VALUE CITY DEPARTMENT STORES INC /OH
Form 10-K
May 04, 2001

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
FOR THE FISCAL YEAR ENDED FEBRUARY 3, 2001
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

COMMISSION FILE NUMBER: 1-10767

VALUE CITY DEPARTMENT STORES, INC.
(Exact name of registrant as specified in its charter)

OHIO	NO. 31-1322832
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3241 WESTERVILLE ROAD, COLUMBUS, OHIO	43224
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (614) 471-4722

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

Title of each class:	Name of each exchange on which registered:
Common Shares, without par value	New York Stock Exchange

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

Indicate by check mark 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 the filing requirements for at least the past 90 days. YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of voting stock held by non-affiliates of the registrant, 12,490,447 Common Shares, based on the $7.69 closing sale price on April 16, 2001, was $96,051,537.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 34,338,212 Common Shares were outstanding at April 16, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

Part III - Proxy Statement for Annual Meeting of Shareholders to be held in July

2001 in part, as indicated.

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SCHEDULES

PART I

ITEM 1. BUSINESS.

GENERAL

Value City Department Stores, Inc. currently operates a chain of 119 department stores located in Ohio, Pennsylvania and 13 other Midwestern, Eastern and Southern states, principally under the name Value City, as well as 81 DSW Shoe Warehouse Stores located throughout the United States. In addition, we operate 19 Filene's Basement stores ("Filene's") located principally in the New England states. For over 80 years, our strategy has been to provide exceptional value by offering a broad selection of brand name merchandise at prices substantially below conventional retail prices. Our department stores carry men's, women's and children's apparel, housewares, giftware, home furnishings, toys, sporting goods, jewelry, shoes and health and beauty care items, with apparel comprising over 60% of total sales. Our department stores average 87,000 square feet which allow us to offer over 100,000 different items of merchandise similar to the items found in traditional department, specialty and discount stores. Our DSW stores are a chain of upscale shoe stores offering a wide selection of dress and casual footwear below traditional retail prices. These stores average 25,000 square feet with up to 45,000 pairs of women's and men's designer brand shoes and athletic footwear per store. Our Filene's stores average 27,000 square feet and specialize in high-end brand name merchandise of men's and women's apparel, accessories and home goods.

Our pricing strategy is supported by our ability to purchase large quantities of goods in a variety of special buying opportunities. For many years, we have had a reputation in the marketplace as a purchaser of buy-outs and manufacturers' closeouts.

HISTORY OF OUR BUSINESS

We opened our first department store in Columbus, Ohio in 1917. The Value City department stores operated as a division of Schottenstein Stores Corporation ("SSC") until we went public on June 18, 1991. SSC still owns 53.0% of our stock. We have a number of ongoing related party agreements with SSC that are described in Item 13 of this report.

In July 1997, we entered into agreements with Mazel Stores, Inc. to create VCM, Ltd., a 50/50 joint venture. VCM operates the health and beauty care, toy and sporting goods departments and; beginning in fiscal 2000, the food department, as licensed departments. We account for our fifty percent interest in the joint venture under the equity method. See "Licensed Departments."

Effective May 3, 1998, we purchased 99.9% of the common stock of Shonac Corporation from Nacht Management, Inc. and SSC. In September 2000, we purchased the remaining 0.1% to give us 100% ownership. Shonac had been the shoe licensee in all of the Value City stores since its inception in 1969 and also operated the DSW chain of retail shoe stores. Also effective May 3, 1998, we acquired the store operations of Valley Fair Corporation from SSC. Valley Fair operated two department stores located in New Jersey. Prior to their acquisition, we had been a licensee of certain departments in these two stores for eighteen years.

On November 19, 1999, we purchased 100% of the common stock of Gramex Retail Stores, Inc. ("Gramex") from Gramex Corporation pursuant to a Stock Purchase Agreement, dated as of November 8, 1999. Gramex operated a chain of 15 discount stores under the name "Grandpa's" in the greater St. Louis metropolitan area. Of the 15 stores acquired and after liquidation of the existing Grandpa's inventory, 13 stores were converted to the Value City format. Six stores received only minor improvements and were reopened in March 2000. The other 7 stores were remodeled based on our current Value City format and were reopened in April 2000.

On March 17, 2000, we completed the acquisition of substantially all of the assets and the assumption of certain liabilities of Filene's Basement Corp., a Massachusetts corporation, and Filene's Basement, Inc., a wholly owned subsidiary of Filene's Basement Corp. through our wholly owned subsidiary, Base Acquisition Corp., pursuant to the closing of an asset purchase agreement, dated February 2, 2000. Filene's was operating as debtor-in-possession under Chapter 11 of the Bankruptcy Code. We continue to operate the 14 Filene's stores acquired on March 17 and have reopened 3 other Filene's stores in the Washington D.C. area. During fiscal 2000, 2 new Filene's stores were opened.

We and our wholly owned subsidiaries are sometimes referred to collectively in this report as the "Company" or as "VCDS."

