

RETAIL VENTURES INC

Form 10-Q/A

October 12, 2010

Table of Contents

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

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 31, 2009
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 1-10767
RETAIL VENTURES, INC.
(Exact name of registrant as specified in its charter)

Ohio

20-0090238

(State or other jurisdiction of incorporation or organization)

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

4150 E. Fifth Avenue, Columbus, Ohio

43219

(Address of principal executive offices)

(Zip Code)

(614) 238-4148

Registrant's telephone number, including area code

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

Edgar Filing: RETAIL VENTURES INC - Form 10-Q/A

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

The number of outstanding Common Shares, without par value, as of November 30, 2009 was 48,940,729.

Table of Contents

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

This Amendment No. 1 on Form 10-Q/A (this Amendment) amends and restates Part I Items 1 and 4 of the Quarterly Report on Form 10-Q for the quarter ended October 31, 2009 which was originally filed with Securities and Exchange Commission on December 15, 2009 (Original Report). This Amendment is made solely to correct the disclosures of diluted (loss) earnings per share from continuing operations attributable to Retail Ventures, Inc. common shareholders and diluted (loss) earnings per share attributable to Retail Ventures, Inc. common shareholders for the nine month period ended November 1, 2008 included in the Company s condensed consolidated statement of operations and related disclosures. The error in the diluted (loss) earnings per share was due to the fact that the numerator in the calculation, diluted earnings, did not include the change in fair value of dilutive warrants. The correction of the error decreased diluted earnings per share from continuing operations attributable to Retail Ventures, Inc. common shareholders from the previously reported amount of \$1.58 to a corrected amount of \$0.82 and diluted earnings per share attributable to Retail Ventures, Inc. common shareholders from the previously reported amount of \$1.14 to a corrected amount of \$0.38 for the nine month period ended November 1, 2008.

The dollar amount of revenues, expenses, net (loss) income attributable to Retail Ventures, Inc., the consolidated balance sheets, the consolidated statements of cash flows, and the consolidated statements of shareholders equity for all periods reported in the Original Report is unchanged and except for as described above, no other information in the Form 10-Q has been amended and the Company has not updated disclosures in this Amendment to reflect any event subsequent to the Company s filing of the Original Report. Additionally this Amendment has no impact on the Company s subsidiary, DSW Inc. This amendment does not reflect events after the filing of the Original Report and is not intended to update other information presented in this Form 10-Q as originally filed with the Securities and Exchange Commission, except as required to reflect the effects of the restatement.

**RETAIL VENTURES, INC.
TABLE OF CONTENTS**

	Page No.
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets at October 31, 2009 and January 31, 2009</u>	2
<u>Condensed Consolidated Statements of Operations for the three and nine months ended October 31, 2009 and November 1, 2008</u>	4
<u>Condensed Consolidated Statements of Shareholders' Equity for the nine months ended October 31, 2009 and November 1, 2008</u>	6
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended October 31, 2009 and November 1, 2008</u>	7
<u>Notes to the Condensed Consolidated Financial Statements</u>	9
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	43
<u>Item 4. Controls and Procedures</u>	44
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	45
<u>Item 1A Risk Factors</u>	45
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	47
<u>Item 3. Defaults Upon Senior Securities</u>	47
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	47
<u>Item 5. Other Information</u>	47
<u>Item 6. Exhibits</u>	47
<u>Signature</u>	48
<u>Index to Exhibits</u>	49
<u>Exhibit 12</u>	
<u>Exhibit 31.1</u>	

Exhibit 31.2

Exhibit 32.1

Exhibit 32.2

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.**

RETAIL VENTURES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)
(unaudited)

	October 31, 2009	January 31, 2009
ASSETS		
Cash and equivalents	\$ 108,723	\$ 94,308
Restricted cash		261
Short-term investments, net	169,429	101,404
Accounts receivable, net	5,614	7,142
Accounts receivable from related parties, net	165	332
Inventories	289,395	244,008
Prepaid expenses and other current assets	24,358	27,249
Deferred income taxes	29,378	22,243
Current assets held for sale		66,678
Total current assets	627,062	563,625
Property and equipment, net	216,274	236,355
Goodwill	25,899	25,899
Tradenames and other intangibles, net	3,028	3,668
Conversion feature of long-term debt	46,943	77,761
Deferred income taxes		805
Other assets	6,264	6,856
Non-current assets held for sale		38,793
Total assets	\$ 925,470	\$ 953,762

The accompanying Notes are an integral part of the Condensed Consolidated Financial Statements.

