

RETAIL VENTURES INC

Form DEF 14A

May 16, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)**

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to §240.14a-12

Retail Ventures, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**RETAIL VENTURES, INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD
JUNE 15, 2006
AND
PROXY STATEMENT
IMPORTANT**

Please complete, sign and date your proxy and promptly return it in the enclosed envelope. No postage is necessary if mailed in the United States.

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RETAIL VENTURES, INC.
3241 Westerville Road
Columbus, Ohio 43224
(614) 471-4722

May 17, 2006

To the Shareholders of Retail Ventures, Inc.:

Notice is hereby given that the 2006 Annual Meeting of Shareholders of Retail Ventures, Inc. will be held at The Pierre Hotel, 2 East 61st Street, New York, New York 10021, on Thursday, June 15, 2006, at 10:00 a.m. Eastern Daylight Savings Time, for the following purposes, all of which are more completely set forth in the accompanying proxy statement:

1. To elect nine directors, each for a term of one year and until their successors are duly elected and qualified.

2. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on May 12, 2006, are entitled to notice of and to vote at the Annual Meeting of Shareholders.

By Order of the Board of Directors,

/s/ James A. McGrady

James A. McGrady
Executive Vice President, Chief Financial
Officer, Treasurer and Secretary

YOUR VOTE IS IMPORTANT

You are urged to date, sign and promptly return the enclosed form of proxy in the enclosed envelope to which no postage need be affixed if mailed in the United States. Voting your shares by the enclosed proxy does not affect your right to vote in person in the event you attend the meeting. You are cordially invited to attend the meeting. If you attend, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy.

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RETAIL VENTURES, INC.
3241 Westerville Road
Columbus, Ohio 43224
(614) 471-4722

PROXY STATEMENT

The enclosed proxy is being solicited on behalf of the Board of Directors of Retail Ventures, Inc. for use at the Annual Meeting of Shareholders to be held at 10:00 a.m., Eastern Daylight Savings Time, on Thursday, June 15, 2006, and any postponements or adjournments thereof (the Annual Meeting). Unless the context indicates otherwise, all references in this Proxy Statement to Retail Ventures, RVI, our, or the Company refer to Retail Ventures, Inc. This proxy statement, including the Notice of Meeting and the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2006 (the 2005 fiscal year) was first mailed to shareholders on May 17, 2006.

Only shareholders of record at the close of business on May 12, 2006 are entitled to notice of and to vote at the Annual Meeting. The total number of outstanding common shares entitled to vote at the Annual Meeting is 44,902,776. Each shareholder is entitled to one vote for each share held.

Without affecting any vote previously taken, the proxy may be revoked by the shareholder by giving a written notice of revocation to the Company at Retail Ventures, Inc., 3241 Westerville Road, Columbus, Ohio 43224, Attention James A. McGrady, Secretary. A shareholder may also change his or her vote by executing and returning to the Company a later-dated proxy or by giving notice of revocation in open meeting.

All properly executed proxies received by the Board of Directors will be voted as directed by the shareholder. All properly executed proxies received by the Board of Directors which do not specify how shares should be voted will be voted **FOR** the election as directors of the nominees listed below under the caption Election of Directors and in the discretion of the proxies on any other business properly brought before the Annual Meeting.

The presence, in person or by proxy, of a majority of the outstanding common shares is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum. Broker non-votes occur when brokers who hold their customers' shares in street name sign and submit proxies for such shares and vote such shares on some matters, but not others. This would occur when brokers have not received any instructions from their customers, in which case the brokers, as the holders of record, are permitted to vote on routine matters, which includes the election of directors. Solicitation of proxies may be made by mail, personal interview and telephone by officers, directors and regular employees of the Company, and by the employees of the Company's transfer agent, National City Bank. In addition, the Company has retained a firm specializing in proxy solicitations, Georgeson Shareholder Communications, Inc., at a cost of approximately \$1,500, to assist the Company with its proxy solicitation process. The Company will bear the cost of the solicitation of proxies, including the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of shares.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT****Security Ownership of Certain Beneficial Owners**

The following table sets forth information as of May 12, 2006 (except as noted below) relating to the beneficial ownership of our common shares by each person known by us to own beneficially more than 5% of our outstanding common shares. Amount of beneficial ownership for each person is based on such person's most recent report on Schedule 13D or 13G. Percent of beneficial ownership for each person is based upon the 44,902,776 common shares, net of treasury, outstanding as of May 12, 2006, plus the number of common shares such person reported that it has the right to acquire within 60 days.

Title of Class	Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of class
(All of these are common shares)	Schottenstein Stores Corporation ⁽¹⁾ 1800 Moler Road Columbus, Ohio 43207	29,614,268 ⁽²⁾	53.5%
	Cerberus Partners, L.P. 299 Park Avenue 22 nd Floor New York, New York 10171	4,388,427 ⁽³⁾	8.9%
	Dimensional Fund Advisors Inc. 1299 Ocean Avenue 11th Floor Santa Monica, CA 90401	2,400,358 ⁽⁴⁾	5.3%

- ⁽¹⁾ Prior to the completion of the Company's initial public offering on June 18, 1991, the Company was operated as the Department Store Division (the Division) of Schottenstein Stores Corporation (SSC). On that date, SSC transferred substantially all of the net assets of the Division to the Company

in exchange for
common shares
of the Company.

