RETAIL VENTURES INC
Form 10-K/A
October 12, 2010

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

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

For The Fiscal Year Ended January 30, 2010
OR

o **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

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 þ 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 þ 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. þ 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 (§ 229.405 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 information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o
		(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). o Yes þ 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 August 1, 2009, was $78,353,778.

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date: 49,031,979 Common Shares were outstanding at March 31, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Retail Ventures, Inc. s fiscal 2009 Proxy Statement, which will be filed no later than 120 days after January 30, 2010, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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RETAIL VENTURES, INC. FORM 10-K/A
INTRODUCTORY NOTE

This Amendment No. 1 on Form 10-K/A (this Amendment) amends and restates Part II Items 6, and 8 and Part IV Item 15 of the Annual Report on Form 10-K for the fiscal year ended January 30, 2010, which was originally filed with the Securities and Exchange Commission on April 14, 2010 (the Original Report). This Amendment is made solely to correct the disclosures of diluted (loss) earnings per share from continuing operations attributable to Retail Ventures, Inc. common shareholders and diluted (loss) earnings per share attributable to Retail Ventures, Inc. common shareholders for the years ended January 31, 2009 and February 2, 2008 included in the Company s consolidated statement of operations and related disclosures. The dollar amount of revenues, expenses, net (loss) income attributable to Retail Ventures, Inc., the consolidated balance sheets, the consolidated statements of cash flows, and the consolidated statements of shareholders equity for all periods reported in the Original Report is unchanged. Additionally this Amendment has no impact on the Company s subsidiary, DSW Inc.

This Amendment also amends Item 9A to include (i) Management s Report on Internal Control Over Financial Reporting and (ii) all other information required by Item 9A of Form 10-K. This Amendment also contains the required consent of the Company s independent registered public accounting firm and certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. No other information in the Form 10-K has been amended and the Company has not updated disclosures in this Amendment to reflect any event subsequent to the Company s filing of the Original Report.

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PART I

As used in this Annual Report on Form 10-K (Annual Report on Form 10-K or Form 10-K) and except as the context otherwise may require, RVI , Retail Ventures Company , we , us , and our refers to Retail Ventures, In majority-owned subsidiary DSW Inc. (DSW), a controlled subsidiary, and DSW s wholly-owned subsidiaries, including but not limited to, DSW Shoe Warehouse, Inc. (DSWSW).

This Annual Report on Form 10-K contains trade dress, tradenames and trademarks of other companies. Use or display of other parties trademarks, trade dress or tradenames is not intended to, and does not, imply a relationship with the trademark, tradename or trade dress owner.

Restatement

This Amendment No. 1 on Form 10-K/A (this Amendment) amends and restates Part II Items 6, and 8 and Part IV Item 15 of the Annual Report on Form 10-K for the fiscal year ended January 30, 2010, which was originally filed with the Securities and Exchange Commission on April 14, 2010 (the Original Report). This Amendment is made solely to correct the disclosures of diluted (loss) earnings per share from continuing operations attributable to Retail Ventures, Inc. common shareholders and diluted (loss) earnings per share attributable to Retail Ventures, Inc. common shareholders for the years ended January 31, 2009 and February 2, 2008, included in the Company s consolidated statement of operations and related disclosures. The dollar amount of revenues, expenses, net (loss) income attributable to Retail Ventures, Inc., the consolidated balance sheets, consolidated statements of cash flows and consolidated statements of shareholders equity for all periods reported in the Original Report is unchanged. Additionally this Amendment has no impact on the Company s subsidiary, DSW Inc.

This Amendment also amends Item 9A to include (i) Management s Report on Internal Control Over Financial Reporting and (ii) all other information required by Item 9A of Form 10-K. This Amendment also contains the required consent of the Company s independent registered public accounting firm and certifications pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. No other information in the Form 10-K has been amended and the Company has not updated disclosures in this Amendment to reflect any event subsequent to the Company s filing of the Original Report.

Cautionary Statement Regarding Forward-Looking Information for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

Some of the statements in this Annual Report on Form 10-K contain forward-looking statements which reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as outlook, believes, expects, potenti continues, may, should, seeks, approximately, predicts, intends, plans, estimates, anticipates words or the negative version of those words. Any forward-looking statements contained in this Annual Report on Form 10-K are based upon our historical performance and on current plans, estimates and expectations and assumptions relating to our operations, results of operations, financial condition, growth strategy and liquidity. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to numerous risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In addition to other factors discussed elsewhere in this report, including those described under Part I, Item 1A. Risk Factors, some important factors that could cause actual results, performance or achievements for the Company to differ materially from those discussed in forward-looking statements include, but are not limited to, the following:

- our ability to manage and enhance liquidity;
- DSW s success in opening and operating new stores on a timely and profitable basis;
- continuation of DSW s supply agreements and the financial condition of its leased business partners;
- DSW maintaining good relationships with its vendors;
- DSW s ability to anticipate and respond to fashion trends;
- fluctuation of DSW s comparable store sales and quarterly financial performance;
- the realization of our bankruptcy claims related to liquidating Filene s Basement and Value City;

the impact of the disposition of Filene s Basement and of a majority interest in Value City and the reliance on remaining subsidiaries to pay indebtedness and intercompany service obligations;
the risk of Value City and liquidating Filene s Basement (Refer to Item 1. Business for definition of liquidating Filene s Basement) not paying us or their creditors, for which Retail Ventures may have some liability;
the risk of New Filene s Basement (Refer to Item 1. Business for definition of New Filene s Basement) not paying obligations related to the assets it has assumed from liquidating Filene s Basement if such obligations are subject to ongoing guarantee by us;
the impact of Value City and Filene s Basement on our liquidity;
disruption of DSW s distribution operations;
our dependence on DSW for key services;
failure to retain our key executives or attract qualified new personnel;
DSW s competitiveness with respect to style, price, brand availability and customer service;
declining general economic conditions;
risks inherent to international trade with countries that are major manufacturers of footwear;

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- the success of dsw.com;
- lease of an office facility;
- risks related to our cash and investments; and
- DSW s ability to secure a replacement credit facility upon the expiration of its existing credit facility.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results, performance or achievements may vary materially from what we may have projected. Furthermore, new factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by law, RVI undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

ITEM 1. BUSINESS.

History of Our Business

Retail Ventures is a holding company operating retail stores in one of its two segments and all our operations are conducted through our subsidiaries. RVI has no net sales on a standalone basis and RVI also does not have any credit facilities under which it can borrow funds. DSW is a leading U.S. branded footwear specialty retailer operating 305 shoe stores in 39 states as of January 30, 2010. In addition, DSW also operates 356 leased shoe departments for four other retailers and sells shoes and accessories through dsw.com. DSW offers a large selection of better-branded merchandise. DSW s typical customers are brand, quality and style-conscious shoppers who have a passion for footwear and accessories. The Corporate segment consists of all corporate assets, liabilities and expenses that are not attributable to the DSW segment.

On October 8, 2003, the Company reorganized its corporate structure into a holding company form whereby Retail Ventures, an Ohio corporation, became the successor issuer to Value City Department Stores, Inc. Until the initial public offering of Value City Department Stores, Inc. on June 18, 1991, Value City department stores operated as a division of Schottenstein Stores Corporation (SSC). As a result of the reorganization, Value City Department Stores, Inc. became a wholly-owned subsidiary of Retail Ventures. In connection with the reorganization, holders of common shares of Value City Department Stores, Inc. became holders of an identical number of Common Shares of Retail Ventures. The reorganization was effected by a merger which was previously approved by Value City Department Stores, Inc. s shareholders. Since October 2003, Retail Ventures Common Shares have been listed for trading under the ticker symbol RVI on the New York Stock Exchange.

In December 2004, the Company completed another corporate reorganization whereby Value City Department Stores, Inc. merged with and into Value City Department Stores LLC, a newly created, wholly-owned subsidiary of Retail Ventures. In connection with this reorganization, Value City transferred all the issued and outstanding shares of DSW and Filene s Basement to Retail Ventures in exchange for a promissory note.

On July 5, 2005, DSW completed an initial public offering (IPO) of 16,171,875 Class A Common Shares sold to the public. As of January 30, 2010, Retail Ventures owned Class B Common Shares of DSW representing approximately 62.4% of DSW s outstanding Common Shares and approximately 93.0% of the combined voting power of such shares. DSW is a controlled subsidiary of Retail Ventures and its Class A Common Shares are listed for trading on the New York Stock Exchange under the symbol DSW .

In conjunction with the separation of their businesses following the IPO, Retail Ventures and DSW entered into several agreements, including, among others, a master separation agreement, a shared services agreement, a tax separation agreement and subsequently an IT transfer agreement. Retail Ventures is subject to contractual obligations (a) with its warrantholders to retain enough DSW Common Shares to be able to satisfy its obligations to deliver such shares to its warrantholders if the warrantholders elect to exercise their warrants in full for DSW Class A Common Shares and (b) with the holders of its Premium Income Exchangeable Securities (PIES) to retain ownership of a number of DSW Class B Common Shares (which are exchangeable by Retail Ventures for DSW Class A Common Shares) equal to the maximum number of Class A Common Shares deliverable by Retail Ventures upon exchange of the PIES.

On January 23, 2008, Retail Ventures disposed of an 81% ownership interest in its Value City Department Stores (Value City) business to VCHI Acquisition Co., a newly formed entity owned by VCDS Acquisition Holdings, LLC, Emerald Capital Management LLC and Crystal Value, LLC. Retail Ventures received no net cash proceeds from the sale, paid a fee of $0.5 million to the purchaser, and recognized an after-tax loss of $67.3 million on the transaction as of January 30, 2010. As part of the transaction, Retail Ventures, Inc. issued warrants to VCHI Acquisition Co. to purchase 150,000 RVI Common Shares, at an exercise price of $10.00 per share, and exercisable within 18 months of January 23, 2008. The warrants expired in June 2009. To facilitate the change in ownership and operation of Value City Department Stores, Retail Ventures agreed to provide or arrange for the provision of certain transition services principally related to information technology, finance and human resources to Value City Department Stores for a period of one year unless otherwise extended by both parties. On October 26, 2008, Value City filed for bankruptcy protection and announced that it would close its remaining stores. The Company negotiated an agreement with Value City to continue to provide services post bankruptcy filing, including risk management, financial services, benefits administration, payroll and information technology services, in exchange for a weekly payment. As of January 30, 2010, the Company is no longer providing services to Value City.

On April 21, 2009, Retail Ventures disposed of Filene s Basement, Inc. and certain related entities to FB II Acquisition Corp., a newly formed entity owned by Buxbaum Holdings, Inc. (Buxbaum). Retail Ventures did not realize any cash proceeds from this transaction, agreed to pay a fee of $1.3 million to Buxbaum, of which $1.0 million has been paid through January 30, 2010, and has reimbursed $0.4 million of Buxbaum s costs associated with the transaction. Retail Ventures has also agreed to indemnify Buxbaum, FB II Acquisition Corp. and their owners against certain liabilities. Retail Ventures has recognized an after-tax gain of $81.9 million on the transaction as of January 30, 2010. On May 4, 2009, Filene s Basement filed for bankruptcy protection. On June 18, 2009, following bankruptcy court approval, SYL LLC, a subsidiary of Syms Corp (Syms), purchased certain assets of Filene s Basement. All references to liquidating Filene s Basement refer to the debtor, formerly known as Filene s Basement Inc., and its debtor subsidiaries remaining after the asset purchase by a subsidiary of Syms. All references to

New Filene s Basement refer to the stores operated by Syms. The Company negotiated with Syms to provide transition services in exchange for payment. As of January 30, 2010, the Company is still providing transition services to Syms.