CHANGE IN FISCAL YEAR-END

On June 10, 1998, we determined to change our fiscal year from a 52/53 week year that ended on the Saturday nearest to July 31 to a 52/53 week year that ends on the Saturday nearest to January 31. The six-month transition period of August 2, 1998 through January 30, 1999 (the "Transition Period") preceded the start of the 1999 fiscal year which ended January 29, 2000. Fiscal 2000 contains 53 weeks.

OPERATING SEGMENTS

See Note 12 of Notes to Consolidated Financial Statements beginning on page F-21 of this annual report for information regarding our Company's segments.

BUSINESS STRATEGIES

Our strategy is to provide brand name merchandise substantially below conventional retail prices. The strategy is reflected in our name, "Value City," and our motto, "It's your money, get more for it." We believe that the size of our Value City department stores facilitates a full-line merchandise offering and range of brands that differentiates us from other off-price retailers.

Our DSW stores' mission is to be each customers' favorite retailer of branded footwear by satisfying customer expectations for selection, convenience and value.

Filene's strategy is similar to Value City's focus on providing the best brand names at everyday low prices for men's and women's apparel, accessories and home goods. The principal elements of Value City's, DSW's and Filene's business strategies are discussed below.

MERCHANDISING

Selection

Value City is a full-line, off-price retailer carrying men's, women's and children's apparel, housewares, giftware, home furnishings, toys, sporting goods, jewelry, shoes and health and beauty care items. Off-price retailing, as distinguished from traditional full-price retailing and discount or off-brand merchandising, is characterized by the purchase of primarily high quality brand name merchandise, at prices below normal cost to most retailers. A portion of the cost savings is then passed on to customers through lower prices. Our Value City stores strive to offer customers one-stop-shopping in terms of categories of merchandise carried. The large size of our stores facilitates the offering of a wide range of merchandise categories with broad, deep selections of goods within each category. Our stores carry over 100,000 different items of merchandise similar to the items found in traditional department, specialty and discount stores. To improve store profitability and meet the changing needs of our customers, we continually refine the Value City merchandise mix eliminating less productive departments and introducing new merchandise categories.

We believe customers are attracted to Value City stores because of continuous new offerings of value-priced merchandise acquired in special purchases. At the same time, Value City maintains a broad and consistent range of goods, it purchases continuing lines of merchandise and draws upon its vendor contacts to ensure constant availability of certain basic categories of merchandise as well as current fashion trends.

DSW stores attract customers because of their wide assortment of top quality name brand dress, casual and athletic footwear for men and women together with a regularly changing selection of more fashion-oriented footwear. Our DSW stores are large, contemporary, upscale warehouses, averaging 25,000 square feet and allow us to sell a large selection of branded footwear in a clean and simple environment.

Filene's stores average 27,000 square feet and offer branded apparel, home goods, accessories and retail stocks purchased directly from major upscale retailers. The branded merchandise represents a focused assortment of fashionable, nationally-recognized men's and women's apparel, accessories and home goods bearing prominent designers' and manufacturers' names. Branded merchandise constitutes most of the product line and is obtained through opportunistic purchases from a diverse group of quality manufacturers and vendors.

The following table sets forth relative contributions of each major merchandise category to total sales.

	Fiscal Year Ended 2/3/01	Fisca En 1/2

Apparel and Ready-to-Wear - Includes: Men's, Women's and Children's outerwear, suits, dresses, sportswear, sleepwear, underwear and accessories; and department store shoe sales from May 3, 1998 to February 3, 2001..................	61.9%	6
Hard goods and Home Furnishings - Includes: domestics; jewelry; housewares; giftware; and small appliances	14.7	1
Licensed Departments - Includes: shoes through May 2, 1998; health and beauty care; food; toys and sporting goods and other incidental departments...	6.0	
DSW Stores..	17.4	1
	100.0%	10

Value Pricing

Value City stores offer quality brand name merchandise at prices typically 50% to 70% below prices charged by traditional department stores for similar items and at prices comparable to or lower than prices charged by other off-price retailers. We can offer exceptional values because our buyers purchase merchandise directly from manufacturers and other vendors generally at prices substantially below those paid by conventional retailers. This allows us to pass on the savings directly to our customers. See "Supplier Relationships and Purchasing."

DSW price points are targeted to be up to 50% lower than the regular prices of other specialty retailers and traditional department stores. DSW continually strives to improve its merchandise sourcing to maintain quality, lower costs and shortened delivery cycles. Identifying and building relationships with cost-efficient manufacturers and suppliers of quality merchandise is essential to DSW's merchandising strategy.

Well known designer labels, brand names and original retailer names are prominently displayed throughout our Value City and Filene's stores. Many items carry labels and/or original price tags showing brand names identifiable with major designers, manufacturers and retail stores, as well as tags showing original retail, comparable or "nationally advertised" prices. In certain cases suppliers may require removal of labels or original retail price tags as a condition to a special purchase arrangement. See "Supplier Relationships and Purchasing."