SSC is a
closely-held
Delaware
corporation.

SSC's common
stock is
beneficially
owned by
certain of the
Company's
directors and
other
Schottenstein
family
members, as
follows, as of
May 12, 2006:

Name of beneficial owner	Shares of SSC common stock	Percent of class
Jay L. Schottenstein	299.38139(a)	78.4%
Geraldine Schottenstein	27.41707(b)	7.2%
Ari Deshe	27.41707(c)	7.2%
Jon P. Diamond	27.41707(d)	7.2%
Total	381.63260	100.0%

(a) Represents sole
voting and
investment power
over 299.38139
shares held in
irrevocable trusts
for family
members as to
which Jay L.
Schottenstein is
trustee and as to
which shares
Mr. Schottenstein
may be deemed to
be the beneficial
owner.

(b) Represents sole
voting and

investment power over 27.41707 shares held by Geraldine Schottenstein, as trustee of an irrevocable trust for family members, as to which shares Geraldine Schottenstein may be deemed to be the beneficial owner.

- (c) Represents sole voting and investment power over 27.41707 shares held by Ari Deshe, as trustee of irrevocable trusts for family members, as to which shares Mr. Deshe may be deemed to be the beneficial owner.

- (d) Represents sole voting and investment power over 27.41707 shares held by Jon Diamond and his wife, Susan Schottenstein Diamond, as trustees of irrevocable trusts for family members, as to which shares Mr. Diamond may be deemed to be the beneficial owner.

- (2) SSC has sole power to vote and dispose of

29,614,268 common shares. Jay L. Schottenstein is a director, Chairman of the Board, President and Chief Executive Officer of SSC and has power to vote and dispose of shares of SSC held by various trusts. Total common shares beneficially owned by SSC are comprised of:

- (a) 19,206,766 common shares owned of record and beneficially by SSC; and

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- (b) SSC holds: (A) certain convertible warrants which provide SSC the right, from time to time, in whole or in part and subject to certain conditions, to: (i) acquire common shares of RVI at \$4.50 per share; (ii) acquire, from RVI, DSW Inc., a controlled subsidiary of the Company (DSW), Class A Common Shares, no par value (the DSW Class A Shares), at \$19.00 per share; or (iii) acquire a combination thereof; and (B) certain term warrants which provide SSC the right, from time to time, in whole or in part and subject to certain conditions, to: (i) acquire RVI common shares at \$4.50 per share; (ii) acquire, from RVI, DSW Class A Shares at \$19.00 per share; or (iii) acquire a combination thereof. SSC has the right to acquire up to 8,333,333 RVI common shares upon full exercise of the convertible warrants, and up to 2,074,168 RVI common shares (subject to adjustment) upon full exercise of the term warrants. Based on information in a Schedule 13D/A filed by SSC on January 18, 2006. For more information about the convertible warrants and the Term Warrant, see Certain Relationships and Related Transactions Debt Agreements and Warrants .

Does not include 67,944 common shares held by the Ann and Ari Deshe Foundation and 67,944 common shares held by the Jon and Susan Diamond Family Foundation, each a private charitable foundation. The foundations trustees and officers consist of at least one of the following persons: Geraldine Schottenstein, Jay Schottenstein, Jon Diamond and/or Ari Deshe, in conjunction with other Schottenstein family members.

- (3) As of
December 31,
2005, Cerberus
Partners, L.P., a
Delaware limited
partnership
(Cerberus), held:
(A) certain
convertible
warrants which
provide Cerberus
the right, from time
to time, in whole or
in part and subject
to certain
conditions, to:
(i) acquire common
shares of RVI at
\$4.50 per share;
(ii) acquire, from
RVI, DSW Class A
Shares, at \$19.00
per share; or
(iii) acquire a
combination
thereof; and
(B) certain term
warrants which
provide Cerberus
the right, from time
to time, in whole or
in part and subject

to certain conditions, to:

- (i) acquire RVI common shares at \$4.50 per share;
- (ii) acquire, from RVI, DSW Class A Shares at \$19.00 per share; or
- (iii) acquire a combination thereof. Subject to the limitation described below, Cerberus had the right to acquire up to 8,333,333 RVI common shares upon full exercise of the convertible warrants, and up to 2,074,168 RVI common shares (subject to adjustment) upon full exercise of the term warrants.