On September 25, 2009, RVI and DSW entered into a settlement agreement with liquidating Filene s Basement and its related debtors and the Official Committee of Unsecured Creditors appointed in the Chapter 11 case for the debtors. On November 3, 2009, the settlement agreement was approved by the Bankruptcy Court for the District of Delaware. As a result of the court s approval of the settlement agreement, RVI s claims in respect of $52.6 million in notes receivable from liquidating Filene s Basement were released; RVI assumed the rights and obligations related to (and agreed to indemnify liquidating Filene s Basement with regard to certain matters arising out of) the liquidating Filene s Basement defined benefit pension plan; and liquidating Filene s Basement and the creditors committee agreed to allow certain general unsecured claims for amounts owed to RVI and DSW. The parties also agreed to certain provisions affecting the proper allocation of proceeds paid to RVI or liquidating Filene s Basement in connection with specified third party litigation and to certain provisions related to the debtors recovery from third parties that are the beneficiaries of letters of credit or hold collateral related to workers compensation claims. The settlement agreement also provides for certain mutual releases among the debtors, the creditors committee, RVI, DSW and other parties.

As of January 30, 2010, SSC and its affiliates, in the aggregate, owned approximately 52.0% of the outstanding RVI Common Shares and beneficially owned approximately 53.6% (assumes the issuance of 1,731,460 RVI Common Shares issuable upon the exercise of warrants held by Schottenstein RVI, LLC). In addition to SSC and its affiliates ownership of our Common Shares, we also have a number of ongoing related party agreements and arrangements with SSC, which are more fully described in Item 13 of this Annual Report on Form 10-K.

We rely on the cash flow of our subsidiaries and our cash on hand to meet our obligations, including our obligations under the PIES and the guarantees of certain obligations of Filene s Basement and Value City. The ability of our subsidiaries to provide cash to Retail Ventures by way of dividends, distributions, interest or other payments (including intercompany loans) is subject to various restrictions, including restrictions imposed by the existing credit facility governing our subsidiaries indebtedness. Future indebtedness incurred by our subsidiaries may also limit or prohibit such payments. In addition, the ability of our subsidiaries to make such payments may be limited by relevant provisions of the laws of their respective jurisdictions of organization.

To the extent cash on hand is not sufficient to meet our operating cash flow needs we may seek other sources to provide the funds necessary for operations. Even though we could receive cash from DSW in the form of dividends, loans or otherwise, DSW has indicated that it does not intend to pay dividends in fiscal 2010 and RVI does not have a current arrangement for loans or other funding with DSW. DSW is a separate and distinct legal entity and currently has no obligation, contingent or otherwise, to distribute cash to us or to make funds available to service our coupon payments under the $143,750,000 Premium Income Exchangeable Securities (PIES).

On January 15, 2010, Retail Ventures sold to DSW 320,000 Class B Common Shares, without par value, of DSW for an aggregate amount of $8.0 million. Proceeds from the sale will be used for general corporate purposes and continuing expenses.

Retail Ventures is continuing to review its available options to the extent it may become necessary to manage and enhance its liquidity position. Although RVI s plan to enhance liquidity could include, among other things, the sale or collateralization of shares of common stock of DSW Inc. or a sale of equity by RVI, no assurance can be given that any such transaction can be completed on favorable terms or that such a transaction would satisfy all of RVI s liquidity requirements.

General

DSW. DSW is a leading U.S. branded footwear specialty retailer operating 305 shoe stores in 39 states as of January 30, 2010. DSW offers a wide assortment of better-branded dress, casual and athletic footwear for women and men, as well as accessories through DSW stores and dsw.com. In addition, DSW operates 356 leased departments for four other retailers as of January 30, 2010. The typical DSW customer is brand, value, quality and style-conscious shoppers who have a passion for footwear and accessories. DSW s core focus is to create a distinctive shopping experience that satisfies both the rational and emotional shopping needs of the DSW customer by offering them a vast, exciting assortment of in-season styles combined with the convenience and value they desire. DSW stores average approximately 22,000 square feet and carry approximately 24,000 pairs of shoes. DSW believes this combination of assortment, convenience and value differentiates them from the competitors and appeals to consumers from a broad range of socioeconomic and demographic backgrounds.

Corporate. The Corporate segment represents the corporate assets, liabilities and expenses not allocated to the DSW segment, debt related expenses and income on investments.

See Note 15 of Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for detailed financial information regarding our operating segments.

DSW

Competitive Strengths

DSW believes its leading market position is driven by its competitive strengths: the breadth of its branded product offerings, its distinctive and convenient store layout, the value proposition offered to customers and its financial strength.

The Breadth of DSW s Product Offerings

DSW s goal is to excite their customers with an assortment of shoes that fulfill a broad range of style and fashion preferences. DSW stores and dsw.com sell a large assortment of better-branded merchandise. They purchase directly from more than 400 domestic and foreign vendors, primarily in-season footwear found in specialty and department stores and branded make-ups (shoes made exclusively for a retailer), with the assortment at each store geared toward the particular demographics of the location. A typical DSW store carries approximately 24,000 pairs of shoes in over 2,000 styles compared to a significantly smaller product offering at typical department stores. DSW also offers a complementary assortment of handbags, hosiery and other accessories which appeal to its brand- and fashion-conscious customers.

Distinctive and Convenient Store Layout

DSW provides their customers with the highest level of convenience based on their belief that customers should be empowered to control and personalize their shopping experiences. DSW merchandise is displayed on the selling floor with self-service fixtures to enable customers to view and touch the merchandise. DSW stores are laid out in a logical manner that groups together similar styles such as dress, casual, seasonal and athletic merchandise. DSW believes this self-service aspect provides its customers with maximum convenience as they are able to browse and try on merchandise without feeling rushed or pressured to make a purchasing decision.

The Value Proposition Offered to Customers

Through the buying organization, DSW is able to provide customers with high quality, in-season fashion styles at prices DSW believes are competitive with the typical sale price found at specialty retailers and department stores. DSW generally employs a consistent pricing strategy that provides customers with the same price on its merchandise from the day it arrives in store until it enters its planned clearance rotation. The pricing strategy differentiates DSW from their competitors who usually price and promote merchandise at discounts available only for limited time periods. DSW finds that customers appreciate having the power to shop for value when it is most convenient for them, rather than waiting for a sale event.

In order to provide additional value to customers, DSW maintains a loyalty program, DSW Rewards , which rewards customers for shopping, both in stores and online at dsw.com. DSW Rewards members earn reward certificates that offer discounts on future purchases. Reward certificates expire six months after being issued. Members also receive promotional offers, gifts with purchase and free shipping on purchases over a certain dollar threshold at dsw.com. DSW employs a variety of methods, including email, to communicate these offers to its customers.

As of January 30, 2010, approximately 13 million members enrolled in DSW Rewards have made at least one purchase over the course of the last two fiscal years as compared to approximately 10 million members as of January 31, 2009. In fiscal 2009, shoppers in the loyalty program generated approximately 84% of DSW store and dsw.com sales versus approximately 76% of DSW store and dsw.com sales in fiscal 2008.

Financial Strength

DSW s operating model is focused on assortment, convenience and value. DSW believes that the growth they have achieved in the past is attributable to their operating model and management s focus on store-level profitability and economic payback. Over the five fiscal years ended January 30, 2010, their net sales have grown at a compound annual growth rate of 11%. In addition, DSW has consistently generated positive operating cash flows and profitable operating results. DSW intends to continue to focus on net sales, operating cash flows and operating profit as they pursue their growth strategy. DSW believes cash generated from operations, together with their current levels of cash and investments of $289.3 million, should be sufficient to maintain ongoing operations, support seasonal working capital requirements and fund capital expenditures related to projected business growth.

Growth Strategy

DSW s growth strategy is to continue to strengthen their position as a leading better-branded footwear retailer by pursuing the following three primary strategies for growth in sales and profitability: expanding their business, driving sales through enhanced merchandising and investment in their infrastructure.

Expanding Our Business

DSW plans to open approximately ten DSW stores in fiscal 2010. The plan is to open stores in both new and existing markets, with the primary focus on power strip centers and to reposition existing stores as opportunities arise. In considering new locations, DSW focuses primarily on power strip centers, but, depending on the market, will consider regional malls, lifestyle centers and urban street locations. In general, DSW s evaluation of potential new stores integrates information on demographics, co-tenancy, retail traffic patterns, site visibility and accessibility, store size and configuration and lease terms. DSW s growth strategy includes analysis of every major metropolitan area in the country with the objective of understanding demand for their products in each market over time and their ability to capture that demand. The analysis also looks at current penetration levels in markets they serve and the expected deepening of those penetration levels as they continue to grow and become the shoe retailer of choice in each market.

Driving Sales through Enhanced Merchandising

The merchandising group constantly monitors current fashion trends as well as historical sales trends to identify popular styles and styles that may become popular in the upcoming season. DSW tracks store performance and sales trends on a weekly basis and has a flexible buying process that allows them to order styles frequently throughout each season. To keep the product mix fresh and on target, DSW tests new fashions and actively monitors sell-through rates. DSW also aims to improve the quality and breadth of existing vendor offerings and identify new vendor opportunities. DSW s merchandising initiative will continue investments in planning, allocation and distribution systems to improve inventory and markdown management.

Investment in Infrastructure

As DSW grows their business and fills in markets to their full potential, DSW believes they will improve their profitability by leveraging their cost structure in areas of regional management, supply chain and overhead functions. Additionally, DSW intends to continue investing in infrastructure to improve their operating and financial performance. Most significantly, DSW believes continued investment in information systems will enhance their efficiency in areas such as merchandise planning and allocation, inventory management, distribution, labor management and point of sale functions.

dsw.com

In fiscal 2008, DSW launched dsw.com to provide customers with the opportunity to purchase shoes and related accessories through DSW s website and to gain market share by serving customers in areas where DSW does not currently have stores. DSW entered into a ten-year lease agreement for space to serve as a fulfillment center for dsw.com. DSW operates a call center to address its customer service needs in support of both DSW stores and dsw.com.

Leased Departments

DSW also operates leased departments for four retailers. DSW has renewable supply agreements to merchandise the shoe departments in Stein Mart, Inc., Gordman s, Inc., Filene s Basement and Frugal Fannie s Fashion Warehouse stores through December 2012, January 2013, January 2013 and April 2012, respectively. Filene s Basement stores have been operated by a subsidiary of Syms Corp (Syms) since its purchase of 23 Filene s Basement stores in June 2009. DSW owns the merchandise and the fixtures (except for Filene s Basement, where DSW only owns the merchandise), records sales of merchandise net of returns and sales tax and provides management oversight. DSW s leased business partners provide the sales associates and retail space. DSW pays a percentage of net sales as rent. As of January 30, 2010, DSW supplied merchandise to 266 Stein Mart stores, 66 Gordmans stores, 23 Filene s Basement stores and one Frugal Fannie s store.

Merchandise Suppliers and Mix

DSW believes they have good relationships with their vendors. They purchase merchandise directly from more than 400 domestic and foreign vendors. Their vendors include suppliers who either manufacture their own merchandise or supply merchandise manufactured by others, or both. Most of their domestic vendors import a large portion of their merchandise from abroad. DSW has implemented quality control programs under which DSW buyers are involved in establishing standards for quality and fit and their store personnel examine incoming merchandise in regards to color, material and overall quality of manufacturing. As the number of DSW locations increase and sales volumes grow, DSW believes there will continue to be adequate sources available to acquire a sufficient supply of quality goods in a timely manner and on satisfactory economic terms. During fiscal 2009, 2008 and 2007, merchandise supplied by DSW s top three vendors accounted for approximately 21%, 20% and 21% of their net footwear sales.

DSW merchandise is separated into four primary categories women s footwear; men s footwear; athletic footwear; and accessories. While shoes are the main focus of DSW, they also offer a complementary assortment of handbags, hosiery and other accessories. The following table sets forth the approximate percentage of their sales attributable to each merchandise category for the fiscal years below:

Category	Fiscal 2009	Fiscal 2008	Fiscal 2007
Women s	66%	66%	65%
Men s	15%	15%	16%
Athletic	13%	14%	14%
Accessories and Other	6%	5%	5%

Distribution

The primary distribution center is located in an approximately 700,000 square foot facility in Columbus, Ohio. The design of the distribution center facilitates the prompt delivery of priority purchases and fast-selling footwear so DSW can take full advantage of each selling season. To further ensure prompt delivery, DSW engages a third party logistics service provider to receive orders originating from suppliers on the West Coast and some imports entering at a West Coast port of entry through their West Coast bypass. Shipments are shipped either from the West Coast bypass or the primary distribution center to their pool points and on to stores. DSW continues to evaluate expansion of the bypass process for applicability in other parts of the country. DSW also has a fulfillment center in Columbus, Ohio to process orders for dsw.com, which are shipped directly to customers using a third party shipping provider.