Our Filene's stores' merchandise assortment is typically priced at levels 30%-60% below regular prices at traditional department and specialty stores. These discounts are achieved by buying in-season

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overruns and end-of-season surplus at advantageous prices and offering them for sale at lower markups than those of traditional department stores. We are also able to keep the cost of merchandise low because we do not require markdown or advertisement allowances, or anticipation of returns from vendors, all of which are typical in the department store industry.

Licensed Departments

We operate all departments in the Value City stores except for the health and beauty care, toy and sporting goods, food and certain other incidental departments. These departments are licensed to others, including affiliated parties, for a percentage of net sales, generally ranging from 5% to 11%, for initial periods of up to 10 years with, in some instances, an option to renew. In addition, we receive a fee from some licensees for general and administrative expenses. The aggregate annual license fees received from licensees for fiscal year ended February 3, 2001 were $11,323,000.

SSC owned a controlling interest in L. F. Widmann, Inc., the licensee that operated the health and beauty care departments in our stores. In July 1997, we entered into agreements with Mazel to create VCM, a 50/50 joint venture. Effective August 3, 1997, VCM purchased 100% of Widmann's capital stock and purchased the assets of Value City's toys and sporting goods departments. VCM operates the health and beauty care and toys and sporting goods departments in our stores as licensed departments. The license agreements provide for fees based on a percentage of sales, as defined, for license fees, advertising fees and credit and administrative charges. We provide certain personnel, administrative and service functions for which we receive a monthly fee from VCM to cover the related costs. The license and joint venture agreements are for a term of ten years ending in 2007 and contain certain provisions whereby either business partner can initiate renegotiation of terms if certain minimum requirements are not met.

SSC also owned 49.9% of the outstanding stock of Shonac, the licensee that operated the shoe departments in all of the Value City stores until May 1998 when we purchased 99.9% of the common stock of Shonac.

Licensees supply their own merchandise and generally supply their own store fixtures but in most instances utilize our associates to operate their departments. The licensees reimburse us for all costs associated with such associates. Licensees operate their departments under our general supervision and are required to abide by our policies with regard to pricing, quality of merchandise, refunds and store hours. Licensed departments complement the operations of our stores and are considered an integral part of our store operations. The common ownership interest in licensees facilitates the uniformity of merchandising strategy in the stores, including the overall emphasis on values resulting from special purchase opportunities.

SUPPLIER RELATIONSHIPS AND PURCHASING

An important factor in our growth has been our many years of experience in purchasing merchandise directly from manufacturers and other vendors at prices substantially below those generally paid by conventional retailers. We believe that over the years our buyers have established excellent relationships with suppliers and have established a reputation for our willingness and ability to purchase entire lots of merchandise and make prompt payment. We continuously seek to find and negotiate special purchase opportunities. As a result of our relationships, experience and reputation for prompt payment,

many suppliers offer us special purchase opportunities prior to attempting to dispose of merchandise through other channels. Many manufacturers of brand name merchandise are reluctant to sell merchandise for resale at discounted prices through their normal channels of distribution or to retailers which may be considered competitors in their regular distribution channels. By selling such merchandise through our own retail stores, we are able to assure suppliers that the merchandise will be sold without disturbing the suppliers' regular channels of distribution.

Although we cannot quantify the amount by which the prices we pay for special purchases are lower, if any, than the prices paid by our competitors for similar purchases, we believe that such special purchases are made at prices sufficiently favorable to enable us to offer merchandise to our customers at prices significantly lower than those prices offered by many of our competitors.

We purchase merchandise from more than 4,700 suppliers, none of which accounted for a material percentage of purchases during the past fiscal year. We do not maintain any long-term or exclusive commitments to purchase merchandise from any one supplier. We regularly purchase overstocked or overproduced items from manufacturers and other retailers, including end-of-season, out-of-season and end-of-run merchandise and manufacturers' slight irregulars. From time to time, we purchase all or substantially all of the inventories of financially distressed retailers and make other special purchases. Also, we have started to more aggressively seek advantageous buying opportunities overseas, particularly in non-apparel categories.

Our distribution facilities are designed to enable us to prioritize the processing of merchandise on short notice and to deliver merchandise to stores within days of receipt. This allows our buyers to purchase merchandise very late in the season, when prices tend to be more favorable, and still deliver the merchandise to stores before the end of the season. At the same time, we have devoted warehouse space to out-of-season goods for our department stores. We strive to hold this merchandise until the most opportune time to offer it in the Value City stores, which in most cases is the next season. This ability to purchase and quickly distribute or hold merchandise in substantial quantities has enabled us to offer high-quality merchandise to customers at prices significantly below usual retail prices. We believe that this ability distinguishes us from the typical discount or department store and provides us with a competitive advantage in making purchases as favorable opportunities arise.