Each of Cerberus convertible warrants and term warrants, however, provides that in no event shall such warrant be exercisable to the extent that the issuance of RVI common shares upon exercise, after taking into account the RVI common shares then owned by Cerberus and its affiliates, would result in the beneficial ownership by Cerberus and its affiliates of more than 9.99% of the RVI common

shares outstanding immediately after giving effect to such exercise. Stephen Feinberg possesses sole power to vote and direct the disposition of all securities of Cerberus. Thus, as of December 31, 2005, for the purposes of Reg. Section 240.13d-3, Stephen Feinberg was deemed to beneficially own 4,388,427 RVI common shares, or 9.99% of the RVI common shares deemed issued and outstanding as of such date based on information contained in a Schedule 13G/A filed by Stephen Feinberg on February 14, 2006. See Certain Relationships and Related Transactions - Debt Agreements and Warrants for additional information.

On March 13, 2006, RVI issued 2,000,000 of its common shares to Cerberus in connection with the exercise of a portion of its outstanding convertible warrants. The

common shares were issued at an exercise price of \$4.50 per share for an aggregate cash purchase price of \$9,000,000. On April 26, 2006, RVI issued an additional 3,000,000 of its common shares to Cerberus in connection with the exercise of another portion of its outstanding convertible warrants. These common shares were issued at an exercise price of \$4.50 per share for an aggregate cash purchase price of \$13,500,000. Following these exercises, Cerberus remaining convertible warrants entitle Cerberus to acquire from the Company, upon exercise and payment of the exercise price, either 3,333,333 of the Company's common shares or 789,474 DSW Class A Shares.

- (4) Dimensional Fund Advisors Inc. (Dimensional), an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, furnishes

investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts. These investment companies, trusts and accounts are the funds. In its role as investment advisor or manager, Dimensional possesses sole voting and/or investment power over the Company securities that are owned by the funds and may be deemed to be the beneficial owner of the shares of the issuer held by the funds. Dimensional disclaims beneficial ownership of such securities. Based on information contained in a Schedule 13G/A filed by Dimensional on February 6, 2006.

Table of Contents**Security Ownership of Management**

The following table sets forth, as of May 12, 2006, information with respect to the Company's common shares owned beneficially by each director individually, by the executive officers named in the Summary Compensation Table set forth on page 13 of this proxy statement and by all directors and executive officers as a group:

Title of	Name of beneficial owner	Amount and nature of beneficial ownership ⁽¹⁾	Percent of class ⁽²⁾
Class			
(All of these are common shares)	Henry L. Aaron ⁽⁷⁾	28,500	*
	Julia A. Davis	8,000	*
	Ari Deshe ⁽³⁾⁽⁵⁾⁽⁷⁾	24,972	*
	Jon P. Diamond ⁽³⁾⁽⁵⁾	0	*
	Elizabeth M. Eveillard	30,000	*
	James A. McGrady	143,000	*
	Steven E. Miller	17,600	*
	Lawrence J. Ring	0	*
	Jay L. Schottenstein ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	247,800	*
	Harvey L. Sonnenberg	35,000	*
	James L. Weisman ⁽⁷⁾	31,100	*
	Heywood Wilansky	150,000	*
	All directors and executive officers as a group (13 persons) ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	715,972	1.6%

* Represents less than 1% of outstanding common shares, net of treasury shares.

(1) Except as otherwise noted, the persons named in this table have sole power to vote and dispose of the shares listed.

Includes the following number common shares as to which the named person has the right to

acquire beneficial ownership upon the exercise of RVI stock options within 60 days of May 12, 2006:
 Mr. Aaron, 21,000;
 Ms. Davis, 8,000;
 Mr. Deshe, 10,000;
 Ms. Eveillard, 12,500;
 Mr. McGrady, 143,000;
 Mr. Miller, 17,600; Mr. J. Schottenstein, 50,000;
 Mr. Sonnenberg, 17,500;
 Mr. Weisman, 17,500; Mr. Wilansky, 150,000; and all directors and executive officers as a group, 447,100.

- (2) The percent is based upon the 44,902,776 common shares outstanding, net of treasury shares, plus the number of common shares each person has the right to acquire within 60 days of May 12, 2006.
- (3) Does not include: 19,206,766 common shares owned of record and beneficially by SSC, 8,333,333 RVI

common shares
issuable upon full
exercise of the
convertible
warrants, and up
to 2,074,168 RVI
common shares
(subject to
adjustment)
issuable upon full
exercise of the
term warrants. Jay
L. Schottenstein is
the Chairman and
Chief Executive
Officer of SSC.
Jay L.
Schottenstein, Ari
Deshe and Susan
Diamond (spouse
of Jon P.
Diamond) are
members of the
Board of
Directors of SSC.
See Notes 1 and 2
to preceding table
and Certain
Relationships and
Related
Transactions
Debt Agreements
and Warrants for
additional
information.

- (4) Includes 52,500
common shares
owned by Glosser
Brothers
Acquisition, Inc.
(GBA).
Mr. Schottenstein
is Chairman of the
Board of
Directors,
President and a
director of GBA
and a trustee or
co-trustee of
family trusts that

own 100% of the
stock of GBA.

Mr. Schottenstein
disclaims
beneficial
ownership of the
common shares
owned by GBA.