Competition

DSW views their primary competitors to be department stores and brand-oriented discounters. However, the fragmented shoe market means DSW faces competition from many sources. DSW also competes with mall-based shoe stores, national chains, independent shoe retailers, single-brand specialty retailers, online shoe retailers and multi-channel specialty retailers. DSW believes shoppers prefer DSW s breathtaking assortment, irresistible value and convenience. Many of DSW s competitors generally offer a more limited assortment at higher initial prices in a less convenient format than DSW and without the benefits of the DSW Rewards program. In addition, DSW believes that they successfully compete against retailers who have attempted to duplicate their format because they typically offer assortments with fewer recognizable brands and more styles from prior seasons, unlike DSW s current on-trend merchandise.

Intellectual Property

DSW has registered a number of trademarks and service marks in the United States and internationally, including DSW® and DSW Shoe Warehouse®. The renewal dates for these U.S. trademarks are April 25, 2015 and May 23, 2015, respectively. DSW believes that the trademarks and service marks, especially those related to the DSW concept, have significant value and are important to building name recognition. To protect DSW s brand identity, DSW has also protected the DSW trademark in several foreign countries.

DSW also holds patents related to their unique store fixture, which gives them greater efficiency in stocking and operating those stores that currently have the fixture. DSW aggressively protects their patented fixture designs, as well as their packaging, store design elements, marketing slogans and graphics.

Seasonality

DSW s business is subject to seasonal merchandise trends when their customers interest in new seasonal styles increases. Unlike many other retailers, DSW has not historically experienced a large increase in net sales during the fourth quarter associated with the winter holiday season.

Management Information and Control Systems

Information systems are an integral part of the growth strategy in efficiently operating DSW, in managing the operations of a growing DSW store base and resolving security risks related to electronic processing and transmission of confidential customer information. The continued investment in information systems will enhance DSW s efficiency in areas such as merchandise planning and allocation, inventory management, distribution, labor management and point of sale functions.

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Associates

The mission of the Company s human resource functions includes ensuring that the Company s business plans, organization structure, talent development and bench strength meet the Company s needs for employee effectiveness to improve quality of work product, superior customer service, shareholder value and our profit. DSW performs substantially all of the Company s human resource functions, including for RVI employees pursuant to RVI s shared services agreement with DSW.

As of January 30, 2010, the Company had approximately 10,000 associates. None of the associates are covered by any collective bargaining agreements. We offer competitive wages, comprehensive medical and dental insurance, vision care, company-paid and supplemental life insurance programs, associate-paid long-term and short-term disability insurance and a 401(k) plan to our full-time associates and some of our part-time associates. We have not experienced any work stoppages, and we consider our relations with our associates to be good.

Available Information

RVI electronically files reports with the Securities and Exchange Commission (the SEC), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements and amendments to such reports. The public may read and copy any materials that RVI files with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy statements and information statements, and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. Additionally, information about RVI, including its reports filed with or furnished to the SEC, is available through RVI s web site at http://www.retailventuresinc.com. Such reports are accessible at no charge through RVI s web site and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The reference to the Company website address does not constitute incorporation by reference of the information contained on the website and that website information should not be considered part of this document.

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ITEM 1A. RISK FACTORS.

In addition to the other information in this Annual Report on Form 10-K, shareholders or prospective investors should carefully consider the following risk factors when evaluating RVI. If any of the events described below occurs, our business, financial condition and results of operations and future growth prospects could be adversely affected.

Introductory Note

RVI is a holding company and all of our operations have been conducted through our subsidiaries. In January 2008, we disposed of our Value City subsidiary. On April 21, 2009 we disposed of our Filene s Basement subsidiary and certain related entities. As a result, to the extent cash on hand or other forms of capital generating transactions are not sufficient to meet our operating cash flow needs, we may seek other sources to provide the funds necessary for operations. Set forth below are certain risk factors relating to DSW, risk factors relating to our discontinued operations, certain other corporate risks of RVI and risk factors relating to our PIES.

Risk Factors Relating to DSW

DSW plans to open approximately ten stores in fiscal 2010 and is currently evaluating its strategy for fiscal 2011 and beyond, which could strain its resources and have a material adverse effect on its business and financial performance.

DSW s continued and future growth largely depends on its ability to successfully open and operate new DSW stores on a profitable basis. During fiscal 2009, 2008 and 2007, DSW opened 9, 41 and 37 new DSW stores, respectively. DSW plans to open approximately ten stores in fiscal 2010 and is currently evaluating its strategy for fiscal 2011 and beyond. As of January 30, 2010, DSW has signed leases for an additional six stores opening in fiscal 2010 and fiscal 2011. During fiscal 2009, the average investment required to open a typical new DSW store was approximately $1.4 million. This continued expansion could place increased demands on DSW s financial, managerial, operational and administrative resources. For example, DSW s planned expansion will require it to increase investments in management information systems and distribution facilities. These increased demands and operating complexities could cause DSW to operate its business less efficiently, have a material adverse effect on its operations and financial performance and slow its growth.

DSW may be unable to open all the stores contemplated by its growth strategy on a timely basis, and new stores it opens may not be profitable or may have an adverse impact on the profitability of existing stores, either of which could have a material adverse effect on its business, financial condition and results of operations.

DSW plans to open approximately ten stores in fiscal 2010. However, DSW may not achieve its planned expansion on a timely and profitable basis or achieve results in new locations similar to those achieved in existing locations in prior periods. DSW s ability to open and operate new DSW stores on a timely and profitable basis depends on many factors, including, among others, DSW s ability to:

- identify suitable markets and sites for new store locations with financially stable co-tenants and landlords;
- negotiate favorable lease terms;
- build-out or refurbish sites on a timely and effective basis;
- obtain sufficient levels of inventory to meet the needs of new stores;
- obtain sufficient financing and capital resources or generate sufficient operating cash flows from operations to fund growth;
- open new stores at costs not significantly greater than those anticipated;
- successfully open new DSW stores in markets in which DSW currently has few or no stores;
- control the costs of other capital investments associated with store openings;
- hire, train and retain qualified managers and store personnel; and
- successfully integrate new stores into DSW s existing infrastructure, operations, management and distribution systems or adapt such infrastructure, operations and systems to accommodate DSW s growth.

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As a result, DSW may be unable to open new stores at the rates expected or at all. If DSW fails to successfully implement its growth strategy, the opening of new DSW stores could be delayed or prevented, could cost more than anticipated and could divert resources from other areas of DSW s business, any of which could have a material adverse effect on DSW s business, financial condition and results of operations.

To the extent that DSW opens new stores in its existing markets, DSW may experience reduced net sales in existing stores in those markets. As DSW s store base increases, DSW stores will become more concentrated in the markets it serves. As a result, the number of customers and financial performance of individual stores may decline and the average sales per square foot at DSW stores may be reduced. This could have a material adverse effect on DSW s business, financial condition and results of operations.

DSW has entered into Supply Agreements with Stein Mart, Gordmans and Filene s Basement. If Stein Mart, Gordmans or Filene s Basement were to terminate DSW s supply agreements, close a significant number of stores or liquidate, it could have a material adverse effect on DSW s business and financial performance.

DSW s supply agreements are typically for multiple years with automatic renewal options as long as either party does not give notice of intent not to renew. For Stein Mart, Gordmans and Filene s Basement, DSW s contractual termination dates are December 2012, January 2013 and January 2013, respectively. In addition, the agreements contain provisions that may trigger an earlier termination. For fiscal 2009, the sales from DSW s leased business segment represent approximately 9.2% of DSW s total sales. In the event of the loss of one of these leased supply agreements, it is unlikely that DSW would be able to proportionately reduce expenses to the reduction of sales.

The performance of DSW s leased departments is highly dependant on the performance of Stein Mart, Gordmans and Filene s Basement. In fiscal 2009, Filene s Basement filed for bankruptcy protection and its assets were purchased by a subsidiary of Syms Corporation, which now operates stores under the Filene s Basement name. If Stein Mart, Gordmans or Filene s Basement were to terminate DSW s supply agreements, close a significant number of stores or liquidate, it could have a material adverse effect on DSW s business and financial performance.

DSW launched dsw.com in fiscal 2008, which may not be successful and could adversely affect DSW s results of operations or distract management from DSW s core business.

DSW launched dsw.com in fiscal 2008 to sell shoes and related accessories through DSW s website. DSW has a ten-year lease agreement for space to serve as a fulfillment center for dsw.com distribution. The operation of such a business channel could distract management from DSW s core business, take business from DSW s existing store base resulting in lower sales in DSW stores or be unsuccessful. In the event that DSW s actual sales are lower than planned, DSW will likely take markdowns on inventory which will adversely affect gross margin. In the event that DSW loses focus on its core business, impacts sales in its existing store base or is unsuccessful in the operation of dsw.com, it may have a material adverse effect on DSW s business, results of operations, financial condition or result in asset impairment charges related to assets used specifically by dsw.com.

DSW relies on its good relationships with vendors to purchase better-branded merchandise at favorable prices. If these relationships were to be impaired, DSW may not be able to obtain a sufficient assortment of merchandise at attractive prices, and DSW may not be able to respond promptly to changing fashion trends, either of which could have a material adverse effect on DSW s competitive position, its business and financial performance.

DSW does not have long-term supply agreements or exclusive arrangements with any vendors and, therefore, DSW s success depends on maintaining good relationships with its vendors. DSW s growth strategy depends to a significant extent on the willingness and ability of its vendors to supply DSW with sufficient inventory to stock its stores. If DSW fails to maintain its relationships with its existing vendors or to enhance the quality of merchandise they supply DSW, and if DSW cannot maintain or acquire new vendors of in-season better-branded merchandise, DSW s ability to obtain a sufficient amount and variety of merchandise at favorable prices may be limited, which could have a negative impact on DSW s competitive position. In addition, DSW s inability to stock its DSW stores with in-season merchandise at attractive prices could result in lower net sales and decreased customer interest in DSW stores, which could adversely affect DSW s financial performance.

During fiscal 2009, merchandise supplied to DSW by three key vendors accounted for approximately 21% of DSW s net footwear sales. The loss of or a reduction in the amount of merchandise made available to DSW by any one of these vendors could have an adverse effect on DSW s business.

DSW may be unable to anticipate and respond to fashion trends and consumer preferences in the markets in which it operates, which could have a material adverse effect on DSW s business, financial condition and results of operations.

DSW s merchandising strategy is based on identifying each region s customer base and having the proper mix of products in each store to attract DSW s target customers in that region. This requires DSW to anticipate and respond to numerous and fluctuating variables in fashion trends and other conditions in the markets in which DSW stores are situated. A variety of factors will affect DSW s ability to maintain the proper mix of products in each store, including:

- variations in local economic conditions, which could affect DSW s customers discretionary spending and their price sensitivity;
- unanticipated fashion trends;
- DSW s success in developing and maintaining vendor relationships that provide DSW access to in-season merchandise at attractive prices;
- DSW s success in distributing merchandise to DSW stores in an efficient manner; and
- changes in weather patterns, which in turn affect consumer preferences.

If DSW is unable to anticipate and fulfill the merchandise needs of each region, DSW may experience decreases in its net sales and may be forced to increase markdowns in relation to slow-moving merchandise, either of which could have a material adverse effect on DSW s business, financial condition and results of operations.

DSW s operations are affected by seasonal variability.

DSW s business is subject to seasonal merchandise trends when its customers interest in new seasonal styles increases. As a result of seasonal merchandise trends, any factors negatively affecting DSW during these periods, including adverse weather, the timing and level of markdowns, fashion trends or unfavorable economic conditions, could have a material adverse effect on DSW s financial condition, operating cash flow and results of operations for the entire year.

DSW s sales and quarterly financial performance may fluctuate for a variety of reasons, which could result in a decline in the price of DSW s Class A Common Shares.