The relatively large size of the Value City stores provides us with the flexibility to purchase full lots of merchandise that may not be available to other off-price retailers with smaller stores requiring more targeted purchases. Although there is growing competition for the kinds of special purchases that we seek, we believe that, because of the factors discussed above, we will be able to obtain sufficient supplies of desirable merchandise at favorable prices in the future.

DSW's merchandising group constantly monitors current fashion trends as well as historical sales trends to identify popular styles and styles that may become popular in the upcoming season. Once our buyer determines the styles and merchandise mix for any upcoming season, they focus on purchasing the appropriate quantities of each category at the lowest cost and the highest quality available.

DSW believes it has good relationships with its vendors. Merchandise is purchased from both domestic and foreign suppliers directly or through agents. Vendors include suppliers who either manufacture their own merchandise or supply merchandise manufactured by others, or both. DSW believes

that, consistent with the retail footwear industry as a whole, most of its domestic vendors import a large portion of their merchandise from abroad. We have implemented quality control programs under which buyers inspect incoming merchandise for fit, color and material, as well as for overall quality of manufacturing. As the number of DSW locations increase, we believe there will be adequate sources available to acquire and/or produce a sufficient supply of quality goods in a timely manner and on satisfactory economic terms.

We believe that the acquisition of Filene's, a well-known institution in Boston since 1908, is a good fit with our `deal driven' merchandise strategy. Because of the longstanding relationships Filene's has with vendors, it receives quality buying opportunities at competitive prices. These longstanding relationships make Filene's a prime choice for vendors with overruns, department store cancellations and unmet volume objectives. From time to time, Filene's commits to the future purchase of branded merchandise from vendors at advantageous prices. These forward purchases allow for timely, fashionable assortments. Based on our experience, we believe that the current supply of branded merchandise is adequate for our needs.

DISTRIBUTION

We use a regionalized distribution strategy with 11 distribution centers located in Columbus, Ohio, a distribution facility in St. Louis, Missouri and one distribution facility in Auburn, Massachusetts. The aggregate area of the distribution facilities is approximately 3,000,000 square feet; however, use of multi-tier processing levels in some of the distribution centers substantially increases their operating capacity. In addition, to expedite the flow of merchandise to certain clusters of stores, we use third party processors located in New Jersey, Chicago and Detroit.

Our distribution facilities utilize material handling equipment, including mechanized conveyor systems to separate and collate shipments to the stores. Our distribution facilities are designed to allow priority delivery of late season purchases and fast-moving merchandise to have it in our stores quickly to take full advantage of the remaining selling season. We continue to focus on improving inventory turns by implementing changes which will expedite the flow of merchandise to our selling floors.

Merchandise is processed, ticketed and consolidated prior to shipment to the stores to ensure full-truck loads to minimize shipping costs. We lease our fleet of road tractors and approximately 70% of our semi-rig trailers with the remainder being owned. Our fleet makes the majority of all deliveries to the stores.

To support the planned growth of our DSW Shoe Warehouse operation, we recently consolidated and relocated DSW's principal offices and distribution center operations to a new 625,000 square feet facility located in Columbus, Ohio. We have entered into a 15-year lease with three five-year option periods with an affiliate of SSC.

Our new distribution center facility uses a warehouse management system by Retek and modern material handling equipment, including new Rapistan/Demag conveyor systems, to separate and collate shipments to our stores. The design of the distribution center facilitates the prompt delivery of priority purchases and fast selling footwear to stores so that we can take full advantage of each selling season. We continue to focus on improving inventory controls and turns by implementing changes which will expedite the flow of footwear and related accessories to our stores.

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For Filene's merchandise we currently lease a 457,000 square foot distribution facility situated on 32.8 acres with adjacent rail service in

Auburn, Massachusetts.

ADVERTISING AND PROMOTION

We commit substantial resources to advertising and believe that our marketing strategy is one of the keys to our success. Value City advertises frequently in print, including newspapers, circulars and flyers, and on television and radio. The promotional strategy is carefully planned and budgeted to include not only institutional and seasonal promotions, but also weekly storewide sales events highlighting recent buy-outs and other specially purchased brand name merchandise designed to maximize customer interest. In some cases, a supplier may prohibit the advertising or non-store promotion of its brand name.

Our DSW stores currently use a broadcast campaign, primarily radio, focusing on the slogan "The Shoes of the Moment. The Deal of a Lifetime." This campaign is supplemented by print promotions and, increasingly, television. In addition, a valuable marketing tool for DSW is the "Reward Your Style" loyal customer program. Customers are asked to join the program during the checkout procedure. By analyzing the member database, as well as the sales transactions of those members, we are able to direct the advertising to encourage repeat shopping and to reach targeted customers.

Filene's employs a multi-media approach, using print, broadcast and direct mail. The communication strategy is designed to target customer segments and generate increased store trips and cross shopping opportunities.