- (5) Does not include
67,944 common
shares held by the
Ann and Ari
Deshe Foundation
and 67,944
common shares
held by the Jon
and Susan
Diamond Family
Foundation, each
a private
charitable
foundation. The
foundations
trustees and
officers consist of
at least one of the
following
persons:
Geraldine
Schottenstein, Jay
Schottenstein, Jon
Diamond and/or
Ari Deshe; in
conjunction with
other
Schottenstein
family members.

- (6) Includes 30,000
common shares as
to which Jay L.
Schottenstein
shares voting and
investment power
as trustee of a
trust which owns
the common
shares.

- (7)

Includes 7,500
common shares
held jointly by
Mr. Aaron and his
spouse, 10,000
common shares
held for the
benefit of
Mr. Deshe's minor
children, and 500
common shares
held by Mr.
Weisman's spouse.

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The information with respect to beneficial ownership is based upon information furnished by each director or executive officer, or information contained in filings made with the Securities and Exchange Commission (the "SEC").

ELECTION OF DIRECTORS

The number of members of the Company's Board of Directors has been fixed at fourteen by action of the Board of Directors pursuant to the Company's Amended and Restated Code of Regulations (the "Regulations"). Board of Directors members serve until the annual meeting following their election or until their successors are duly elected and qualified. The Nominating and Corporate Governance Committee has nominated nine persons for election as directors of the Company with their terms to expire in 2007. If each of the nominees is elected, five vacancies will exist on the Board of Directors. Proxies cannot be voted for a greater number of persons than the number of nominees named. The Board believes it is in the best interest of the Company to have vacancies on the Board to provide the Board with flexibility in the event that additional qualified candidates are identified.

Set forth below is certain information relating to the nominees for election as directors:

Name	Age	Directors and Their Positions with the Company/ Principal Occupations / Business Experience	Director Since
Jay L. Schottenstein	51	Chairman of the Company, American Eagle Outfitters, Inc., a retail chain, and SSC since March 1992 and Chief Executive Officer of the Company from April 1991 to July 1997 and from July 1999 to December 2000. Since March 2005, Mr. Schottenstein also serves as Chairman and Chief Executive Officer of DSW. Mr. Schottenstein served as Vice Chairman of SSC from 1986 until March 1992 and as a director of SSC since 1982. He served as President of the Furniture Division of SSC from 1985 through June 1993 and in various other executive capacities since 1976. Mr. Schottenstein is also a director of American Eagle Outfitters, Inc. and DSW, which are both companies with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").	1991
Henry L. Aaron*	72	Mr. Aaron presently serves as Senior Vice President of the Atlanta National League Baseball Club, Inc., a professional sports organization, and as President of Hammer Automotive Group, an Atlanta automobile dealership, along with a number of other private business interests.	2000
Ari Deshe	55	Chairman and Chief Executive Officer of Safe Auto Insurance Company, a property and casualty insurance company since 1996 and President and Chief Executive Officer from 1993 to 1996. Prior to that, Mr. Deshe served as President of Safe Auto Insurance Agency from 1992 to 1993 and President of Employee Benefit Systems, Inc. from 1982 to 1992.	1997
Jon P. Diamond	48	Vice Chairman of Safe Auto Insurance Company since November 1997, President and Chief Operating Officer since 1996 and Executive Vice President and Chief Operating Officer from 1993 to 1996. Mr. Diamond served as Vice President of SSC from March 1987 to March 1993 and served SSC in various management positions since 1983.	1991

Mr. Diamond is also a director of American Eagle Outfitters, Inc.

Elizabeth M. Eveillard*	59	Ms. Eveillard is an independent consultant since 2003. Ms. Eveillard served as Senior Managing Director and a Consultant, Retailing and Apparel Group, Bear, Stearns & Co., Inc., an investment banking	2001
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Name	Age	Directors and Their Positions with the Company/ Principal Occupations / Business Experience	Director Since
		company, from 2000 until 2003. Prior to that time, Ms. Eveillard served as the Managing Director, Head of Retailing Industry Group, PaineWebber Inc. from 1988 to 2000. From 1972 to 1988, Ms. Eveillard held various executive positions including Managing Director in the Merchandising Group with Lehman Brothers. Ms. Eveillard is also a director of Too, Inc. and Birks & Mayors, Inc., which are companies with securities registered pursuant to Section 12 of the Exchange Act.	
Lawrence J. Ring*	57	Chancellor Professor of Business Administration and (2004) EMBA Alumni Distinguished Professor of Executive Education, The Mason School of Business Administration, The College of William and Mary (W&M) since 2001. In addition, Mr. Ring has also been an Adjunct Professor of Business Administration, The School of Executive Education, Babson College since 2000. From 1997 to 2002, Mr. Ring served as Faculty Coordinator of Executive Programs at W&M. From 1991 to 2000, he served as Professor of Business Administration at W&M, and from 1994 to 2002, he served as Adjunct Assistant Professor, Department of Family and Community Medicine, Eastern Virginia Medical School. Professor Ring is also a member of the Board of Directors of C. Lloyd Johnson Company, Inc., Norfolk, Virginia; Mr. Price Group, Ltd., Durban, South Africa; and the Williamsburg Landing Corporation. He is also a member of the International Advisory Board of Angus and Coote Limited, Sydney, Australia.	2005
Harvey L. Sonnenberg*	64	Senior Partner and CPA in the consulting firm Weiser & Co., LLP, since November 1994. Mr. Sonnenberg is active in a number of professional organizations including the American Institute of CPAs and the New York State Society of CPAs and has long been involved in rendering professional services to the retail and apparel industry. Mr. Sonnenberg is also a director of DSW.	2001
James L. Weisman*	67	President and a member of Weisman Goldman Bowen & Gross, LLP, a Pittsburgh, Pennsylvania law firm. Mr. Weisman has extensive legal experience in working with retail clients. His primary areas of practice have been in business transactions and overseeing and directing civil litigation.	2001
Heywood Wilansky	58	President and Chief Executive Officer of the Company since November 2004. Prior to joining the Company, he served as	2005