DSW s business is sensitive to customers spending patterns, which in turn are subject to prevailing regional and national economic conditions and the general level of economic activity. DSW s comparable store sales and quarterly results of operations have fluctuated in the past, and DSW expects them to continue to fluctuate in the future. A variety of other factors affect DSW s sales and quarterly financial performance, including:

- challenging U.S. economic conditions and, in particular, the retail sales environment;
- changes in DSW s merchandising strategy;
- timing and concentration of new DSW store openings and related new store and other start-up costs;
- levels of new store expenses associated with new DSW stores;
- changes in DSW s merchandise mix;
- changes in and regional variations in demographic and population characteristics;
- timing of promotional events;
- seasonal fluctuations due to weather conditions; and
- actions by DSW s competitors.

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Accordingly, DSW s results for any one fiscal quarter are not necessarily indicative of the results to be expected for any other quarter, and comparable store sales for any particular future period may decrease. DSW s future financial performance may fall below the expectations of securities analysts and investors. In that event, the price of DSW s Class A Common Shares would likely decline. For more information on DSW s quarterly results of operations, see Management s Discussion and Analysis of Financial Condition and Results of Operations.

DSW is reliant on its information systems and the loss or disruption of services could affect DSW s ability to implement its growth strategy and have a material adverse effect on DSW s business.

DSW s information systems are an integral part of its growth strategy in efficiently operating its stores, in managing the operations of a growing store base and resolving security risks related to its electronic processing and transmission of confidential customer information. The capital required to keep DSW s information systems operating at peak performance may be higher than anticipated and could strain its capital resources, management of any upgrade and DSW s ability to protect itself from any future security breaches. In addition, any significant disruption of DSW s data center could have a material adverse effect on those operations dependent on those systems, most specifically, store operations, the distribution and fulfillment centers and the merchandising team.

While DSW maintains business interruption and property insurance, in the event DSW s data center was to be shut down, DSW s insurance may not be sufficient to cover the impact to the business, or insurance proceeds may not be paid timely.

The loss or disruption of DSW s distribution and fulfillment centers could have a material adverse effect on DSW s business and operations.

For DSW stores and leased departments, the majority of DSW s inventory is shipped directly from suppliers to DSW s primary distribution center in Columbus, Ohio, where the inventory is then processed, sorted and shipped to one of DSW s pool locations located throughout the country and then on to DSW s stores. Through a third party, DSW also operates a west coast bypass where shipments bypass the primary distribution center and go directly to one of the pool locations from the west coast bypass. For dsw.com, DSW s inventory is shipped directly from DSW s fulfillment center to customers homes. DSW s operating results depend on the orderly operation of DSW s receiving and distribution process, which in turn depends on third-party vendors adherence to shipping schedules and DSW s effective management of its distribution facilities. DSW may not anticipate all the changing demands that its expanding operations will impose on its receiving and distribution system, and events beyond DSW s control, such as disruptions in operations due to catastrophic events, labor disagreements or shipping problems, may result in delays in the delivery of merchandise to DSW stores.

While DSW maintains business interruption and property insurance, in the event its distribution and fulfillment centers were to be shut down for any reason or if DSW were to incur higher costs and longer lead times in connection with a disruption at DSW s distribution and fulfillment centers, DSW insurance may not be sufficient, and insurance proceeds may not be paid timely.

DSW s failure to retain its existing senior management team and to continue to attract qualified new personnel could adversely affect DSW s business.

DSW s business requires disciplined execution at all levels of its organization to ensure that DSW continually has sufficient inventories of assorted brand name merchandise at below traditional retail prices. This execution requires an experienced and talented management team. If DSW were to lose the benefit of the experience, efforts and abilities of any of its key executive and buying personnel, DSW s business could be materially adversely affected. DSW has entered into employment agreements with several of these officers. Furthermore, DSW s ability to manage its retail expansion will require DSW to continue to train, motivate and manage its employees and to attract, motivate and retain additional qualified managerial and merchandising personnel. Competition for these types of personnel is intense, and DSW may not be successful in attracting, assimilating and retaining the personnel required to grow and operate DSW s business profitably.

DSW may be unable to compete favorably in its highly competitive market.

The retail footwear market is highly competitive with few barriers to entry. DSW competes against a diverse group of retailers, both small and large, including department stores, mall-based shoe stores, national chains, independent shoe retailers, single-brand specialty retailers, online shoe retailers, multi-channel specialty retailers and brand-oriented discounters. Some of DSW s competitors are larger and have substantially greater resources than DSW does. DSW s success depends on its ability to remain competitive with respect to style, price, brand availability and customer service. The performance of DSW s competitors, as well as a change in their pricing policies as a result of the current economic environment, marketing activities and other business strategies, could have a material adverse effect on DSW s business, financial condition, results of operations and market share.

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DSW is dependent on its DSW Rewards program to drive traffic, sales and loyalty.

DSW Rewards is a customer loyalty program that DSW relies on to drive customer traffic, sales and loyalty. DSW Rewards members earn reward certificates that offer discounts on future purchases. In fiscal 2009, shoppers in the loyalty program generated approximately 84% of DSW store and dsw.com sales versus approximately 76% of DSW store and dsw.com sales in fiscal 2008. As of January 30, 2010, approximately 13 million members enrolled in DSW Rewards have made at least one purchase over the course of the last two fiscal years, compared to approximately 10 million members as of January 31, 2009. In the event that DSW Rewards members do not continue to shop at DSW or the number of members decreases, it could have a material adverse effect on DSW sales and results of operations.

The current slowdown in the United States economy has adversely affected consumer confidence and consumer spending habits.

The current slowdown in the United States economy has adversely affected consumer confidence and consumer spending habits, which may result in reductions in customer traffic and comparable store sales in DSW s existing stores with the resultant increase in inventory levels and markdowns. Reduced sales may result in reduced operating cash flows if DSW is not able to appropriately manage inventory levels or leverage expenses. These negative economic conditions may also affect future profitability and may cause DSW to reduce the number of future store openings, impair long-lived assets or impair goodwill.

Consumer spending habits, including spending for the footwear and related accessories that DSW sells, are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, prevailing interest rates, income tax rates and policies, consumer confidence and consumer perception of economic conditions. In addition, consumer purchasing patterns may be influenced by consumers disposable income.

Consumer confidence is also affected by the domestic and international political situation. The outbreak or escalation of war, or the occurrence of terrorist acts or other hostilities in or affecting the United States, could lead to a decrease in spending by consumers. In an economic slowdown, DSW could experience lower net sales than expected on a quarterly or annual basis and be forced to delay or slow DSW s retail expansion plans.

The current economic slowdown is also impacting credit card processors and financial institutions which hold DSW s credit card receivables. DSW depends on credit card processors to obtain payments for DSW. In the event a credit card processor ceases operations or the financial institution holding DSW s funds fails, there can be no assurance that DSW would be able to access funds due to DSW on a timely basis, which could have a material adverse effect on DSW s business, financial condition, results of operations and cash flows.

DSW relies on foreign sources for its merchandise, and DSW s business is therefore subject to risks associated with international trade.

DSW purchases merchandise from domestic and foreign vendors. In addition, many of DSW s domestic vendors import a large portion of their merchandise from abroad, primarily from China, Brazil and Italy. DSW believes that almost all the merchandise it purchased during fiscal 2009 was manufactured outside the United States. For this reason, DSW faces risks inherent in purchasing from foreign suppliers, such as:

- economic and political instability in countries where these suppliers are located;
- international hostilities or acts of war or terrorism affecting the United States or foreign countries from which DSW s merchandise is sourced;
- increases in shipping costs;
- transportation delays and interruptions, including increased inspections of import shipments by domestic authorities;
- work stoppages;
- adverse fluctuations in currency exchange rates;
- U.S. laws affecting the importation of goods, including duties, tariffs and quotas and other non-tariff barriers;
- expropriation or nationalization;
- changes in local government administration and governmental policies;
- changes in import duties or quotas;
- compliance with trade and foreign tax laws; and
- local business practices, including compliance with local laws and with domestic and international labor standards.

DSW requires its vendors to operate in compliance with applicable laws and regulations and its internal requirements. However, DSW does not control its vendors or their labor and business practices. The violation of labor or other laws by one of DSW s vendors could have an adverse effect on DSW s business.

Restrictions in DSW s secured revolving credit facility could limit DSW s operational flexibility.

DSW has a $150 million secured revolving credit facility with a term expiring July 2010. Under this facility, DSW and its subsidiaries are named as co-borrowers. This facility is subject to a borrowing base restriction and provides for borrowings at variable interest rates based on the London Interbank Offered Rate, or LIBOR, the prime rate and the Federal Funds effective rate, plus a margin. DSW s obligations under its secured revolving credit facility are secured by a lien on substantially all of its and one of its subsidiary s personal property and a pledge of its shares of DSW Shoe Warehouse, Inc. In addition, the secured revolving credit facility contains usual and customary restrictive covenants relating to DSW s management and the operation of its business. These covenants, among other things, restrict DSW s ability to grant liens on its assets, incur additional indebtedness, open or close stores, pay cash dividends and redeem its stock, enter into transactions with affiliates and merge or consolidate with another entity. In addition, if at any time DSW utilizes over 90% of its borrowing capacity under this facility, DSW must comply with a fixed charge coverage ratio test set forth in the facility documents. These covenants could restrict DSW s operational flexibility, and any failure to comply with these covenants or payment obligations would limit DSW s ability to borrow under the secured revolving credit facility and, in certain circumstances, may allow the lenders thereunder to require repayment.

DSW may be unable to secure a replacement credit facility upon the termination of its existing credit facility in July 2010 or the terms of a new replacement credit facility could be materially different than the terms it has today.

DSW s current credit facility expires in July 2010. While DSW does not currently have borrowings under its credit facility, DSW had approximately $17.4 million of letters of credit outstanding as of January 30, 2010. Based upon the current credit markets, DSW may be unable to secure a replacement credit facility, or if DSW is able to secure a replacement credit facility, the terms of such credit may be materially different from DSW s current terms. Such revised terms or the price of credit could have a material adverse effect on DSW s business, financial condition or results of operations. Further, in the event DSW is unable to secure a replacement credit facility, DSW s future liquidity may be impacted, which could have a material adverse effect on DSW s financial condition and results of operations.

The investment of DSW s cash and short-term investments are subject to risks that could affect the liquidity of these investments.

As of January 30, 2010 DSW had cash and short-term investments of $289.3 million. A portion of these are held as cash in operating accounts that are with third party financial institutions. While DSW regularly monitors the cash balances in its operating accounts and adjusts the balances as appropriate to be within Federal Deposit Insurance Corporation (FDIC) insurance limits, these cash balances could be lost or inaccessible if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, DSW has experienced no loss or lack of access to its cash and equivalents.

DSW has investments in tax exempt, tax advantaged and taxable bonds, tax exempt term notes and certificates of deposit. Certain of these investments are subject to general credit, liquidity, market, and interest rate risks. To date, DSW has experienced other-than-temporary impairments of $2.9 million, excluding $0.5 million of realized gains, and $1.1 million in fiscal 2009 and 2008, respectively, related to investments in auction rate securities. DSW s investments in auction rate securities have either been sold or fully impaired and no longer represent an impairment risk.

While DSW generally invests in lower risk investments, investment risk has been and may further be exacerbated by credit and liquidity issues that have affected various sectors of the financial markets. As the financial markets have become more volatile, it has been increasingly difficult to invest in highly rated, low risk investments. DSW can provide no assurance that access to its cash and short-term investments, its earning potential or its ability to invest in highly rated, low risk investments will not be impacted by adverse conditions in the financial markets. These market risks associated with DSW s cash and short-term investments may have an adverse effect on its business, financial condition, liquidity and results of operations.

Risk Factors Relating to Our Discontinued Operations

RVI has entered into a settlement agreement with liquidating Filene s Basement addressing certain claims and providing for RVI s assumption of the liquidating Filene s Basement defined benefit pension plan.