STORES

Store Location and Design

Our Value City stores average approximately 87,000 square feet, with approximately 70% of the total area of each store representing selling space. The stores are generally laid out on a single level, with central traffic aisles providing access to major departments. Each department strives to display and stock large quantities and assortments of merchandise, giving the store a full appearance. The stores are generally open from 9:30 am until 9:30 pm Monday through Saturday and 11:00 am until 6:00 pm on Sunday. All of the stores are located in leased facilities.

We believe that customers are attracted to our stores principally by the wide assortment of quality items at substantial savings. Of the 119 department stores open as of April 16, 2001, 27 are free-standing and 92 are in shopping centers, 25 of which are enclosed malls in which they serve as an anchor. Of the 81 shoe stores open as of April 17, 2001, 11 are free-standing and 70 are in shopping centers. Most of our stores are located in suburban areas, near large residential neighborhoods and away from downtown commercial centers.

Our DSW stores average approximately 25,000 square feet, with about 87% of the total area of each store representing selling space. The stores' exteriors feature black and white color schemes and in many cases, windows with striped awnings. The store interiors are well lit and feature a unique display concept, a simple case presentation which groups the shoes together by style. Interior signage is tasteful and kept to a

minimum. The shoe stores are generally laid out on a single level, with the cases of shoes forming the aisles in the stores. This allows customers to view the entire store when they enter. The stores are generally open from 10:00 a.m. until 9:00 p.m. Monday through Saturday and 12:00 p.m. until 6:00 p.m. on Sunday. The stores are located in leased facilities.

The Filene's Boston store is a landmark institution recognized by generations of New England families and visitors as a source of quality off-price men's and women's merchandise. The downtown location is famous for a unique marketing concept - the Automatic Markdown Plan - whereby certain merchandise is automatically discounted based on the number of days the merchandise has been on the sales floor. Filene's believes that the Automatic Markdown Plan generates a sense of shopping urgency and creates customer excitement and loyalty. Filene's subleases 178,000 square feet (approximately 65,300 square feet of selling space) on four floors. The sublease terminates in 2009 with rights on behalf of Filene's to extend until 2024. The Boston store generated over $1,061 in sales per square foot of selling space during fiscal 2000.

In addition to the downtown Boston store, Filene's operates 18 branch stores in four states and Washington, D.C. with an average of approximately 27,000 square feet of selling space per store. Generally, the branch store's selling space is on a single level and uses a prototypical "racetrack" aisle layout for merchandise presentation. The branch stores are designed to be convenient and attractive in their merchandise presentation, dressing rooms, checkouts and customer service areas. Filene's branch stores that were opened from the date of acquisition generated $463 in sales per square foot of selling space.

The branch stores that were opened from the date of acquisition averaged $12,827 million in sales volume per store in fiscal 2000. Their merchandise mix is similar to that of the Boston flagship store. Because of the operational complexities associated with transferring the Automatic Markdown Plan to the branch stores, the branch stores do not operate under the Automatic Markdown Plan, although markdowns are taken as required.

Store Operations

We are committed to offering customers a convenient, pleasurable shopping experience and a high level of satisfaction. At Value City, a training program is utilized to assure that every associate maintains the highest level of professionalism and places customer service at the forefront. At DSW, all associates receive Retail Results University training in both product knowledge and sales/service. This in-house training program emphasizes acknowledgment of all customers, customized levels of service, and realization of sales opportunities at all moments of customer contact.

Our stores are designed for self-service shopping, although sales personnel are available to help customers locate merchandise and to assist in the selection and fitting of apparel and footwear. In all stores, a customer service desk is conveniently located generally adjacent to the central check-out area. We pride ourselves on ease of checkout and have invested in point of sale scanning systems which expedite the checkout process by providing automated check and credit approval and price lookup. Sales associates are trained to create a "customer-friendly" environment. We accept all major credit cards, and also provide a private label credit card program at the department stores. Private label and other credit card sales are nonrecourse to us, with the servicing agent assuming all of the credit risk. Value City offers a convenient layaway program in its department stores and maintains a liberal return policy.

Our stores are organized into separate geographic regions and districts, each with a regional or district manager. Regional and district managers are headquartered in their region and spend the majority of their time in their stores to ensure adherence to merchandising, operational and personnel standards. The typical staff for a Value City store consists of a store manager, an operations manager, two assistant managers, a human resource administrator, a customer service manager, a receiving manager, and full and part-time hourly associates. Each store manager reports directly to one of the regional or district managers, and each of the regional or district managers reports to a Regional Vice President who in turn reports to the Vice President of Operations.

The typical staff for a DSW store consists of a store manager and two assistant managers who supervise 20 to 25 full and part-time hourly associates. Each store manager reports directly to one of 13 district managers who in turn report to a regional manager who in turn report to the Vice President of Operations.

Our Filene's stores' typical staff consists of a general manager, an assistant store manager, merchandising group managers and full and part-time associates. Each general manager reports to the group store manager who in turn reports to the Senior Vice President, Director of Stores.