President and Chief Executive Officer of Filene's Basement, Inc., a retailer and subsidiary of the Company (Filene's Basement), from February 2003 to November 2004. Mr. Wilansky was a Professor, Global Retail Management, University of Maryland Business School from August 2002 to February 2003. From August 2000 to January 2003, he was President and Chief Executive Officer of Strategic Management Resources, LLC., a consulting firm. From August 1995 to July 2000, he was President and Chief Executive Officer of Bon Ton Stores. Mr. Wilansky is also a director of Bertucci's Corporation and DSW, the Company's controlled subsidiary.

* Independent
Directors under
New York
Stock Exchange
(NYSE) Rules.

Unless otherwise directed, the persons named in the proxy will vote the proxies **FOR** the election of the above-named nominees as directors of the Company, each to serve for a term of one year and until his or her successor

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is elected and qualified, or until his or her earlier death, resignation or removal. While it is contemplated that all nominees will stand for election, in the event any person nominated fails to stand for election, the proxies will be voted for such other person or persons as may be designated by the directors. Management has no reason to believe that any of the above-mentioned persons will not stand for election or serve as a director.

Under Ohio law and the Company's Regulations, the nominees receiving the greatest number of votes will be elected as directors. Shares as to which the authority to vote is withheld and broker non-votes are not counted toward the election of directors or toward the election of the individual nominees specified on the proxy.

Your Board of Directors unanimously recommends a vote FOR each of the director nominees named above.

OTHER DIRECTOR INFORMATION, COMMITTEES OF DIRECTORS AND CORPORATE GOVERNANCE INFORMATION

General

A total of seven meetings of the Board of Directors of the Company were held during the 2005 fiscal year. Other than Mr. Aaron, all directors attended more than 75 percent of the aggregate of (i) the total number of meetings held by the Board of Directors; and (ii) the total number of meetings held by all committees of the Board of Directors on which that director served during the period each served as a director or as a committee member.

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

Each of Messrs. Aaron, Ring, Sonnenberg and Weisman and Ms. Eveillard is paid an annual retainer of \$30,000 and receive an additional \$20,000 annually for each committee on which he or she serves. Each of Messrs. Diamond and Weisman do not receive any compensation for serving as members of the Community Affairs Committee. In addition, Messrs. Aaron, Deshe, Diamond, Ring, Sonnenberg and Weisman and Ms. Eveillard receive a quarterly board meeting fee of \$5,000 so long as they attend at least one board meeting during that quarter. In 2005, each of Messrs. Aaron, Sonnenberg and Weisman and Ms. Eveillard also received \$20,000 for their services on a special committee of the Board of Directors (the Special Committee). The Special Committee was formed in order to review and evaluate proposals relating to the DSW initial public offering (the IPO) and restructuring of the Company's existing credit facilities and to make recommendations to the full Board of Directors with respect to any such proposals.

Each of Messrs. Aaron, Ring, Sonnenberg and Weisman and Ms. Eveillard are automatically granted options each quarter to purchase 2,500 of the Company's common shares under the Company's 2000 Amended and Restated Stock Incentive Plan (the 2000 Stock Incentive Plan). Options are granted on the first day of each fiscal quarter. Each option is granted for a period of ten years. Options become exercisable on the first anniversary of the date of grant.

The Company's Corporate Governance Principles provides that all incumbent directors and director nominees are encouraged to attend the annual meeting of shareholders. Messrs. Schottenstein, Sonnenberg, Weisman and Wilansky and Ms. Eveillard attended the annual meeting of shareholders in 2005.

Corporate Governance Principles

In March 2004, the Board of Directors adopted Corporate Governance Principles that address Board structure, membership (including nominee qualifications), performance, operations and management oversight. A copy of the Corporate Governance Principles can be found at the Company's corporate and investor website at www.retailventuresinc.com and is available in print (without charge) to any shareholder upon request.