On September 25, 2009, RVI and DSW entered into a settlement agreement with liquidating Filene s Basement and its related debtors and the Official Committee of Unsecured Creditors appointed in the Chapter 11 case for the debtors. On November 3, 2009, the settlement agreement was approved by the Bankruptcy Court for the District of Delaware. Effective as of the court s approval, under the settlement agreement, RVI s claims in respect of $52.6 million in notes receivable from liquidating Filene s Basement were released; RVI assumed the rights and obligations related to (and agreed to indemnify liquidating Filene s Basement with regard to certain matters arising out of) the liquidating Filene s Basement defined benefit pension plan; and liquidating Filene s Basement and the creditors committee agreed to allow certain general unsecured claims for amounts owed to RVI and DSW. The parties also agreed to certain provisions affecting the proper allocation of proceeds paid to RVI or liquidating Filene s Basement in connection with third party litigation and to certain provisions related to the debtors recovery from third parties that are the beneficiaries of letters of credit or hold collateral related to workers compensation claims. The settlement agreement also provides for certain mutual releases among the debtors, the creditors committee, RVI, DSW and other parties.

Although the settlement agreement provides that RVI will have certain allowed claims against the debtors, there can be no assurance as to whether RVI will ultimately recover all of the amounts in connection with these claims. A plan of reorganization of the debtors was confirmed by the court on January 26, 2010, and an initial distribution from the debtors estates of $5.8 million to RVI has been made. However, there can be no assurance as to timing or the amount of any distribution in respect of its claims (or whether RVI will recover any of the remainder of the amounts in connection with its claims). In addition, as a result of the releases provided by the settlement agreement, RVI has relinquished the right to pursue additional claims, which may include unknown or unmatured claims, against the debtors.

By assuming the liquidating Filene s Basement defined benefit pension plan, RVI has become responsible for maintaining this plan, including the cost of contributions to satisfy the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended, and the costs incident to the normal administration of the plan and any possible deficiencies in plan administration. Required annual contributions will depend in part on changes in the fair market value of plan assets, as well as changes in interest rates used in calculating the accumulated benefit obligation, and such changes may be materially adverse during periods of market instability or decline.

All of the foregoing circumstances or events could have an adverse impact on RVI s financial condition and results of operations. Risks relating to RVI s liquidity are discussed under Certain Other Risk Factors Relating to RVI in this Annual Report on Form 10-K.

Value City Department Stores has filed for bankruptcy protection and closed its remaining stores. Value City owes us approximately $7.3 million as of January 30, 2010 and there is substantial doubt that we will be able to collect any significant portion of this amount.

In January 2008, Retail Ventures announced the disposition of an 81% ownership interest in Value City. As a part of this transaction, Retail Ventures agreed to provide certain transition services to Value City. On October 26, 2008, Value City filed for bankruptcy protection and announced that it would close its remaining stores.

As of January 30, 2010, Value City owed RVI and DSW an aggregate of approximately $7.3 million for services rendered by us prior to the filing of bankruptcy. Of these unpaid amounts, we have not recognized revenue or a receivable related to those services other than a fully reserved receivable of approximately $1.0 million. We have submitted a proof of claim in the bankruptcy proceeding seeking payment in full for all amounts owed to us. However, there is substantial doubt that we will be able to collect any significant portion of this amount.

Retail Ventures is subject to various risks associated with the Value City bankruptcy proceedings.

On January 23, 2008, Retail Ventures disposed of an 81% ownership interest in its Value City Department Stores business to VCHI Acquisition Co., a newly formed entity owned by VCDS Acquisition Holdings, LLC, Emerald Capital Management LLC and Crystal Value, LLC. On October 26, 2008 Value City filed for bankruptcy and has discontinued operations. RVI may become subject to risks associated with the bankruptcy filing by Value City, if creditors whose obligations RVI has guaranteed are not paid. There are risks and uncertainties inherent in such events and RVI is unable to predict what claims may be made or the precise effect of the Value City liquidation process on RVI s operations and financial condition. RVI may also be required to record impairment charges or writeoffs as a result of any bankruptcy proceeding and to incur expenses and liabilities associated with any bankruptcy proceeding. Additionally, the Value City bankruptcy and the publicity surrounding its filing could adversely affect RVI s and its subsidiaries businesses and relationships with employees, customers and suppliers. All of the foregoing circumstances or events could have a material adverse impact on RVI s financial condition and results of operations.

On February 4, 2010, Value City began to seek approval of a disclosure statement and liquidating plan. Value City filed an amended disclosure statement and liquidating plan on March 15, 2010, which amended disclosure statement and liquidating plan were approved for solicitation purposes on March 18, 2010. In the amended disclosure statement, Value City disclosed that the Official Committee of Unsecured Creditors appointed in the Chapter 11 case for Value City is taking primary responsibility for investigating possible claims against various parties, including Retail Ventures. The amended disclosure statement also indicated that the creditors committee continues to investigate whether Retail Ventures may have overcharged Value City in connection with transition services rendered after Retail Ventures disposition of Value City to VCHI Acquisition Co., and/or before such disposition, in connection with Retail Ventures provision of overhead services to Value City, such as accounts payable, payroll, tax, human resources, insurance, and employee benefits administration, distribution, fleet, merchandising and store operations. Although no claims of this nature have been asserted against Retail Ventures to date, and Retail Ventures intends to vigorously defend itself against any such claims, no assurance can be given that such claims will not be brought or what effect such claims will have on Retail Ventures financial condition and results of operations.

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Certain Other Risk Factors Relating to RVI

Retail Ventures is a holding company and has generally relied on its subsidiaries to make payments on its indebtedness and meet its obligations.

Retail Ventures is a holding company and all our operations are conducted through our subsidiaries. Therefore, we rely on the cash flow of our subsidiaries and our cash on hand to meet our obligations, including our obligations under the PIES. The ability of our subsidiaries to distribute to Retail Ventures by way of dividends, distributions, interest or other payments (including intercompany loans) is subject to various restrictions, including restrictions imposed by the credit facilities governing our subsidiaries indebtedness, and future indebtedness may also limit or prohibit such payments. In addition, the ability of our subsidiaries to make such payments may be limited by relevant provisions of the laws of their respective jurisdictions of organization.

On January 23, 2008, we disposed of 81% of our ownership interest in the Value City subsidiary. In addition, in April of 2009 we disposed of all of the outstanding capital stock of Filene s Basement and certain related entities. As a result, to the extent cash on hand or other forms of capital generating transactions are not sufficient to meet our operating cash flow needs we may seek other sources to provide the funds necessary for operations. We do not anticipate DSW funds will be generally available for obligations at the RVI level. Even though, we could receive cash from DSW in the form of dividends, loans or otherwise DSW has indicated that it does not intend to pay dividends in the foreseeable future and RVI does not have a current arrangement for loans or other funding with DSW. DSW is a separate and distinct legal entity and has no obligation, contingent or otherwise, to distribute cash to us or to make funds available to service debt. In addition, the ability of DSW to pay dividends or make loans to us are subject to contractual limitations under certain financing agreements and laws of the state of Ohio in which DSW is organized.

Moreover, DSW will need to absorb certain costs previously paid by Value City and Filene s Basement. DSW, Filene s Basement and Value City received shared services from and through RVI, and DSW provides services to RVI and its subsidiaries. The costs associated with many of these shared services had been allocated among the entities based upon the percent of an entity s sales compared to total sales, or, in some cases, a usage based charge, although with the bankruptcy of Value City and the developments with Filene s Basement that has changed. The disposition of our interest in Value City has had an adverse effect on the ability of DSW and RVI to recover payment for such services.

We could have significant liquidity issues at the RVI level which may require us to issue additional debt or equity or to sell assets, and there can be no assurance that such transactions can be completed on favorable terms or that such transactions would satisfy all of RVI s liquidity requirements.

As noted above, RVI may seek other sources to provide substantially all of the funds necessary to make payments on our consolidated indebtedness and meet our operating cash flow needs, except to the extent RVI raises additional capital or has cash on hand. DSW, however, has stated that it anticipates that future earnings will be used principally to finance its retail expansion and thus it does not intend to pay cash dividends on its common shares in the foreseeable future. Without cash dividends or distributions of cash from DSW via loans or otherwise, we will need to obtain cash from other resources to satisfy our obligations, particularly any payment obligations arising from RVI s guarantee of obligations of Filene s Basement and Value City, expenses and any ongoing operating or other payments.

Retail Ventures continues to review its available options to the extent it may become necessary to manage and enhance its liquidity position. On January 15, 2010, Retail Ventures sold to DSW 320,000 Class B Common Shares, without par value, of DSW for an aggregate amount of $8.0 million. Proceeds from the sale will be used for general corporate purposes and continuing expenses; however, this transaction will not eliminate RVI s need to continue to review available additional options to manage and enhance its liquidity. Although RVI s plan to enhance liquidity could include, among other things, the additional sale or collateralization of shares of common stock of DSW Inc. or a sale of equity by RVI, no assurance can be given that any such transaction can be completed on favorable terms or that such a transaction would satisfy all of RVI s liquidity requirements.

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A sale of equity by RVI to seek to address our significant liquidity issues would dilute existing shareholders, which dilution could be increased by certain anti-dilution protections under existing warrants issued by RVI.

In the event that RVI issues additional RVI Common Shares (other than in a distribution or offering in which all shareholders participate pro rata), such sale would dilute the percentage equity interest of existing shareholders. In addition, certain sales of RVI Common Shares, or securities directly or indirectly convertible into or exchangeable for RVI Common Shares, will trigger provisions in RVI s outstanding warrants that protect warrant holders against dilution. As described under the heading Liquidity and Capital Resources , RVI has issued warrants to Cerberus, Millennium and Schottenstein RVI, LLC at an initial exercise price of $4.50 per RVI Common Share. Under these warrants, if the price per RVI Common Share in certain new issuances by RVI is less than the warrant exercise price, then such warrants require so-called full ratchet adjustment to the exercise price for RVI Common Shares and the number of RVI Common Shares issuable upon exercise would increase to preserve the aggregate purchase price. In addition, if the price per RVI Common Share in certain new issuances by RVI is less than the current market price (as defined by the warrants), such warrants require a weighted average adjustment to the exercise price for RVI Common Shares and the number of RVI Common Shares issuable upon exercise would increase to preserve the aggregate purchase price. If one or more of the holders of outstanding warrants determined to exercise for RVI Common Shares following such adjustments, this could result in significant dilution to existing RVI shareholders.

In addition, a sale of equity by RVI to seek to address liquidity needs and the possible exercise of outstanding warrants for RVI Common Shares following anti-dilution adjustments triggered by such sale could increase the likelihood of an ownership change within the meaning of section 382 of the Internal Revenue Code. An ownership change within the meaning of section 382 could limit RVI s use of its net operating loss carryforwards, as described under the risk factor titled Our ability to use net operating loss carryforwards to reduce future tax payments may be limited if there is a change in ownership of Retail Ventures.

We may be unable to quickly monetize our investment in DSW Common Shares.

As of January 30, 2010, Retail Ventures owned DSW Class B Common Shares representing approximately 62.4% of DSW s outstanding Common Shares and approximately 93.0% of the combined voting power of such shares (of which 11.9% of the outstanding DSW common shares have been pledged in connection with the PIES). DSW Class A Common Shares are listed on the New York Stock Exchange under the symbol DSW. Pursuant to an Exchange Agreement between RVI and DSW, DSW Class B Common Shares may be exchanged into DSW Class A Common Shares at Retail Ventures option at any time. Absent registration, DSW Common Shares held by Retail Ventures are deemed to be restricted stock, which would limit our ability to liquidate any of such shares if we chose to do so.

Pursuant to the terms of the Master Separation Agreement dated July 5, 2005 by and between Retail Ventures and DSW, DSW agreed to effect up to one demand registration per calendar year of DSW Class A Common Shares or DSW Class B Common Shares held by Retail Ventures. Our ability to liquidate DSW Common Shares on an expedited basis may be restricted due to the lead time required to register such shares with the Securities and Exchange Commission.

Our ability to use net operating loss carryforwards to reduce future tax payments may be limited if there is a change in ownership of Retail Ventures.

