

RETAIL VENTURES INC

Form DEF 14A

May 18, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
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:

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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**RETAIL VENTURES, INC.
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD
JUNE 13, 2007
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 18, 2007

To the Shareholders of Retail Ventures, Inc.:

Notice is hereby given that the 2007 Annual Meeting of Shareholders of Retail Ventures, Inc. will be held at The Regency Hotel, 540 Park Ave., New York, New York 10021, on Wednesday, June 13, 2007, 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 approve the 2007 Retail Ventures, Inc. Cash Incentive Compensation Plan.
3. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on May 4, 2007, 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 complete, 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 Wednesday, June 13, 2007, and any postponement or adjournment 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. The Notice of Annual Meeting of Shareholders, this proxy statement and the accompanying proxy card, together with the Company's 2006 Annual Report to Shareholders which includes the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2007 (the 2006 fiscal year), are first being mailed to shareholders on or about May 18, 2007. Only shareholders of record at the close of business on May 4, 2007 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 47,272,796. Each common share entitles the holder thereof to one vote upon each matter to be voted upon by shareholders at the Annual Meeting.

Without affecting any vote previously taken, shareholder may revoke his or her proxy 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. Attendance at the Annual Meeting will not by itself revoke a previously granted proxy.

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 Proposal No. 1: Election of Directors, **FOR** the approval of the Company's 2007 Cash Incentive Compensation Plan 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, but not on non-routine matters such as the approval of the Company's 2007 Cash Incentive Compensation Plan.

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 entire cost of the solicitation of proxies, including the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of the Company's common 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 4, 2007 (except as noted below) relating to the beneficial ownership of our common shares by each person known by us to be the beneficial owner of more than 5% of our outstanding common shares. Amount of beneficial ownership for each person is based upon a review of and reliance upon such person's filings with the Securities and Exchange Commission (the SEC). Percent of beneficial ownership for each person is based upon the 47,272,796 common shares, net of treasury, outstanding as of May 4, 2007, 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⁾	51.3%
	Cerberus Partners, L.P. 299 Park Avenue 22 nd Floor New York, New York 10171	3,407,502 ⁽³⁾	6.7%

⁽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 4, 2007:

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 P. Diamond and his wife, Susan Schottenstein Diamond, as trustees of irrevocable trusts for

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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

(b) SSC holds: (A) certain conversion 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 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 conversion warrants, and up to 2,074,169 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 conversion warrants and the term warrants, see Certain Relationships and Related Transactions Debt Agreements and Warrants.

The 29,614,268 common shares do 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, Jon P. Diamond and/or Ari Deshe, in conjunction with other Schottenstein family members.

(3) As of December 31, 2006, Cerberus Partners, L.P., a Delaware limited partnership (Cerberus), held: (A) certain conversion 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; 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 1,333,333 RVI common shares upon full exercise of the conversion warrants, and up to 2,074,169 RVI common shares (subject to adjustment) upon full exercise of the term warrants. Each of Cerberus conversion 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, 2006, for the purposes of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), Stephen Feinberg was deemed to beneficially own 3,407,502 RVI common shares, or 7.2% 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, 2007. For additional information about the conversion warrants and the term warrants, see Certain Relationships and Related Transactions Debt Agreements and Warrants.

Table of Contents**Security Ownership of Management**

The following table sets forth, as of May 4, 2007, information with respect to the Company's common shares beneficially owned by each director individually, by each of the executive officers named in the Summary Compensation Table set forth on page 34 of this proxy statement and by all directors and executive officers as a group:

Title of Class	Name of beneficial owner	Amount and nature of beneficial ownership ⁽¹⁾	Percent of class ⁽²⁾
(All of these are common shares)			
	Henry L. Aaron ⁽⁷⁾	38,500	*
	Julia A. Davis	16,000	*
	Ari Deshe ⁽³⁾⁽⁵⁾⁽⁷⁾	24,972	*
	Jon P. Diamond ⁽³⁾⁽⁵⁾	0	*
	Elizabeth M. Eveillard	40,000	*
	James A. McGrady	251,000	*
	Steven E. Miller	21,600	*
	Jed L. Norden	40,000	*
	Lawrence J. Ring	10,000	*
	Jay L. Schottenstein ⁽³⁾⁽⁴⁾⁽⁶⁾	247,800	*
	Harvey L. Sonnenberg	45,000	*
	James L. Weisman ⁽⁷⁾	41,100	*
	Heywood Wilansky	260,000	*
	All directors and executive officers as a group (13 persons) ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	1,035,972	2.2%