Our store managers function both as administrators and merchants. All managers are responsible on a day-to-day basis for maintenance of displays and inventories in all departments, for the overall condition of their stores, for customer relations, personnel hiring and scheduling, and for all other operational matters arising in the stores. Each store manager is compensated, in part, based on the performance of his or her store. Our store managers are an important source of information concerning local market conditions, trends and customer preferences.

We prefer to fill management positions through promotion of existing associates. A store management training program is maintained to develop the management skills of associates and to provide a source of management personnel for future store expansion.

Expansion

We have increased our department store base from 74 stores at the start of fiscal 1994 to 119 stores at the end of fiscal 2000. We have expanded both by leasing newly constructed locations and by acquiring existing locations from other retailers. No new stores are planned for fiscal 2001.

We plan to open 25 to 30 new DSW shoe stores during fiscal 2001. We intend to open new DSW stores in both existing and new markets with an emphasis on locating stores in highly visible sites on high traffic streets in relatively affluent trade areas. Factors considered in evaluating new store sites include store size, configuration, demographics and lease terms. We seek to cluster stores in targeted metropolitan areas to enhance name recognition, share advertising costs and achieve economies of scale in management and distribution.

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The table below sets forth certain information relating to the Company's stores during each of the last five fiscal years:

	Fiscal Year Ended		6 Months Ended	Fiscal Year Ended		
	2/3/01	1/29/00	1/30/99	8/1/98	8/2/97	8/3
Beginning of Year(1)	167	145	142	95	86	7
Opened(2)..................	55	22	4	49	9	
Closed	1	-	1	2	0	
End of Year	221	167	145	142	95	8

(1) Excludes apparel, domestics and housewares departments operated by the Company in two Valley Fair department stores prior to May 3, 1998.

(2) Fiscal year ended February 3, 2001 includes 14 Filene's Basement stores acquired on March 17, 2000. Fiscal year ended August 1, 1998 includes 2 department stores obtained in the purchase of Valley Fair and the 43 shoe stores obtained in the purchase of Shonac.

Based upon our experience, we estimate that the average cost of opening a new department store ranges from approximately $4.5 million to $6.5 million and the cost of opening a new DSW shoe store ranges from approximately $1.0 million to $2.0 million, including leasehold improvements, fixtures, inventory, pre-opening expenses and other costs. Similar costs for a Filene's store are in the $2.5 million to $3.5 million range. Preparations for opening a department store generally take eight to twelve weeks and preparations for opening a DSW shoe store or a Filene's store generally take eight to ten weeks. We charge pre-opening expenses to operations as incurred. It has been our experience that new stores generally achieve profitability and contribute to net income following the first year of operations.

We continually refurbish our stores by updating the merchandise displays and in-store signage. The costs of refurbishing on a per store basis are generally not substantial. On an annual basis, we select stores to be remodeled, which generally involves more significant changes to the interior or exterior of the store. We maintain our own architectural design staff, construction crews and carpentry shop to assist in refurbishing and remodeling store interiors and to build in-store display tables and racks.

MANAGEMENT INFORMATION AND CONTROL SYSTEMS

We believe that a high level of automation is essential to maintaining and improving our competitive position. We rely upon computerized data systems to provide information at all levels, including warehouse operations, store billing, inventory control, merchandising and automated accounting. Value City utilizes two IBM AS/400 computer systems, and Shonac utilizes one additional AS400 computer system.

We utilize point of sale ("POS") registers with full scanning capabilities to increase speed and accuracy at customer check-outs and facilitate inventory restocking. Since layaways represent an important part of our department store business, an automated system to capture and control layaways is integrated into the POS system.

ASSOCIATES

As of April 2001, we had approximately 19,300 associates of which 9,900 were full-time and 9,400 were part-time. Approximately 1,400 of these associates in 21 stores are covered by collective bargaining agreements.

Group hospitalization, surgical, medical, vision, dental, disability and life insurance benefits and a 401(k) plan are provided to full-time non-union associates. The Company is a co-sponsor with SSC in these plans. The Company also sponsors an associate stock purchase plan and a stock option plan for salaried associates.

We believe that, in general, we have satisfactory relations with all of our associates.

COMPETITION

The retail industry is highly competitive. We compete with a variety of conventional and discount retail stores, including national, regional and local independent department and specialty stores, as well as with catalog operations, on-line providers, factory outlet stores and other off-price stores.

In the discount or off-price retailing segment, we differentiate ourselves through our store format and breadth of product offering. Our large stores differ from most other off-price retailers which tend to operate substantially smaller stores focusing predominantly on either hard or soft goods. Our large stores facilitate our merchandise offering and broad range of brands and products.

In addition, because we purchase much of our inventory opportunistically, we compete for merchandise with other national and regional off-price apparel and discount outlets. Many of our competitors handle identical or similar lines of merchandise and have comparable locations, and some have greater financial resources than we do.