The Board of Directors meets in regularly scheduled executive session (without management present). The non-management directors of the Company alternate as the chair of such executive sessions in alphabetical order by last name.

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The Corporate Governance Principles provide that the Board's goal is that a majority of the directors should be independent directors. A director will be designated as independent if he or she: (i) has no material relationship with the Company or its subsidiaries; (ii) satisfies the other criteria specified by NYSE listing standards; (iii) has no business conflict with the Company or its subsidiaries; and (iv) otherwise meets applicable independence criteria specified by law, regulation, exchange requirement or the Board of Directors. The Board of Directors has affirmatively determined that the following persons are independent under that definition:

Henry L. Aaron
Elizabeth M. Eveillard
Lawrence J. Ring
Harvey L. Sonnenberg
James L. Weisman

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

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are Messrs. Weisman (Chair), Aaron and Sonnenberg, and Ms. Eveillard, each of whom is independent in accordance with the applicable SEC rules and listing standards of NYSE. In March 2004, the Nominating and Corporate Governance Committee recommended, and the Board of Directors approved, a Nominating and Corporate Governance Committee Charter, a copy of which can be found on the Company's corporate and investor website at www.retailventuresinc.com and is available in print (without charge) to any shareholder upon request.

The Nominating and Corporate Governance Committee met seven times during the 2005 fiscal year. Its functions include assisting the Board in determining the desired qualifications of directors, identifying potential individuals meeting those qualification criteria, proposing to the Board of Directors a slate of nominees for election by the shareholders and reviewing candidates nominated by shareholders. In addition, the Nominating and Corporate Governance Committee reviews the Corporate Governance Principles, makes recommendations to the Board of Directors with respect to other corporate governance principles applicable to the Company, oversees the annual evaluation of the Board of Directors and committees of the Board, and reviews management and Board succession plans.

The Nominating and Corporate Governance Committee meets to discuss, among other things, identification and evaluation of potential candidates for nomination as a director. Although there are no specific minimum qualifications that a director candidate must possess, potential candidates are identified and evaluated according to the qualification criteria set forth in the Board's Corporate Governance Principles, including independence, character, diversity, age, skills and experience of such individuals.

The Nominating and Corporate Governance Committee will consider nominees recommended by shareholders for the 2007 annual meeting of shareholders, provided that the names of such nominees are submitted in writing, not later than January 17, 2007, to the Company (Attn: James L. Weisman). Each such submission must include: (a) as to the nominee, (i) name, age, business address and residence address; (ii) principal occupation or employment; (iii) the class and number of common shares of the Company beneficially owned; and (iv) any other information relating to the nominee that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Exchange Act; and (b) as to the shareholder giving the notice, (i) name and record address; and (ii) the class and number of shares of the Company beneficially owned. Such notice shall be accompanied by a consent signed by the nominee evidencing a willingness to serve as a director, if nominated and elected, and a commitment by the nominee to meet personally with the Nominating and Corporate Governance Committee members. Other than the submission requirements set forth above, there are no differences in the manner in which the Nominating and Corporate Governance Committee evaluates a nominee for director based on whether the nominee is recommended by a shareholder.

Mr. Wilansky, President and Chief Executive Officer of the Company, was nominated to the Board of Directors pursuant to his employment agreement with the Company. Mr. Ring was originally recommended to the Board of

Directors by Mr. Wilansky.

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Compensation Committee

The members of the Compensation Committee are Ms. Eveillard (Chair) and Messrs. Aaron, Sonnenberg, Ring (effective September 15, 2005) and Weisman. Each member of the Compensation Committee is independent in accordance with the applicable SEC rules and listing standards of NYSE. No member of the Compensation Committee is a present or former officer of the Company, and no member, or any affiliate of a member, is a party to any agreements with the Company.

In March 2004, the Compensation Committee recommended, and the Board of Directors approved, a Compensation Committee Charter, a copy of which can be found on the Company's corporate and investor website at www.retailventuresinc.com and is available in print (without charge) to any shareholder upon request.

The Compensation Committee met 10 times during the 2005 fiscal year. The Compensation Committee's functions include: (i) evaluating the Chief Executive Officer's performance and, based upon these evaluations, setting the Chief Executive Officer's annual compensation; (ii) reviewing and approving the compensation packages of the Company's other executive officers; (iii) making recommendations to the Board with respect to the Company's incentive compensation, retirement and other benefit plans; (iv) making administrative and compensation decisions under such plans; and (v) recommending to the Board of Directors the compensation for non-employee Board members.

Compensation Committee Interlocks and Insider Participation

With respect to the 2005 fiscal year, there were no interlocking relationships between any executive officer of the Company and any entity whose directors or executive officers served on the Board of Directors or the Compensation Committee.