* Represents less than 1% of the Company's 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 4, 2007: Mr. Aaron, 31,000; Ms. Davis, 16,000; Ms. Eveillard, 22,500; Mr. McGrady, 251,000; Mr. Miller, 21,600; Mr. Ring, 9,000; Mr. Sonnenberg, 27,500; Mr. Weisman, 27,500; Mr. Wilansky, 200,000; and all directors and executive officers as a group, 606,100. Includes 40,000 and 60,000 common shares for Mr. Norden and Mr. Wilansky, respectively, as to which the named person has the right to acquire beneficial ownership upon the exercise of RVI stock appreciation rights (SARs) within 60 days of May 4, 2007.

- (2) The percent is based upon the 47,272,796 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 4, 2007.

- (3) Does not include:
19,206,766
common shares owned of record and beneficially by SSC,
8,333,333
common shares issuable to SSC upon full exercise of the conversion warrants, and up to 2,074,169
common shares (subject to adjustment) issuable to SSC upon full exercise by SSC 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 the preceding table and Certain Relationships and Related Transactions Debt Agreements and Warrants for

additional
information
regarding the
Company's
relationships with
SSC.

- (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.

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- (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, Jon P. 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.

The information with respect to beneficial ownership is based upon information furnished by each director or executive officer and information contained in filings made with the SEC.

PROPOSAL NO. 1: 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"). Members of the Board of Directors 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 2008. 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 director 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	52	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.	1991
Henry L. Aaron*	73	Mr. Aaron presently serves as Senior Vice President of the Atlanta National League Baseball Club, Inc., a professional sports organization, as Chairman of 755 Restaurant Corp., a quick service restaurant company, and as a director of Medallion Financial Corp., a specialty finance company, along with a number of other private business interests.	2000

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Name	Age	Directors and Their Positions with the Company/ Principal Occupations / Business Experience	Director Since
Ari Deshe	56	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	49	Vice Chairman since November 2004, President and Chief Operating Officer since 1996 and Executive Vice President and Chief Operating Officer from 1993 to 1996 of Safe Auto Insurance Company. Mr. Diamond served as Vice President of SSC from March 1987 to March 1993 and served SSC in various management positions since 1983. Mr. Diamond is also a director of American Eagle Outfitters, Inc.	1991
Elizabeth M. Eveillard*	60	Ms. Eveillard is an independent consultant since 2003. Ms. Eveillard served as Senior Managing Director and a Consultant, Retailing and Apparel Group, of Bear, Stearns & Co., Inc., an investment banking company, from 2000 until 2003. Prior to that time, Ms. Eveillard served as the Managing Director, Head of Retailing Industry Group, of PaineWebber Inc. 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 Tween Brands, Inc. and Birks & Mayors, Inc.	2001
Lawrence J. Ring*	58	Chancellor Professor of Business Administration and (2004) EMBA Alumni Distinguished Professor of Executive Education, The Mason School of Business, The College of William and Mary (W&M) since 2001. 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	2005

of Angus and Coote Jewelers, Sydney, Australia.

Harvey L. Sonnenberg*	65	Senior Partner and CPA in the consulting firm Weiser 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
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Name	Age	Directors and Their Positions with the Company/ Principal Occupations / Business Experience	Director Since
James L. Weisman*	68	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, directing and participating in civil litigation.	2001
Heywood Wilansky	59	President and Chief Executive Officer of the Company since November 2004. Prior to joining the Company, he served as 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.	2005

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

Unless otherwise directed, the persons named as proxies in the accompanying proxy card 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 is duly 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 if elected. Under Ohio law and the Company's Regulations, the nominees receiving the greatest number of votes **FOR** their election 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 was held during the 2006 fiscal year and the Board took action by unanimous written consent 5 times during fiscal 2006. 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.

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The Company's Corporate Governance Principles provide that all incumbent directors and director nominees are encouraged to attend the annual meeting of shareholders. Messrs. Schottenstein, Deshe, Diamond, Sonnenberg, Weisman and Wilansky attended the annual meeting of shareholders in 2006.

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.