We have significant net operating loss carryforwards, or NOLs, and other income tax attributes available to reduce taxable income in future years. Our ability to utilize our NOLs may be limited by section 382 of the Internal Revenue Code if we undergo an ownership change as a result of changes in the ownership of our outstanding stock. An ownership change occurs if 5% shareholders of an issuer s stock, collectively, increase their ownership percentage by more than fifty percentage points within any three-year period. In the event of an ownership change, section 382 imposes an annual limitation on the amount of post-ownership change taxable income a corporation may offset with pre-ownership change NOLs. Based upon our review of the aggregate change in percentage ownership during the current testing period, we do not believe that we have experienced a change in ownership within the meaning of section 382 to date. However, such a determination is complex and there can be no assurance that the Internal Revenue Service could not successfully challenge our conclusion. Even if we have not undergone an ownership change we may not be able to engage in transactions involving the issuance of stock (such as certain capital raising transactions) without triggering an ownership change within the meaning of section 382. In addition, there are circumstances beyond our control, such as market purchases of our stock by investors who are existing 5% shareholders or become 5% shareholders as a result of such purchase, which could result in an ownership change with respect to our stock. Thus, there can be no assurance that our future actions or future actions by our stockholders will not result in the occurrence of an ownership change, which may limit our use of the NOLs and put us at risk of having to pay cash taxes notwithstanding the existence of sizeable NOLs. See Settling the PIES with DSW Class A Common Shares may result in a material amount of taxable income to Retail Ventures.

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Our stock price may fluctuate significantly.

The market price of our common shares has fluctuated significantly in the past and may likely continue to fluctuate in the future. Various factors and events have caused this fluctuation and are likely to cause the fluctuations to continue. These factors include, among others:

- developments related to DSW and fluctuations in the market price of DSW shares;
- continuing issues relating to Value City and Filene s Basement;
- transactions entered into to enhance liquidity at Retail Ventures;
- quarterly variations in actual or anticipated operating results;
- changes by securities analysts in estimates regarding Retail Ventures;
- conditions in the retail industry;
- the condition of the stock market; and
- general economic conditions.

SSC and/or its affiliates may compete directly against us.

Corporate opportunities may arise in the area of potential competitive business activities that may be attractive to SSC and/or its affiliates and RVI or DSW. SSC is under no obligation to communicate or offer any corporate opportunity to RVI or DSW. In addition, RVI and SSC and/or its affiliates have the right to engage in similar activities as RVI and DSW, do business with DSW s suppliers and customers and employ or otherwise engage any of RVI s or DSW s officers or employees. SSC and its affiliates engage in a variety of businesses, including, but not limited to, business and inventory liquidations, apparel companies and real estate acquisitions. Neither SSC nor any of its affiliates are obligated to communicate or offer any corporate opportunity to us or DSW.

Retail Ventures continues to be dependent on DSW to provide us with key services for our business.

From 1998 until the completion of its IPO, DSW was operated as a wholly-owned subsidiary of Retail Ventures. In connection with the DSW IPO, we entered into agreements with DSW related to the separation of our business operations from DSW including, among others, a master separation agreement and a shared services agreement (which was amended and restated effective October 29, 2006). The initial term of the shared services agreement expired at the end of fiscal 2007 and was automatically extended to the end of fiscal 2008 by operation of the contract. Effective March 17, 2008, we entered into a new amendment to the shared services agreement with DSW. Pursuant to the terms of the amended shared services agreement, DSW provides RVI and Filene s Basement with key services relating to risk management, tax, financial services, shared benefits administration, payroll, and information technology. We believe it is necessary for DSW to provide these services for us under the shared services agreement to facilitate the efficient operation of our business. The current term of the shared services agreement expired at the end of fiscal 2009 and was extended automatically for an additional one-year term. We expect some of these services to be provided for longer or shorter periods than the current term. Once the transition periods specified in the shared services agreement have expired and are not renewed, or if DSW does not or is unable to perform its obligations under the shared services agreement, we will be required to provide these services ourselves or to obtain substitute arrangements with third parties. We may be unable to provide these services because of financial or other constraints or be unable to timely implement substitute arrangements on terms that are favorable to us, or at all, which would have a material adverse effect on our business, financial condition, cash flow and results of operations.

We are controlled by SSC and its affiliates, whose interests may differ from our other shareholders.

As of January 30, 2010, SSC and its affiliates, in the aggregate, owned approximately 52.0% of the outstanding RVI Common Shares and beneficially owned approximately 53.6% of the outstanding RVI Common Shares (assumes the issuance of 1,731,460 Retail Ventures Common Shares issuable upon the exercise of warrants held by Schottenstein

RVI, LLC). SSC and its affiliates that own RVI Common Shares are privately held entities controlled by Jay L. Schottenstein, the Chairman of our Board of Directors, and members of his immediate family. Given their ownership interests, SSC and its affiliates will be able to control or substantially influence the outcome of all matters submitted to our shareholders for approval including the election of directors, mergers or other business combinations, and acquisitions or dispositions of assets. The interests of SSC and its affiliates may differ from or be opposed to the interests of our other shareholders, and its control may have the effect of delaying or preventing a change in control that may be favored by other shareholders.

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Some of our directors and officers also serve as directors or officers of DSW, or may have conflicts of interest because they may own DSW Common Shares or options to purchase DSW Common Shares, or they may receive cash-based or equity-based awards based on the performance of DSW.

Some of our directors and officers also serve as directors or officers of DSW or may own DSW Common Shares or options to purchase DSW Common Shares, or they may be entitled to participate in the DSW incentive plans. Jay L. Schottenstein is our Chairman of the Board of Directors and Chairman of the Board of Directors of DSW; Harvey L. Sonnenberg is a director of Retail Ventures and of DSW; Julia A. Davis is our Executive Vice President, General Counsel and Secretary, and previously served as Executive Vice President, General Counsel and Secretary of DSW until April 10, 2006; and James A. McGrady is our Chief Executive Officer, President, Chief Financial Officer and Treasurer and is a Vice President of DSW. DSW s incentive plans provide cash-based and equity-based compensation to employees based on DSW s performance. These employment arrangements and ownership interests or cash-based or equity-based awards could create, or appear to create, potential conflicts of interest when directors or officers who own DSW Common Shares or stock options or who participate in the DSW incentive plans are faced with decisions that could have different implications for DSW than they do for us. These potential conflicts of interest may not be resolved in our favor.

Risk Factors Relating to Our PIES

PIES holders bear the full risk of a decline in the market price of the DSW Class A Common Shares between the pricing date for the PIES and the exchange date.

The number of DSW Class A Common Shares (or, if we elect, the cash value thereof) that the PIES holders will receive upon exchange is not fixed, but instead will depend on the applicable market value, which is the average of the volume weighted average prices of DSW Class A Common Shares during the 20 consecutive trading day period ending on the third trading day immediately preceding the exchange date (or, if exchange is accelerated as a result of a cash merger or an event of default, during the 10 consecutive trading day period ending on the trading day immediately preceding the effective date of the cash merger or the date of acceleration, respectively). The aggregate market value of the DSW Class A Common Shares (or, the cash value thereof) deliverable upon exchange may be less than the principal amount of the PIES. Specifically, if the applicable market value of the DSW Class A Common Shares is less than $27.41, the aggregate market value of the DSW Class A Common Shares deliverable upon exchange will be less than $50.00, and the holders investment in the PIES will result in a loss. Accordingly, the PIES holders will bear the full risk of a decline in the market price of the DSW Class A Common Shares. Any such decline could be substantial.

The opportunity for equity appreciation provided by an investment in the PIES is less than that provided by a direct investment in DSW Class A Common Shares.

The aggregate market value of the DSW Class A Common Shares the PIES holders receive on the exchange date (or, if we elect, the cash value thereof) will only exceed the principal amount of the PIES if the applicable market value of the DSW Class A Common Shares exceeds the threshold appreciation price of $34.95, which represents an appreciation of 27.50% over the initial price of $27.41.

In this event, the PIES holders would receive on the exchange date 78.43% (which percentage is equal to the initial price of the DSW Class A Common Shares divided by the threshold appreciation price) of the value of the DSW Class A Common Shares that they would have received if they had made a direct investment in DSW Class A Common Shares. In addition, if the market value of DSW Class A Common Shares appreciates and the applicable market value is greater than the initial price but less than the threshold appreciation price, the aggregate market value of the DSW Class A Common Shares deliverable upon exchange would be only equal to the principal amount of the PIES and the PIES holders will realize no equity appreciation of the DSW Class A Common Shares.

The market price of the DSW Class A Common Shares, which may fluctuate significantly, may adversely affect the market price of the PIES.

We expect that generally the market price of DSW Class A Common Shares will affect the market price of the PIES more than any other single factor. The market price of the DSW Class A Common Shares will, in turn, be influenced by the operating results and prospects of DSW, by economic, financial and other factors and by general market conditions, including, among others:

- developments related to DSW;
- quarterly variations in DSW s actual or anticipated operating results;
- changes by securities analysts in estimates regarding DSW;
- conditions in the retail industry;
- the condition of the stock market;
- general economic conditions; and
- sales of DSW s Common Shares by its existing shareholders, including Retail Ventures, or holders of rights to purchase DSW Common Shares.

We expect that the market price of the PIES will be influenced by interest and yield rates in the capital markets, the dividend rate, if any, on DSW Class A Common Shares, the time remaining to the maturity of the PIES, our creditworthiness and the occurrence of certain events affecting DSW that do not require an adjustment to the exchange ratio. Fluctuations in interest rates in particular could, in turn, affect the market prices of the PIES and the DSW Class A Common Shares.

The PIES may adversely affect the market price for DSW Class A Common Shares.

The market price of the DSW Class A Common Shares is likely to be influenced by the PIES. For example, the market price of the DSW Class A Common Shares could become more volatile and could be depressed by (a) investors anticipation of the potential resale in the market of a substantial number of additional DSW Class A Common Shares received upon exchange of the PIES, (b) possible sales of DSW Class A Common Shares by investors who view the PIES as a more attractive means of equity participation in DSW than owning DSW Class A Common Shares and (c) hedging or arbitrage trading activity that may develop involving the PIES and DSW Class A Common Shares.

The adjustments to the exchange ratio do not cover all the events that could adversely affect the market price of the DSW Class A Common Shares.

The number of DSW Class A Common Shares that the PIES holders are entitled to receive on the exchange date (or, if we elect, the cash value thereof) is subject to adjustment for certain stock splits, stock combinations, stock dividends and certain other actions by DSW that modify its capital structure. However, other events, such as offerings by DSW of DSW Class A Common Shares for cash or in connection with acquisitions, which may adversely affect the market price of DSW Class A Common Shares, may not result in an adjustment. If any of these other events adversely affects the market price of DSW Class A Common Shares, it may also adversely affect the market price of the PIES.

PIES holders have no rights with respect to DSW Class A Common Shares, but may be negatively affected by some changes made with respect to DSW Class A Common Shares.

Until the PIES holders acquire DSW Class A Common Shares upon exchange of the PIES, they have no rights with respect to the DSW Class A Common Shares (including, without limitation, voting rights, rights to respond to tender offers or rights to receive any dividends or other distributions on the DSW Class A Common Shares, if any (other than through an exchange adjustment)) prior to the exchange date, but their investment may be negatively affected by these events. PIES holders will be entitled to rights with respect to the DSW Class A Common Shares only after we deliver the DSW Class A Common Shares on the exchange date and only if the applicable record date, if any, for the exercise of a particular right occurs after the date the holders receive the shares. For example, in the event that an amendment is proposed to the amended articles of incorporation or the amended and restated regulations of DSW requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of the DSW Class A Common Shares, PIES holders will not be entitled to vote on the amendment, although they will nevertheless be subject to any changes in the powers, preferences or special rights of the DSW Class A Common Shares. If we elect to deliver only cash upon the exchange of the PIES, the holders will never be able to exercise any rights with respect to the DSW Class A Common Shares.

Our obligations under the PIES are effectively junior to our other existing and future secured debt to the extent of the value of the assets securing that debt and effectively subordinate to the debt and other liabilities of our subsidiaries.

The PIES are effectively junior to our other existing and future secured debt to the extent of the value of the assets securing that debt, and effectively subordinate to the debt and other liabilities, including trade payables and preferred stock, if any, of our subsidiaries. Substantially all of our operations are conducted through our DSW subsidiary. We pledged sufficient DSW Common Shares to the collateral agent for the PIES to enable us to satisfy our obligations to deliver DSW Class A Common Shares upon exchange of the PIES, and sufficient DSW Common Shares will continue to be subject to liens and/or contractual obligations to enable us to satisfy our obligations to the warrantholders to deliver DSW Class A Common Shares upon exercise of the warrants. In addition, claims of unsecured creditors of DSW, including trade creditors, and claims of preferred shareholders, if any, of DSW will have priority with respect to the assets and earnings of such subsidiaries over the claims of creditors of Retail Ventures, including holders of the PIES. The PIES, therefore, are effectively subordinated to creditors, including trade creditors, and preferred shareholders, if any, of our subsidiaries.