Table of Contents

RETAIL VENTURES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)
(in thousands, except share amounts)
(unaudited)

	October 31, 2009	January 31, 2009
LIABILITIES AND SHAREHOLDERS EQUITY		
Accounts payable	\$ 142,498	\$ 93,088
Accounts payable to related parties	2,876	3,125
Accrued expenses:		
Compensation	22,285	12,632
Taxes	40,963	14,857
Gift cards and merchandise credits	13,716	15,491
Guarantees from discontinued operations	4,330	2,909
Other	35,910	31,175
Warrant liability	16,260	6,292
Current maturities of long-term obligations		250
Current liabilities held for sale		76,030
Total current liabilities	278,838	255,849
Long-term obligations, net of current maturities	129,194	127,576
Long-term guarantees of discontinued operations	9,883	9,980
Other noncurrent liabilities	102,119	99,310
Deferred income taxes	18,511	29,806
Noncurrent liabilities held for sale		36,055
Commitments and contingencies		
Shareholders equity:		
Common shares, without par value; 160,000,000 authorized; issued and outstanding, including 7,551 treasury shares, 48,947,280 and 48,691,280, respectively	308,328	306,868
Accumulated deficit	(105,930)	(76,930)
Treasury shares, at cost, 7,551 shares	(59)	(59)
Warrants		124
Accumulated other comprehensive loss	(6,619)	(655)
Accumulated other comprehensive loss held for sale		(6,734)
Total Retail Ventures shareholders equity	195,720	222,614
Noncontrolling interests	191,205	172,572
Total shareholders equity	386,925	395,186
Total liabilities and shareholders equity	\$ 925,470	\$ 953,762

The accompanying Notes are an integral part of the Condensed Consolidated Financial Statements.

Table of Contents

RETAIL VENTURES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three months ended		Nine months ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Net sales	\$ 444,621	\$ 391,355	\$ 1,199,957	\$ 1,114,794
Cost of sales	(238,549)	(218,946)	(666,416)	(628,559)
Gross profit	206,072	172,409	533,541	486,235
Selling, general and administrative expenses	(164,862)	(151,492)	(531,140)	(431,633)
Change in fair value of derivative instruments	(30,701)	7,858	(40,778)	61,759
Operating profit (loss)	10,509	28,775	(38,377)	116,361
Interest expense	(3,236)	(3,241)	(9,678)	(10,431)
Interest income	626	2,895	1,891	8,468
Interest expense, net	(2,610)	(346)	(7,787)	(1,963)
Non-operating (expense) income, net	(754)	1,486	(621)	1,486
Income (loss) from continuing operations before income taxes	7,145	29,915	(46,785)	115,884
Income tax expense	(11,079)	(10,411)	(13,507)	(24,649)
(Loss) income from continuing operations	(3,934)	19,504	(60,292)	91,235
(Loss) income from discontinued operations, net of tax - Value City	(498)	2,035	83	8,908
Income (loss) from discontinued operations, net of tax - Filene's Basement	203	(6,562)	44,581	(30,521)
Total (loss) income from discontinued operations, net of tax	(295)	(4,527)	44,664	(21,613)
Net (loss) income	(4,229)	14,977	(15,628)	69,622
Less: net income attributable to the noncontrolling interests	(9,900)	(4,988)	(15,359)	(12,748)
Net (loss) income attributable to Retail Ventures, Inc.	\$ (14,129)	\$ 9,989	\$ (30,987)	\$ 56,874

The accompanying Notes are an integral part of the Condensed Consolidated Financial Statements.

Table of Contents

RETAIL VENTURES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)
(in thousands, except per share amounts)
(unaudited)

	Three months ended		Nine months ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Basic and diluted earnings (loss) per share:				
Basic (loss) earnings per share from continuing operations attributable to Retail Ventures, Inc. common shareholders	\$ (0.28)	\$ 0.30	\$ (1.55)	\$ 1.61
Diluted (loss) earnings per share from continuing operations attributable to Retail Ventures, Inc. common shareholders				
nine months ended November 1, 2008 restated (See Note 17)	\$ (0.28)	\$ 0.30	\$ (1.55)	\$ 0.82
Basic (loss) earnings per share from discontinued operations attributable to Retail Ventures, Inc. common shareholders	\$ (0.01)	\$ (0.09)	\$ 0.91	\$ (0.44)
Diluted (loss) earnings per share from discontinued operations attributable to Retail Ventures, Inc. common shareholders	\$ (0.01)	\$ (0.09)	\$ 0.91	\$ (0.43)
Basic (loss) earnings per share attributable to Retail Ventures, Inc. common shareholders	\$ (0.29)	\$ 0.21	\$ (0.63)	\$ 1.17
Diluted (loss) earnings per share attributable to Retail Ventures, Inc. common shareholders				
nine months ended November 1, 2008 restated (See Note 17)	\$ (0.29)	\$ 0.20	\$ (0.63)	\$ 0.38
Shares used in per share calculations:				
Basic	48,938	48,681	48,855	48,665
Diluted	48,938	48,817	48,855	49,803
Amounts attributable to Retail Ventures, Inc. common shareholders:				
(Loss) income from continuing operations, net of tax	\$ (13,834)	\$ 14,516	\$ (75,651)	\$ 78,487
Discontinued operations, net of tax	(295)	(4,527)	44,664	(21,613)
Net (loss) income	\$ (14,129)	\$ 9,989	\$ (30,987)	\$ 56,874

