrady Chief Executive Officer, President, Chief Financial Officer and Treasurer	2010	\$ 200,000	None	\$ 443,000	None	None	\$ 146,847 <sup>(7)</sup>	\$ 789,847
	2009	\$ 200,000	None	None	None	None	\$ 141,567 <sup>(7)</sup>	\$ 341,567
	2008	\$ 328,462	None	None	None	\$ 0 <sup>(6)</sup>	\$ 430,107 <sup>(7)</sup>	\$ 758,569
Julia A. Davis Executive Vice President and General Counsel and Secretary	2010	\$ 360,000	None	\$ 177,200	None	None	\$ 144,871 <sup>(9)</sup>	\$ 682,071
	2009	\$ 360,000	None	None	None	None	\$ 27,714	\$ 387,714
	2008	\$ 357,692	None	None	None	\$ 0 <sup>(8)</sup>	\$ 31,284	\$ 388,976

- <sup>(1)</sup> Represents the grant date fair value for financial statement reporting purposes with respect to fiscal years 2010, 2009 and 2008 for stock awards and option awards granted to each of the NEOs, in 2010, 2009 and 2008, in accordance with ASC 718. For additional information on the valuation assumptions, refer to Note 4, Stock Based Compensation, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended January 29, 2011 as filed with the SEC on March 28, 2011. See the Grants of Plan-Based Awards Table for information on awards made in fiscal year 2010. These amounts reflect an accounting cost of these awards and do not necessarily correspond to the actual value that will be recognized by each of the NEOs.



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(2) The amounts shown in this column are comprised of the items set forth in the following table:

<b>Name</b>	<b>Fiscal Year</b>	<b>Car Allowance/ Fuel Card</b>	<b>Life Insurance Premiums/ Executive Physicals</b>	<b>401(k) Matching Contributions</b>	<b>Retention Payments</b>	<b>Total</b>
Jay L. Schottenstein	2010			\$ 2,703		\$ 2,703
	2009			None		None
	2008			\$ 1,082		\$ 1,082
James A. McGrady	2010	\$ 19,575	\$ 626	\$ 6,646	\$	