Competitive factors important to our customers include fashion, value, merchandise selection, brand name recognition and, to a lesser degree, store location. We compete primarily on the basis of value, merchandise quality and selection. We believe our competitive advantages include our reputation in the marketplace for being able to purchase and promptly pay for entire lots of merchandise, together with our ability to either quickly distribute or hold the merchandise for sale at the most opportune time, as well as our full-line merchandise offering and range of brand names.

SERVICE MARKS, TRADEMARKS AND TRADENAMES

The service mark "Value City" has been registered by SSC in the U.S. Patent and Trademark Office. Our four department stores in Columbus operate under the tradename "Schottenstein's," which has been registered in the State of Ohio. We are entitled to use such names for the sole purpose of operating department stores on an exclusive basis pursuant to a perpetual license from SSC. SSC also operates a chain of furniture stores under the name "Value City Furniture." We have also registered in the U.S. Patent and Trademark Office various trademarks used in our marketing program.

Through the acquisition of Shonac, we registered in the U.S. Patent and Trademark Office a number of trademarks and service marks, including: DSW; DSW Shoe Warehouse; Coach and Four; Crown Shoes; Reward Your Style; Flites; Jonathan Victor; Kristi G; Lakota Trail; Landmarks; Sandler; Shoes by Kari; and Sylvia Cristie.

Filene's has an exclusive, perpetual, world-wide, royalty-free license to use the name Filene's Basement and Filene's Basement of Boston trademark and service mark registrations as well as certain other tradenames. Filene's Basement's exclusive licensee status with respect to these registered marks has been recorded with the United States Patent and Trademark Office and relevant state offices.

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ITEM 2. PROPERTIES.

Set forth in the following table are the locations of stores operated by the Company as of February 3, 2001:

	Value City Department Stores	DSW Shoe Warehouse	Filene's
Arizona	-	1	-
California	-	3	-
Colorado	-	2	-
Delaware	3	-	-
Florida	-	4	-
Georgia	4	2	-
Illinois	16	6	2
Indiana	7	2	-
Kansas	-	2	-
Kentucky	4	-	-
Maryland	7	3	-
Massachusetts	-	3	9
Michigan	9	4	-
Minnesota	-	2	-
Missouri	9	1	-
New Hampshire	-	1	-
New Jersey	7	2	-
New York	-	10	4
North Carolina	1	1	-
Ohio	23	7	1
Oklahoma	-	1	-
Pennsylvania	19	5	-
Tennessee	1	2	-
Texas	-	9	-
Virginia	4	4	-

Washington D.C.	1	-	3
West Virginia	4	-	-
Wisconsin	-	1	-
	----	---	---
	119	78	19

We maintain buying offices in Columbus, Ohio; Boston, Massachusetts; and Los Angeles, California. We operate 11 warehouse/distribution complexes located in Columbus, Ohio, a distribution facility in St. Louis, Missouri and a distribution facility in Auburn, Massachusetts. In addition, to expedite the flow of merchandise to certain clusters of stores, we use third party processors located in New Jersey, Chicago and Detroit. Our executive offices occupy approximately 45,000 square feet in a building which

includes a store and also serves as one of our apparel distribution centers. Shonac occupies approximately 70,000 square feet in a building which also serves as the shoe division's distribution center.

The stores and all of the warehouse, buying and executive office facilities are leased or subleased except for one owned shoe store location. As of February 3, 2001 we leased or subleased 22 stores and 3 warehouse facilities from SSC or entities affiliated with SSC. The remaining stores and warehouses are leased from unrelated entities. Most of the store leases provide for an annual rent based upon a percentage of gross sales, with a specified minimum rent.

Our office, warehouse and distribution facilities for our department store business are adequate for our current needs and we believe that such facilities, with certain modifications and additional equipment will be adequate for our foreseeable future demands.

To support the planned growth of our DSW shoe warehouse business, we have consolidated and relocated the related back office and distribution operations of our shoe business to a new 625,000 square foot facility located in Columbus, Ohio. We recently entered into a 15 year lease with 3 five-year option periods. The lease is with an affiliate of SSC and is at current market rate rents.

ITEM 3. LEGAL PROCEEDINGS.

We are involved in various legal proceedings that are incidental to the conduct of our business. In the opinion of management, the amount of any liability with respect to these proceedings individually or in the aggregate, will not be material.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The following table sets forth the high and low sales prices of the Common Shares as reported on the NYSE Composite Tape during the periods indicated. As of April 25, 2001, there were 540 shareholders of record.

	HIGH	LOW
Six Months Ended January 30, 1999:		
First Quarter	$19.25	$7.75
Second Quarter	14.375	8.25
Fiscal 1999:		
First Quarter	$12.00	$8.625
Second Quarter	15.375	8.3125
Third Quarter	15.9375	12.0625
Fourth Quarter	19.50	13.875
Fiscal 2000:		
First Quarter	$16.50	$9.375
Second Quarter	11.375	8.00
Third Quarter	9.9375	6.875
Fourth Quarter	8.125	4.625
Fiscal 2001:		
First Quarter (through April 25, 2001)	$9.03	$6.85

We have paid no dividends and presently anticipate that all of our future earnings will be retained for development of our businesses and we do not anticipate paying cash dividends on our common shares during fiscal 2001. The payment of any future dividends will be at the discretion of our board of directors and will depend upon, among other things, future earnings, operations, capital requirements, our general financial condition and general business conditions. The payment of dividends under our long-term credit facility is restricted to the greater of $5.0 million or 10% of consolidated net income.