The tax consequences of an investment in the PIES are uncertain.

Investors should consider the tax consequences of investing in the PIES. No statutory, judicial or administrative authority directly addresses the characterization of the PIES or instruments similar to the PIES for United States federal income tax purposes. As a result, significant aspects of the United States federal income tax consequences of an investment in the PIES are not certain. We are not requesting any ruling from the Internal Revenue Service with respect to the PIES and cannot assure PIES holders that the Internal Revenue Service will agree with the anticipated treatment. We intend to treat, and by purchasing a PIES, for all purposes PIES holders agree to treat, a PIES as a variable prepaid forward contract rather than as a debt instrument. We intend to report the coupon payments as ordinary income to PIES holders, but holders should consult their own tax advisor concerning the alternative characterizations.

Holders of the PIES are urged to consult their own tax advisor regarding all aspects of the United States federal income tax consequences of investing in the PIES, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

Settling the PIES with DSW Class A Common Shares may result in a material amount of taxable income to Retail Ventures.

If we settle the PIES with DSW Class A Common Shares, it may result in a material amount of taxable income to Retail Ventures. We believe that this will not result in a material amount of cash taxes payable by Retail Ventures as a result of net operating loss carryforwards; however, there can be no assurance that the settlement of the PIES would not result in a material amount of cash taxes payable by Retail Ventures. See Our ability to use net operating loss carryforwards to reduce future tax payments may be limited if there is a change in ownership of Retail Ventures.

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In the event of our bankruptcy, the principal amount of the PIES would not represent a debt claim against us.
Certain events of bankruptcy, insolvency or reorganization relating to us or our significant subsidiaries constitute automatic acceleration events that lead to the PIES becoming immediately due for exchange into DSW Class A Common Shares. In such event, although the accrued and unpaid coupons and yield maintenance premium would be due and payable in cash (or, at our election and in accordance with the indenture and collateral agreement for the PIES, in DSW Class A Common Shares), the principal amount of the PIES would not represent a debt claim against us. In addition, while the delivery of DSW Class A Common Shares and cash or DSW Class A Common Shares in payment of the accrued and unpaid coupons and yield maintenance premium will occur, to the extent permitted by law, as soon as practicable, there may be a delay.

DSW has no obligations with respect to the PIES and does not have to consider PIES holders interests for any reason.
DSW has no obligations with respect to the PIES. Accordingly, DSW is not under any obligation to take the PIES holders interests or Retail Ventures interests with respect to the PIES into consideration for any reason. DSW did not receive any of the proceeds of the PIES offering and did not participate in the determination of the quantities or prices of the PIES or the determination or calculation of the number of shares (or, if Retail Ventures elects, the cash value thereof) that the PIES holders will receive at maturity. DSW is not involved with the administration or trading of the PIES.

PIES holders should carefully consider the risk factors relating to DSW.
Holders of the PIES should carefully consider the information contained under the heading Risk Factors Relating to DSW in this Annual Report on Form 10-K as well as factors disclosed under the caption Risk Factors in DSW s 2009 Annual Report on Form 10-K and other periodic reports. The DSW prospectus and periodic reports do not constitute a part of this Annual Report on Form 10-K, nor are they incorporated into any of RVI s periodic reports by reference.

In the event that we or certain of our subsidiaries commence any proceeding seeking liquidation, reorganization or similar relief under any bankruptcy law, we may suffer material adverse effects on our business as a result of the acceleration of our obligations under the PIES.
Certain events of bankruptcy, insolvency or reorganization relating to us or our significant subsidiaries constitute automatic acceleration events that lead to the PIES becoming immediately due for exchange into DSW Class A Common Shares. The maximum aggregate number of DSW Class A Common Shares deliverable upon exchange of the PIES is 5,244,575 DSW Class A Common Shares, subject to adjustment as provided in the PIES. For example, if RVI or a significant subsidiary commences a proceeding seeking liquidation, reorganization or similar relief under any bankruptcy law, or fails generally to pay its debts as they become due, our obligations under the PIES will automatically accelerate. In such event, in addition to the PIES becoming due for exchange, the accrued and unpaid coupons and yield maintenance premium (collectively yield maintenance premium) would also be due and payable in cash, the amount of which varies depending on when the acceleration occurs, but is currently estimated to be $14.1 million. However, in lieu of paying cash, at our election and in accordance with the indenture and collateral agreement for the PIES, this amount could be payable in additional DSW Class A Common Shares. The number of DSW Class A Common Shares deliverable to holders, in respect of the principal amount of the PIES and, if we were to so elect, the accrued and unpaid coupons and yield maintenance premium, would be calculated based on the volume weighted average market price of the DSW Class A Common Shares during the 10 consecutive trading days prior to the acceleration. PIES holders would bear the entire risk of a decline in the market price of the DSW Class A Common Shares so deliverable. At the market price of DSW Class A Common Shares as of the date hereof, the maximum number of DSW Class A Common Shares deliverable under the indenture in exchange for the principal amount of the PIES would be deliverable. Upon any acceleration of our obligations under the PIES, we would lose the opportunity to benefit from any appreciation in the value of DSW Class A Shares delivered to the holders of the PIES and, if the yield maintenance premium were paid in cash, such payment would materially adversely affect our liquidity.

ITEM 1B. UNRESOLVED STAFF COMMENTS.
None.

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ITEM 2. PROPERTIES.

As of January 30, 2010, we operated 305 DSW stores in 39 states in the United States. The following table shows the number of our DSW stores by state.

Alabama	2
Arizona	6
Arkansas	1
California	31
Colorado	10
Connecticut	3
Delaware	1
Florida	22
Georgia	14
Illinois	15
Indiana	7
Iowa	1
Kansas	2
Kentucky	3
Louisiana	2
Maine	1
Maryland	10
Massachusetts	12
Michigan	14
Minnesota	8
Mississippi	1
Missouri	4
Nebraska	2
Nevada	3
New Hampshire	1
New Jersey	10
New York	18
North Carolina	6
Ohio	14
Oklahoma	2
Oregon	3
Pennsylvania	15
Rhode Island	1
Tennessee	5
Texas	30
Utah	3
Virginia	13
Washington	5
Wisconsin	4
Total	305

The Company s primary distribution facility, principal executive offices and dsw.com fulfillment center are located in Columbus, Ohio leased by DSW.

All DSW stores, distribution and fulfillment centers, a trailer parking lot and our office facilities are leased or subleased. As of January 30, 2010, the Company leased or subleased 19 store locations, the corporate office, the primary distribution center, a trailer parking lot and the dsw.com fulfillment center from entities affiliated with SSC. The remaining stores are leased from unrelated entities. Most of the store leases provide for a minimum annual rent plus a percentage of gross sales over specified breakpoints and for a fixed term with options for three to five extension periods, each of which is for a period of four of five years, exercisable at our option.

ITEM 3. LEGAL PROCEEDINGS.

The Company is involved in various legal proceedings that are incidental to the conduct of its business. The Company estimates the range of liability related to pending litigation where the amount of the range of loss can be estimated. The Company records its best estimate of a loss when the loss is considered probable. Where a liability is probable and there is a range of estimated loss, the Company records the most likely estimated liability related to the claim. In the opinion of management, the amount of any potential liability with respect to these proceedings will not be material to the Company s results of operations or financial condition, except as set forth in the last three sentences of this paragraph. As additional information becomes available, the Company will assess the potential liability related to its pending litigation and revise the estimates as needed. Revisions in its estimates and potential liability could materially impact the Company s results of operations and financial condition. See Certain Liquidity Issues of RVI in Item 7 of this Annual Report on Form 10-K.

ITEM 4. RESERVED.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our Common Shares are listed for trading under the ticker symbol RVI on the New York Stock Exchange. The following table sets forth the high and low sales prices of our Common Shares as reported on the NYSE Composite Tape during the periods indicated. As of March 31, 2010, there were 627 holders of record of our Common Shares.

	High	Low
Fiscal 2008:		
First Quarter	$ 7.46	$ 3.77
Second Quarter	5.58	3.29
Third Quarter	5.17	1.35
Fourth Quarter	3.53	0.90
Fiscal 2009:		
First Quarter	$ 2.98	$ 1.45
Second Quarter	3.68	2.14
Third Quarter	7.43	3.10
Fourth Quarter	9.66	5.94

Retail Ventures made no purchases of its Common Shares during the fourth quarter of the 2009 fiscal year.

We have paid no cash dividends in the two most recent fiscal years and we do not anticipate paying cash dividends on our Common Shares during fiscal 2010. Presently we expect that all of DSW s future earnings will be retained for development of its businesses while all of RVI s future earnings will be used for general corporate purposes and continuing expenses. The payment of any future dividends will be at the discretion of our Board of Directors and will depend upon, among other things, future earnings, operations, capital requirements, our general financial condition and general business conditions. DSW s credit facilities restricts the payment of dividends, other than dividends paid in stock of the issuer or paid to another affiliate. Cash dividends can only be paid to the Company by DSW up to the aggregate amount of $5.0 million less the amount of any loans made to the Company by any subsidiaries. DSW s credit facilities are more fully explained within the Liquidity and Capital Resources discussion in Item 7 of this Annual Report on Form 10-K.

In January 2010, DSW amended its credit facility to be able to repurchase Class B Common Shares from RVI. This amendment allows DSW to repurchase up to $10 million in both the fourth quarter of fiscal 2009 and the first quarter of fiscal 2010 provided that DSW is not in default and that its cash balance remains greater than $200 million. On January 15, 2010, DSW entered into a share purchase agreement with RVI pursuant to which RVI sold DSW 320,000 Class B Common Shares for an aggregate amount of $8.0 million.

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PERFORMANCE GRAPH

The following graph sets forth the Company s total cumulative shareholder return as compared to the Russell 2000, the S&P Merchandise Stores (collectively Former Peer Groups), the S&P Midcap 400 Index and the S&P Retailing Index. Due to dispositions over the past years of businesses in our organization and in an effort to select companies more similar to RVI s present operations both in terms of the line of business and the size of the companies, RVI has changed its industry peer group index. Accordingly, for the fiscal year ended January 30, 2010, we are replacing the Former Peer Groups with the S&P Midcap 400 and the S&P Retailing Index.

The comparison of the cumulative total returns for each investment assumes that $100 was invested on January 29, 2005, and that all dividends earned on such investment were reinvested.

Company / Index	**1/29/05**	**1/28/06**	**2/3/07**	**2/2/08**	**1/31/09**	**1/30/10**
RETAIL VENTURES, INC.	$ 100.00	$ 192.59	$ 305.45	$ 107.41	$ 36.16	$ 125.26
RUSSELL 2000	$ 100.00	$ 120.86	$ 135.19	$ 123.50	$ 76.16	$ 104.96
S&P 500 GENERAL MERCHANDISE STORES	$ 100.00	$ 104.37	$ 122.77	$ 111.53	$ 67.71	$ 109.33
S&P MIDCAP 400 INDEX	$ 100.00	$ 123.18	$ 135.57	$ 134.06	$ 82.57	$ 118.37
S&P 500 RETAILING INDEX	$ 100.00	$ 108.79	$ 125.23	$ 102.21	$ 63.66	$ 99.02

ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth for the periods indicated various selected financial information. Such selected consolidated financial data should be read in conjunction with the consolidated financial statements of Retail Ventures, including the notes thereto, set forth in Item 8 of this Annual Report on Form 10-K and Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 7 of this Annual Report on Form 10-K. As a result of RVI s disposition of Filene s Basement during fiscal 2009, the results of Filene s Basement operations are included in discontinued operations. As a result of RVI s disposition of an 81% ownership interest in its Value City business during fiscal 2007, the results of the Value City operations are also included in discontinued operations.