The accompanying Notes are an integral part of the Condensed Consolidated Financial Statements.

Table of Contents

RETAIL VENTURES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
(in thousands)
(unaudited)

	Number of Shares		Retail Ventures, Inc. Shareholders					Non- controlling Interests	Total
	Common Shares	in Common Shares	Retained Earnings (Accumulated Deficit)	Treasury Shares	Warrants	Total Accumulated Other Comprehensive Loss			
Balance, February 2, 2008	48,623	8	\$ 305,254	\$ (130,577)	\$ (59)	\$ 124	\$ (1,819)	\$ 160,349	\$ 333,272
Net income from continuing operations				78,487				12,748	91,235
Net loss from discontinued operations				(21,613)					(21,613)
Unrealized loss on available-for-sale securities, net of tax benefit of \$616							(941)		(941)
<i>Total comprehensive income</i>									\$ 68,681
Capital transactions of subsidiary				2,452				1,372	3,824
Stock based compensation expense, before related tax effects			1,046						1,046
Exercise of stock options	65		200						200
Balance, November 1, 2008	48,688	8	\$ 306,500	\$ (71,251)	\$ (59)	\$ 124	\$ (2,760)	\$ 174,469	\$ 407,023
Balance, January 31, 2009	48,691	8	\$ 306,868	\$ (76,930)	\$ (59)	\$ 124	\$ (7,389)	\$ 172,572	\$ 395,186
Net (loss) income from continuing operations				(75,651)				15,359	(60,292)
Net income from discontinued operations				44,664					44,664
Unrealized loss on available-for-sale securities							(99)		(99)
<i>Total comprehensive loss</i>							754		\$ (15,727)
									754

Reclassification of unrealized losses on available-for-sale securities to an other-than-temporary impairment									
Capital transactions of subsidiary			1,987				3,274		5,261
Stock based compensation expense, before related tax effects			949						949
Exercise of stock options	256		511						511
Cumulative effect of adoption of new accounting pronouncement					(115)	115			
Reclassification of warrants to liability					(9)				(9)
Balance, October 31, 2009	48,947	8	\$ 308,328	\$ (105,930)	\$ (59)	\$	\$ (6,619)	\$ 191,205	\$ 386,925

The accompanying Notes are an integral part of the Condensed Consolidated Financial Statements.

Table of Contents

RETAIL VENTURES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine months ended	
	October 31, 2009	November 1, 2008
Cash from operating activities:		
Net (loss) income	\$ (15,628)	\$ 69,622
Less: (income) loss from discontinued operations, net of tax	(44,664)	21,613
(Loss) income before discontinued operations	\$ (60,292)	\$ 91,235
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of debt issuance costs and discount on debt	2,630	2,515
Stock based compensation expense	949	1,046
Stock based compensation expense of subsidiary	1,987	2,452
Depreciation and amortization	34,782	26,109
Change in fair value of derivative instruments	40,778	(61,759)
Gain on repurchase of Premium Income Exchangeable Securities		(1,486)
Deferred income taxes and other noncurrent liabilities	(28,053)	(8,956)
Impairment charges on long-lived assets	481	1,586
Non-operating expense, net	621	
Loss on disposal of assets	387	1,062
Impairment charges on receivables from Filene's Basement	57,897	
Other	3,274	1,018
Change in working capital, assets and liabilities:		
Accounts receivable	2,403	6,029
Inventories	(45,387)	(57,207)
Prepaid expenses and other current assets	2,951	(309)
Accounts payable	47,703	22,692
Proceeds from construction and tenant allowances	6,680	14,928
Accrued expenses	31,244	15,787
Net cash provided by operating activities from continuing operations	101,035	56,742
Net cash provided by (used in) operating activities from discontinued operations	20,563	(10,164)
The accompanying Notes are an integral part of the Condensed Consolidated Financial Statements.		