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

Director Independence

Our director independence standards are set forth in our Corporate Governance Principles, a copy of which can be found at our corporate and investor website at www.retailventuresinc.com. The Corporate Governance Principles provide that it is a policy of the Board of Directors that a majority of the directors should be persons who have been affirmatively determined by the Board to be independent. A director will be designated as independent if he or she (i) has no material relationship with us or our subsidiaries; (ii) satisfies the other independence criteria specified by applicable NYSE listing standards; (iii) has no business conflict with us or our subsidiaries; and (iv) otherwise meets applicable independence criteria specified by law, regulation, exchange requirement or the Board of Directors. During its review of director independence for fiscal 2006, the Board considered whether there were any transactions or relationships between the Company and any director or any member of his or her immediate family (or any entity of which a director or an immediate family member is an executive officer, general partner or significant equity holder). As a result of this review, the Board of Directors has affirmatively determined that the following persons are independent under our director independence standards:

Henry L. Aaron

Elizabeth M. Eveillard

Lawrence J. Ring

Harvey L. Sonnenberg

James L. Weisman

The Board of Directors has a Nominating and Corporate Governance Committee, a Compensation Committee, an Audit Committee (each of which is comprised solely of independent directors), a Community Affairs Committee and a Strategic Planning and Enterprise Risk Assessment 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, which was amended and restated by the Board in

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September 2006. A current copy of the Nominating and Corporate Governance Committee Charter 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 2006 fiscal year and took action by unanimous written consent once during fiscal 2006. Its functions include assisting the Board in determining the desired qualifications of directors, identifying potential individuals meeting those qualification criteria, recommending to the Board a slate of nominees for election by the shareholders and reviewing candidates nominated by shareholders. In addition, the Nominating and Corporate Governance Committee develops and reviews the Corporate Governance Principles, makes recommendations to the Board of Directors with respect to other corporate governance principles applicable to the Company, oversees the annual evaluation of the Board and committees of the Board, 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, which includes, among other attributes, such candidate's independence, character, diversity, age, skills and experience. In identifying potential candidates for Board membership, the Nominating and Corporate Governance Committee considers recommendations from the Board of Directors, shareholders and management. Pursuant to its written Charter, the Nominating and Corporate Governance Committee has the authority to retain consultants and search firms to assist in the process of identifying director candidates. No such consultants or search firms were retained during the 2006 fiscal year.

The Nominating and Corporate Governance Committee will consider nominees recommended by shareholders for the 2008 annual meeting of shareholders, provided that the names of such nominees are submitted in writing, not later than January 19, 2008, 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 recommending the nominee, (i) name and record address; and (ii) the class and number of shares of the Company beneficially owned. Such recommendation 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 appointed to the Board of Directors pursuant to his employment agreement with the Company.

Compensation Committee

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

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In March 2004, the Compensation Committee recommended, and the Board of Directors approved, a Compensation Committee Charter, which was amended and restated by the Board in September 2006. A current copy of the Compensation Committee Charter 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 eight times during the 2006 fiscal year. The Compensation Committee's functions include: (i) reviewing and approving on an annual basis the corporate goals and objectives with respect to compensation for the Chief Executive Officer; (ii) evaluating the Chief Executive Officer's performance and, based upon these evaluations, setting the Chief Executive Officer's annual compensation; (iii) reviewing the performance and approving the evaluation process and compensation structure of the Company's other executive officers; (iv) making recommendations to the Board with respect to the Company's incentive compensation, retirement and other benefit plans; (v) making administrative and compensation decisions under such plans; and (vi) recommending to the Board of Directors the compensation for non-employee Board members.

Compensation Committee Interlocks and Insider Participation

With respect to the 2006 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 Company has a standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Messrs. Sonnenberg (Chair), Ring 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 407(d) of Regulation S-K.

In March 2004, the Audit Committee recommended, and the Board of Directors approved, an Audit Committee Charter, which was amended and restated by the Board in November 2006. A current copy of the Audit Committee Charter 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 fifteen times during the 2006 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) assuring compliance with legal and regulatory requirements; (iii) reviewing the qualifications and independence of the Company's independent public accountants; (iv) oversight of the Company's system of internal controls; (v) oversight over the internal audit function; (vi) reviewing the Company's code of ethics; (vii) retaining and, if appropriate, replacing 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.