Audit Committee

The members of the Audit Committee are Messrs. Sonnenberg (Chair), Ring (effective September 15, 2005) and Weisman and Ms. Eveillard. The Board of Directors has determined that each of the members is independent and is financially literate in accordance with the applicable SEC rules and listing standards of NYSE. The Board has also determined that the Audit Committee's Chair, Harvey L. Sonnenberg, qualifies as an audit committee financial expert as such term is defined by the SEC under Item 401(h) of Regulation S-K.

In March 2004, the Audit Committee recommended, and the Board of Directors approved, an Audit Committee Charter, a copy of which can be found on the Company's corporate and investor website at www.retailventuresinc.com and is available in print (without charge) to any shareholder upon request.

The Audit Committee met 14 times during the 2005 fiscal year. Its functions include: (i) providing assistance to the Board of Directors in fulfilling its oversight responsibility relating to the Company's financial statements and the financial reporting process; (ii) compliance with legal and regulatory requirements; (iii) the qualifications and independence of the Company's independent public accountants; (iv) the Company's system of internal controls; (v) the internal audit function; (vi) the Company's code of ethical conduct; (vii) retaining and, if appropriate, terminating the independent public accountants; (viii) approving related party transactions; and (ix) approving audit and non-audit services to be performed by the independent public accountants.

No member of the Audit Committee is currently serving on the audit committees of more than three public companies.

Community Affairs Committee

The Board of Directors formed the Community Affairs Committee in December 2003 to advise management on community affairs and public relations matters. The members of the Community Affairs Committee are Messrs. Aaron (Chair), Diamond and Weisman. The Community Affairs Committee did not meet during the 2005 fiscal year. Mr. Aaron did not receive any compensation for serving on the Community Affairs Committee during the 2005 fiscal year.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who are beneficial owners of more than ten percent of the Company's common shares to file reports of ownership and changes of ownership with the SEC and NYSE. The Company assists its directors and executive officers in completing and filing those reports. Based solely on a review of copies of those reports furnished to the Company and representations of the Company's directors and officers, the Company believes that all filing requirements applicable to our directors, executive officers and greater than ten percent beneficial owners were complied with during the last completed fiscal year, except for Mr. Aaron, who filed one late Form 4 reporting a disposition of common shares, Mr. Diamond, who filed one late Form 4 reporting an acquisition of common shares upon the exercise of stock options, and Mr. Wilansky, who filed one late Form 4 reporting the deemed acquisition and disposition of common shares in connection with an exercise of restricted stock units and two exercises of stock appreciation rights (SARs).

Code of Ethics and Corporate Governance Information

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

AUDIT AND OTHER SERVICE FEES

The Audit Committee has adopted a policy under which audit and non-audit services to be rendered by the Company's independent registered public accountants are pre-approved. The Audit Committee's Pre-Approval Policy (the

Pre-Approval Policy) can be found on the Company's corporate and investor website at www.retailventuresinc.com. The Pre-Approval Policy is designed to assure that the provision of such services does not impair the independence of the Company's independent registered public accounting firm and is summarized below.

Delegation - The Audit Committee may delegate pre-approval authority to one or more of its independent members provided that the members to whom such authority is delegated report any pre-approval decisions to the Audit Committee at its next meeting. The Audit Committee has not delegated to management its responsibilities to pre-approve services performed by the independent registered public accounting firm.

Audit Services - Annual audit, review and attestation engagement terms and fees are subject to the specific pre-approval of the Audit Committee. Any changes in the terms, conditions or fees resulting from changes in the audit scope require the Audit Committee's approval.

Other Services - Unless a type of service to be provided by the independent registered public accounting firm has received general pre-approval, it will require specific pre-approval by the Audit Committee.

Limitations - In no event will the independent registered public accounting firm be retained in connection with a transaction initially recommended by the independent registered public accounting firm, the purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Internal Revenue Code of 1986, as amended (the Code) and related regulations or similar regulations of other applicable jurisdictions.

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Fees - Pre-approved fee levels for all services to be provided by the independent registered public accounting firm will be established periodically by the Audit Committee. Any proposed services exceeding these levels will require specific pre-approval of the Audit Committee. Each year the independent registered public accounting firm will provide the Audit Committee with an estimate for the fees for its anticipated services. Each quarter, the independent registered public accounting firm will provide the Audit Committee with a report of the audit, audit-related, tax and other services provided together with the actual fees incurred. Any changes to the estimate of services and fees will be discussed quarterly and, if necessary, revised.

No services were provided by the independent public accounting firm during the 2005 fiscal year that were approved by the Audit Committee under SEC Regulation S-X Section 2-01(c)(7)(i)(C) (which addresses certain services considered de minimis and may be approved by the Audit Committee after such services have been performed). The following table sets forth the aggregate fees for professional services rendered by Deloitte & Touche LLP for each of the last two fiscal years of the Company.