	For the Fiscal Year Ended[1]				
	January 30, 2010	January 31, 2009	February 2, 2008	February 3, 2007	January 28, 2006
	(dollars in thousands, except per share amounts and net sales per selling square foot)				
Net sales	$ 1,602,605	$ 1,462,944	$ 1,405,615	$ 1,279,060	$ 1,144,061
Gross profit	$ 712,140	$ 621,351	$ 583,768	$ 550,699	$ 484,833
Operating profit before change in fair value of derivative instruments[2]	$ 26,655	$ 42,813	$ 81,321	$ 100,714	$ 70,112
Change in fair value of derivative instruments	$ (66,499)	$ 85,235	$ 248,193	$ (175,955)	$ (144,209)
Operating (loss) profit	$ (39,844)	$ 128,048	$ 329,514	$ (75,241)	$ (74,097)
(Loss) income from continuing operations	$ (65,610)	$ 109,180	$ 261,846	$ (98,714)	$ (109,215)
Income (loss) from discontinued operations, net of tax	$ 59,880	$ (48,379)	$ (190,525)	$ (28,033)	$ (67,202)
Net (loss) income attributable to Retail Ventures, Inc.	$ (26,091)	$ 50,841	$ 51,442	$ (150,913)	$ (183,418)
Basic (loss) earnings per share from continuing operations attributable to Retail Ventures, Inc. common shareholders	$ (1.76)	$ 2.04	$ 5.02	$ (2.73)	$ (3.01)
Diluted (loss) earnings per share from continuing operations attributable to Retail Ventures, Inc. common shareholders fiscal 2008 and 2007 restated	$ (1.76)	$ 1.28	$ 1.54	$ (2.73)	$ (3.01)
Basic earnings (loss) per share from discontinued operations attributable to Retail Ventures, Inc. common shareholders	$ 1.23	$ (0.99)	$ (3.96)	$ (0.62)	$ (1.74)
Diluted earnings (loss) per share from discontinued operations attributable to Retail Ventures, Inc. common shareholders	$ 1.23	$ (0.98)	$ (3.35)	$ (0.62)	$ (1.74)
Basic (loss) earnings per share attributable to Retail Ventures,	$ (0.53)	$ 1.04	$ 1.07	$ (3.35)	$ (4.75)

Inc. common shareholders										
Diluted (loss) earnings per share attributable to Retail Ventures, Inc. common shareholders fiscal 2008 and 2007 restated	$	(0.53)	$	0.30	$	(1.82)	$	(3.35)	$	(4.75)
Total assets	$	903,465	$	953,762	$	951,966	$	1,301,658	$	1,175,154
Working capital	$	369,204	$	307,776	$	295,862	$	274,439	$	147,746
Current ratio		2.43		2.20		1.98		1.45		1.25
Long-term obligations, continuing operations	$	129,757	$	127,576	$	135,293	$	133,053	$	49,678
Number of DSW Stores:(3)		305		298		259		223		199
DSW net sales per average gross square foot(4)	$	203	$	196	$	212	$	218	$	217
DSW comparable store sales change(5)		3.2%		(5.9)%		(0.8)%		2.5%		5.4%

(1) Fiscal year ended February 3, 2007 consists of 53 weeks. All other years reported consist of 52 weeks.

(2) The Company believes that the non-cash change in fair value of derivative instruments is not directly related to its retail operations and is therefore providing supplemental adjusted results that exclude this item. This financial measure should facilitate analysis by investors and others who follow the Company s financial performance.

(3) Includes all DSW stores operating at the end of the fiscal year.

(4) Presented in whole dollars and excludes leased departments. Average gross square footage represents the monthly average of square feet for DSW stores only for each period presented and consequently reflects the

effect of opening stores in different months throughout the period. Net sales per average gross square foot is the result of dividing net sales for DSW stores only for the period presented, by average gross square footage.

(5) Comparable DSW stores and comparable leased departments are those units that have been in operation for at least 14 months at the beginning of the fiscal year. Stores or leased departments are added to the comparable base at the beginning of the year and are dropped for comparative purposes in the quarter that they are closed.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This management s discussion and analysis of financial condition and results of operations (Management s Discussion and Analysis) contains forward-looking statements that involve risks and uncertainties. Please see Cautionary Statement Regarding Forward-Looking Information for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995 on page 3 of this Annual Report on Form 10-K for a discussion of the uncertainties, risks and assumptions associated with these statements. You should read the following discussion in conjunction with our historical consolidated financial statements and the notes thereto appearing elsewhere in this Annual Report on Form 10-K. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those listed under Risk Factors and included elsewhere in this Annual Report on Form 10-K.

OVERVIEW

Retail Ventures is a holding company and all our operations are conducted through our subsidiaries. RVI has no net sales on a standalone basis and RVI also does not have any credit facilities under which it can borrow funds. Retail Ventures has two operating segments: DSW and Corporate as of January 30, 2010. DSW is a leading U. S. branded footwear specialty retailer operating 305 shoe stores in 39 states as of January 30, 2010. DSW offers a wide assortment of better-branded merchandise. DSW s typical customers are brand-, value-, quality- and style-conscious shoppers who have a passion for footwear and accessories. The Corporate segment consists of all corporate assets, liabilities and expenses that are not allocated to the DSW segment, debt-related expenses and income on investments.

On July 5, 2005, DSW completed an initial public offering (IPO) of 16,171,875 Class A Common Shares sold at a price to the public of $19.00 per share and raising net proceeds of $285.8 million, net of the underwriters commission and before expenses of approximately $7.8 million. Associated with this transaction, a deferred tax liability of $65.5 million was recorded. As of January 30, 2010, Retail Ventures owned Class B Common Shares of DSW representing approximately 62.4% of DSW s outstanding Common Shares and approximately 93.0% of the combined voting power of such shares. DSW is a controlled subsidiary of Retail Ventures and its Class A Common Shares are traded on the New York Stock Exchange under the symbol DSW. Retail Ventures accounted for the sale of DSW as a capital transaction.

On January 23, 2008, Retail Ventures disposed of an 81% ownership interest in its Value City Department Stores (Value City) business to VCHI Acquisition Co., a newly formed entity owned by VCDS Acquisition Holdings, LLC, Emerald Capital Management LLC and Crystal Value, LLC. Retail Ventures received no net cash proceeds from the sale, paid a fee of $0.5 million to the purchaser, and recognized an after-tax loss of $67.3 million on the transaction as of January 30, 2010. As part of the transaction, Retail Ventures, Inc. issued warrants to VCHI Acquisition Co. to purchase 150,000 RVI Common Shares, at an exercise price of $10.00 per share, and exercisable within 18 months of January 23, 2008. The warrants expired in June 2009. To facilitate the change in ownership and operation of Value City Department Stores, Retail Ventures agreed to provide or arrange for the provision of certain transition services principally related to information technology, finance and human resources to Value City Department Stores for a period of one year unless otherwise extended by both parties. On October 26, 2008, Value City filed for bankruptcy protection and announced that it would close its remaining stores. The Company negotiated an agreement with Value City to continue to provide services post bankruptcy filing, including risk management, financial services, benefits administration, payroll and information technology services, in exchange for a weekly payment.

On April 21, 2009, Retail Ventures disposed of Filene s Basement, Inc. and certain related entities to FB II Acquisition Corp., a newly formed entity owned by Buxbaum Holdings, Inc. (Buxbaum). Retail Ventures did not realize any cash proceeds from this transaction, agreed to pay a fee of $1.3 million to Buxbaum, of which $1.0 million has been paid through January 30, 2010, and has reimbursed $0.4 million of Buxbaum s costs associated with the transaction. Retail Ventures has also agreed to indemnify Buxbaum, FB II Acquisition Corp. and their owners against certain liabilities. Retail Ventures has recognized an after-tax gain of $81.9 million on the transaction as of January 30, 2010. On May 4, 2009, Filene s Basement filed for bankruptcy protection. On June 18, 2009, following bankruptcy court approval, SYL LLC, a subsidiary of Syms Corp (Syms), purchased certain assets of Filene s Basement. All references to liquidating

Filene s Basement refer to the debtor, formerly known as Filene s Basement Inc., and its debtor subsidiaries remaining after the asset purchase by a subsidiary of Syms. All references to New Filene s Basement refer to the stores operated by Syms. The Company negotiated with Syms to provide transition services in exchange for payment. As of January 30, 2010, the Company is still providing transition services to Syms. On September 25, 2009, RVI and DSW entered into a settlement agreement with liquidating Filene s Basement and its related debtors and the Official Committee of Unsecured Creditors appointed in the Chapter 11 case for the debtors. On November 3, 2009, the settlement agreement was approved by the Bankruptcy Court for the District of Delaware. As a result of the court s approval of the settlement agreement, RVI s claims in respect of $52.6 million in notes receivable from liquidating Filene s Basement were released; RVI assumed the rights and obligations related to (and agreed to indemnify liquidating Filene s Basement with regard to certain matters arising out of) the liquidating Filene s Basement defined benefit pension plan; and liquidating Filene s Basement and the creditors committee agreed to allow RVI certain general unsecured claims representing (i) $6.36 million for amounts paid on account of guarantees provided by RVI to certain factors of liquidating Filene s Basement; (ii) $3.0 million for amounts owed by liquidating Filene s Basement to RVI for inventory purchased for liquidating Filene s Basement prior to April 21, 2009; (iii) $2.3 million attributable to a negotiated settlement of amounts paid on account of guarantees provided by RVI to landlords of liquidating Filene s Basement, amounts paid or required to be paid by RVI in connection with certain litigation to which RVI and liquidating Filene s Basement are both parties and any additional amounts that may be owed by liquidating Filene s Basement to RVI. DSW s allowed general unsecured claim under the settlement agreement is $0.5 million. The parties also agreed to certain provisions affecting the proper allocation of proceeds paid to RVI or liquidating Filene s Basement in connection with specified third party litigation and to certain provisions related to the debtors recovery from third parties that are the beneficiaries of letters of credit or hold collateral related to workers compensation claims. The settlement agreement also provides for certain mutual releases among the debtors, the creditors committee, RVI, DSW and other parties.

We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. The discussion also provides information about the financial results of the various segments of our business to provide a better understanding of how those segments and their results affect the financial condition and results of operations of the Company as a whole. This discussion should be read in conjunction with our financial statements and accompanying notes included in this Annual Report on Form 10-K.

Key Financial Measures

In evaluating the results of operations, our management refers to a number of key financial and non-financial measures relating to the performance of our business. Among our key financial measures are net sales, operating profit, and net income. Non-financial measures that we use in evaluating our performance include number of stores and leased departments, net sales per average gross square foot for our stores and change in comparable store sales. Comparable store sales is a measure which indicates the performance of our existing stores by measuring the growth in sales for such stores for a particular period over the corresponding period in the prior year. For fiscal 2009 and prior years, we considered comparable store sales to be sales at stores and leased departments that have been in operation for at least 14 months at the beginning of the fiscal year. Stores and leased departments are excluded from the comparison in the quarter they close. Stores that are remodeled or relocated are excluded from the comparison if there is a material change in the size of the store or the location. Comparable store sales are also referred to as comp-store sales by others within the retail industry. The method of calculating comparable store sales varies across the retail industry. As a result, our calculation of comparable store sales may not necessarily be comparable to similarly titled measures reported by other companies.

CRITICAL ACCOUNTING POLICIES

Management s Discussion and Analysis discusses the results of operations and financial condition as reflected in our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles, or GAAP. As discussed in Note 1 to our consolidated financial statements, the preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including, but not limited to, those related to inventory valuation, depreciation, amortization, recoverability of long-lived assets including intangible assets, the calculation of retirement benefits, estimates for self-insurance reserves for health and welfare, workers compensation and casualty insurance, income taxes, contingencies and litigation. Management bases its estimates and judgments on its historical experience and other relevant factors, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The process of determining significant estimates is fact specific and takes into account factors such as historical experience, current and expected economic conditions, product mix, and in some cases, actuarial and appraisal techniques. We constantly re-evaluate these significant factors and make adjustments where facts and circumstances dictate.

While we believe that our historical experience and other factors considered provide a meaningful basis for the accounting policies applied in the preparation of the consolidated financial statements, we cannot guarantee that our estimates and assumptions will be accurate. As the determination of these estimates requires the exercise of judgment, actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

We believe th