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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), Sonnenberg, Ring, Diamond and Weisman. The Community Affairs Committee met once during the 2006 fiscal year.

Strategic Planning and Enterprise Risk Assessment Committee

The Board of Directors formed the Strategic Planning and Enterprise Risk Assessment Committee (the Strategic Committee) in December 2006 to assist the Board of Directors in its long-range financial, strategic planning and enterprise risk assessment efforts. The members of the Strategic Committee are Messrs. Ring (Chair), Schottenstein and Wilansky. The Strategic Committee met three times during the 2006 fiscal year.

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.

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.

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PROPOSAL NO. 2: APPROVAL OF RETAIL VENTURES, INC. 2007 CASH INCENTIVE COMPENSATION PLAN

General. On March 28, 2007, the Board of Directors approved, subject to shareholder approval, the adoption of the Retail Ventures, Inc. 2007 Cash Incentive Compensation Plan (the 2007 Cash Plan). If approved by the shareholders, the 2007 Cash Plan will replace the Company's 2003 Cash Incentive Plan effective as of the beginning of the Company's 2008 fiscal year. The 2007 Cash Plan provides for the award of cash bonuses to participants if specified performance criteria are satisfied. Set forth below is a brief summary of the material features of the 2007 Cash Plan, which summary is qualified in its entirety by reference to the full text of the 2007 Cash Plan, a copy of which is included herewith as Appendix A and made a part hereof.

Purpose. The purpose of the 2007 Cash Plan is to foster and promote the financial success of the Company and to increase shareholder value by providing eligible executive officers and other employees who are not executive officers an opportunity to earn incentive compensation if specified objectives are satisfied and by enabling the Company to achieve success by attracting and retaining talented and outstanding executive officers and employees.

Section 162(m). The 2007 Cash Plan is designed to permit us to deliver performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), which generally limits the deduction that we may take for compensation paid in excess of \$1,000,000 to certain of our executive officers in any one calendar year. Compensation that is qualified performance-based compensation within the meaning of Code Section 162(m) will not be subject to this limitation if it is based on one or more of the performance criteria listed in the 2007 Cash Plan and otherwise satisfies the requirements of Code Section 162(m).

Administration. The 2007 Cash Plan will be administered by the Compensation Committee of the Board of Directors. Consistent with the objectives of the 2007 Cash Plan, the Compensation Committee has complete discretion to make all decisions necessary or advisable for the administration and interpretation of the 2007 Cash Plan. Under the terms of the 2007 Cash Plan, the Compensation Committee is authorized to: (1) designate participants, including executive officers and employees who are not executive officers, who may earn additional cash compensation under the 2007 Cash Plan; (2) identify business-related performance goals that must be met over a performance period specified by the Compensation Committee as a condition of the payment of the incentive compensation; and (3) specify the amount of the cash bonus to be paid if those performance goals are met. The Compensation Committee may establish different terms and conditions for each award granted under the 2007 Cash Plan.

Eligibility. The 2007 Cash Plan authorizes the Compensation Committee to grant awards subject to the satisfaction of performance criteria to both executive officers and other employees of the Company or certain related entities. However, Code Section 162(m) only applies to the Chief Executive Officer of the Company as well as the four other most highly compensated executive officers of the Company.

Award Agreement. At the time an award is made under the 2007 Cash Plan, the Compensation Committee will prepare and deliver an award agreement to each affected participant. The award agreement will describe the award and when and how it may be earned and, to the extent different from the terms of the 2007 Cash Plan, will describe any conditions that must be met before the award may be earned, including performance criteria, and any other applicable terms and conditions affecting the award. By accepting an award, each participant agrees to be bound by the terms of the award agreement and the 2007 Cash Plan and to comply with other conditions imposed by the Compensation Committee.

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Performance Criteria. The performance goals that executive officers must achieve to earn a cash bonus are derived from one or more of the performance criteria listed in the 2007 Cash Plan (or a combination thereof), which include:

Net earnings or net income (before or after taxes);

Earnings per share;

Net sales or revenue growth;

Net operating profit;

Return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales or revenue);

Cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity and cash flow return on investment);

Earnings before or after taxes, interest, depreciation and/or amortization;

Gross or operating margins;

Productivity ratios;

Share price (including, but not limited to, growth measures and total shareholder return);

Expense targets;

Margins;

Operating efficiency;

Market share;

Customer satisfaction;

Working capital targets; and

Economic value added (net operating profit after tax minus the sum of capital multiplied by the cost of capital).