	2005	2004
Audit fees ⁽¹⁾	\$1,566,687	\$1,500,000
Audit-related fees ⁽²⁾	\$ 368,658	\$ 433,568
Tax fees		
All other fees ⁽³⁾	\$	\$ 54,174
Total	\$1,935,345	\$1,987,742

⁽¹⁾ Includes services rendered for the audit of the Company's annual financial statements, review of financial statements included in the Company's quarterly reports on Form 10-Q, assessment of internal controls in the Company's annual report on Form 10-K, and other audit services normally provided by Deloitte & Touche LLP in connection with statutory and regulatory filings or engagements.

⁽²⁾

Includes assurance and related services reasonably related to the performance of the audit or review of the Company's financial statements not reported as audit fees. Audit-related fees include benefit plan audits and audits of DSW in relation to its then-contemplated IPO.

- (3) For the 2004 fiscal year a quality assurance report was provided to the Company.

AUDIT COMMITTEE REPORT

The members of our Audit Committee are Messrs. Sonnenberg (Chair), Ring, Weisman and Ms. Eveillard. The Board of Directors has determined that each member is independent and financially literate in accordance with the applicable SEC rules and listing standards of the NYSE. The Board of Directors has also determined that our Audit Committee's Chair, Harvey L. Sonnenberg, qualifies as an audit committee financial expert as such term is defined by the SEC under Item 401(h) of Regulation S-K. Although our Board of Directors has determined that Mr. Sonnenberg is a financial expert as defined under SEC rules, his responsibilities are the same as those of the other Audit Committee members. The SEC has determined that an audit committee financial expert will not be deemed an expert for any purpose as a result of being identified as an audit committee financial expert.

The Audit Committee operates under a written charter, which is available on the Company's corporate and investor website at www.retailventuresinc.com and is available in print (without charge) to any shareholder upon request.

Under the charter, the Audit Committee's responsibilities include:

- Review of the Company's annual financial statements to be included in its Annual Report on Form 10-K and recommendation to the Board of Directors whether the audited financial statements should be included in the Company's Annual Report on Form 10-K;
- Review of the Company's quarterly financial statements to be included in its Quarterly Reports on Form 10-Q;

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Oversight of the Company's relationship with its independent auditors, including:
Appointment, termination and oversight of the independent auditors; and
Pre-approval of all auditing services and permitted non-audit services by the independent auditors;
Oversight of the Company's internal controls;
Oversight of the review and response to complaints made to the Company regarding accounting, internal accounting controls and auditing matters or other compliance matters;
Oversight over the Company's internal audit function; and
Review and approval of related party transactions.

The Company's management is responsible for the Company's internal controls and preparing its consolidated financial statements. The Company's independent registered public accounting firm, Deloitte & Touche LLP, is responsible for performing an independent audit of the consolidated financial statements and issuing a report thereon. Their audit is performed in accordance with the standards of the Public Company Accounting Oversight Board. The Audit Committee is responsible for overseeing the conduct of these activities. In performing its oversight function, the Audit Committee relies, without independent verification, on the information provided to it and on representations made by the Company's management and its independent registered public accounting firm.

In conducting its oversight function, the Audit Committee discusses with the Company's internal auditors and independent registered public accounting firm, with and without management present, the overall scope and plans for their respective audits. The Audit Committee also reviews the Company's programs and key initiatives to design, implement and maintain effective internal controls over financial reporting and disclosure controls. The Audit Committee has sole discretion, in its areas of responsibility and at the Company's expense, to engage independent advisors as it deems appropriate and to approve the fees and retention terms of such advisors.

The Audit Committee meets with the internal auditors and independent registered public accounting firm, with and without management present, to discuss the results of their audits, the evaluations of the Company's internal controls and the overall quality of its financial reporting. The Audit Committee has reviewed and discussed with management and Deloitte & Touche LLP the audited financial statements for the fiscal year ended January 28, 2006. The Audit Committee also reviewed and discussed with Deloitte & Touche LLP its report on the Company's annual financial statements.

The Audit Committee discussed with Deloitte & Touche LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees). In addition, the Audit Committee discussed with Deloitte & Touche LLP its independence from management, and the Audit Committee has received from Deloitte & Touche LLP the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees).

The Audit Committee considered whether the performance of non-audit services by Deloitte & Touche LLP was compatible with maintaining such firm's independence and the Audit Committee concluded that the services were aligned with such firm's independence.

Based on its review of the audited consolidated financial statements and discussions with management and Deloitte & Touche LLP referred to above, the Audit Committee recommended to the Board the inclusion of the audited financial statements for the fiscal year ended January 28, 2006 in the Company's Annual Report on Form 10-K for filing with the SEC.

Respectfully submitted,

Audit Committee

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

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The following table summarizes compensation awarded or paid to, or earned by, each of the named executive officers during each of the Company's last three fiscal years.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Long Term Compensation Awards						
		Annual Compensation			Payouts		All Other Compensation (1)	
		Salary	Bonus	Other Annual Compensation	Restricted Stock Award(s)	Securities Underlying Options/SARs		
								LTIP Payouts
		(\$)	(\$)	(\$)	(\$)	(#)	(\$)	(\$)
Jay L. Schottenstein	2005	\$474,824(2)	None					