Employees who are not executive officers also may earn a cash bonus under the 2007 Cash Plan, although their performance goals may be based on criteria not listed in the 2007 Cash Plan. Different performance criteria may be applied to individual participants or to groups of participants and, as specified by the Compensation Committee, may be based on the results achieved (1) separately by the Company or any related entity, (2) any combination of the Company and related entities or (3) any combination of segments, products or divisions of the Company and related entities.

The Compensation Committee must establish performance criteria in an award agreement as soon as administratively practicable but, in the case of executive officers, no later than the earlier of 90 days after

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the beginning of the performance period or the expiration of 25% of the performance period. The Compensation Committee will make appropriate adjustments to the performance criteria to reflect any stock dividend, stock split, recapitalization, merger, consolidation, combination, spin-off, distribution of assets, exchange of shares or similar corporate change. Additionally, the Compensation Committee may make appropriate adjustments to performance criteria to reflect a substantive change in a participant's job description or assigned duties and responsibilities.

Distributions. At the end of each performance period, the Compensation Committee will ascertain whether each participant has met applicable performance goals and certify those results to our Board of Directors along with a statement of the amount of any cash bonus earned. If a participant has not met applicable performance goals, he or she will not receive a cash bonus under the 2007 Cash Plan for that performance period. If a participant has met applicable performance goals, the Company will pay the stipulated cash bonus in a single lump sum payment as soon as administratively practicable after the performance period ends. The Company will withhold from the award or from other amounts owed to the participant an amount sufficient to satisfy federal, state and local withholding tax requirements.

Termination of Employment. Unless otherwise provided in the award agreement, a participant who terminates employment for any reason other than death or disability before the end of the performance period will forfeit any right to receive a bonus during that performance period. However, unless otherwise provided in the award agreement, a participant who terminates employment because of death or disability (as defined in the 2007 Cash Plan) will receive a prorated bonus under the 2007 Cash Plan, but only if applicable performance goals are achieved at the end of that performance period. The amount paid in these circumstances is the product of (a) the bonus the deceased or disabled participant would have received at the end of the performance period, multiplied by (b) the quotient of (i) the number of days between the beginning of the performance period and the date employment terminated, divided by (ii) the total number of days included in the performance period.

Amendment and Termination. The Compensation Committee or the Board of Directors may terminate, suspend or amend the 2007 Cash Plan at any time without shareholder approval except to the extent that shareholder approval is required by applicable law or listing requirements. No amendment may affect any rights of a participant under an outstanding award without the consent of the participant. However, the Compensation Committee or the Board of Directors may amend the 2007 Cash Plan without any additional consideration to the affected participants to the extent necessary to avoid penalties under Code Section 409A, even if those amendments reduce, restrict or eliminate rights granted to the participant before those amendments.

Transferability. Awards granted under the 2007 Cash Plan may not be transferred except by will or the laws of descent or distribution. The 2007 Cash Plan does, however, permit a participant to designate one or more beneficiaries to whom the Company will pay any amount under the 2007 Cash Plan upon the death of the participant. If a participant has not made an effective beneficiary designation, the deceased participant's beneficiary will be his or her surviving spouse or, if none, the deceased participant's estate.

Plan Benefits. The maximum annual bonus that any participant may earn under the 2007 Cash Plan is \$5,000,000. The exact amount of the benefits or amounts, if any, that will be allocated to or received by the eligible executive officers and employees is dependent upon future performance of the Company and, accordingly, cannot be determined at this time. The annual cash bonuses paid to the Company's executive officers under the 2003 Cash Incentive Plan with respect to the Company's 2006 fiscal year are set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 34 of this proxy statement.

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Recommendation and Vote.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE PROPOSAL TO APPROVE THE RETAIL VENTURES, INC. 2007 CASH INCENTIVE COMPENSATION PLAN.

The affirmative vote of the holders of a majority of the common shares entitled to vote and present, in person or by properly executed proxy, at the Annual Meeting is required to approve the adoption of the 2007 Cash Plan.

Abstentions will have the same effect as a vote **AGAINST** the proposal to approve the 2007 Cash Plan.

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, conditions 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 scope of audit and audit-related services require the Audit Committee's approval.