ITEM 6. SELECTED FINANCIAL DATA.
(dollars in thousands, except per share and per square foot amounts)

The following table sets forth for the periods indicated selected financial data included in our consolidated financial statements and our underlying books and records. The 12 month period ended January 30, 1999 is presented for comparative purposes.

	For the Fiscal Year Ended 2/3/01(1)	1/29/00	12 Months Ended 1/30/99 (unaudited)	Transition Period 6 Months Ended 1/30/99(1)(2)	--- 8/1
Net Sales(3)	$2,213,017	$1,670,176	$1,364,030	$780,263	$1,1
Operating (Loss) Profit	$(135,585)	$65,642	$51,226	$40,799	$
Net (Loss) Income	$(101,791)	$33,468	$24,871	$20,256	$
Basic (Loss) Earnings per Share	$(3.03)	$1.03	$0.77	$0.63	
Diluted (Loss) Earnings per Share	$(3.03)	$1.02	$0.76	$0.62	
Total Assets	$908,009	$744,181	$574,427	$574,427	$6
Working Capital	$211,402	$205,011	$165,527	$165,527	$2
Current Ratio	1.66	1.82	1.98	1.98	
Long-term Obligations	$326,449	$144,168	$101,447	$101,447	$1
Number of(4):					
Department Stores	119	105	97	97	
Shoe Stores	78	58	44	44	
Filene's Basement Stores	19	-	-	-	
Net Sales per Selling Sq. Ft.(5)	$256	$249	$235	$126	
Comp Sales Change(6)	(1.1)%	7.2%	6.0%	3.3%	

(1) Fiscal 2000 and 1996 include 53 weeks; all other years contain 52 weeks. The six month period includes 26 weeks.

(2) The operations of Shonac and Valley Fair are included from the date of acquisition, May 3, 1998.

(3) Excludes sales of licensed departments. Prior to fiscal 1998, sales from our toys and sporting goods departments were included in Net Sales. At the start of fiscal 1998 these departments became licensed departments operated by VCM, Ltd., a 50/50 joint venture with Mazel Stores, Inc.

(4) Includes all stores operating at the end of the fiscal year. Years prior to 1998 exclude the apparel, domestic and housewares departments operated by us in two affiliated department stores which were acquired effective May 3, 1998.

(5) Excludes licensed departments and stores not operated during the entire fiscal period.

(6) Comparable Store Sales Change excludes licensed departments. A store is considered to be comparable in its second full fiscal year of operation. For fiscal years 2000 and 1996, comparable store sales are computed using like 52-week periods.

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

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentage relationships to net sales of the listed items included in our Consolidated Statements of Operations, except for the 12 month period ended January 30, 1999, which is presented here for comparative purposes.

	For the Year Ended 2/3/01 53 Weeks	For the Year Ended 1/29/00 52 Weeks	For the 12 Months Ended 1/30/99 52 Weeks	Fo
Net sales, excluding sales licensed departments	100.0%	100.0%	100.0%	
Cost of sales	(67.5)	(62.2)	(62.2)	
Gross profit	32.5	37.8	37.8	
Selling, general and administrative expenses	(39.3)	(34.7)	(35.2)	
License fees from affiliates and other operating income	0.7	0.8	1.2	
Operating (loss) profit	(6.1)	3.9	3.8	
Gain on disposal of assets	-	-	-	
Interest expense, net	(1.3)	(0.6)	(0.8)	
Amortization of excess net assets over cost	-	-	-	
Equity in (loss) income of joint venture	(0.1)	0.1	-	
(Loss) income before income taxes	(7.5)	3.4	3.0	
Benefit (provision) for income taxes	2.9	(1.4)	(1.2)	
Net (loss) income	(4.6)%	2.0%	1.8%	

FISCAL YEAR ENDED FEBRUARY 3, 2001 COMPARED TO FISCAL YEAR ENDED JANUARY 29, 2000

Our net sales increased $542.8 million, or 32.5%, from $1,670.2 million to $2,213.0 million. Fiscal 2000's sales included $249.1 million net owned sales of the Filene's stores acquired effective March 17, 2000. Comparable store sales decreased 1.1%. Net sales for the department stores ("Value City") increased $130.3 million, or 9.2%, from $1,423.6 million to $1,553.9 million. Value City's comparable store sales decreased 4.3%, or $60.7 million. Non-apparel sales increased 7.2% and apparel sales increased 6.4%. On a comparable store basis, apparel and non-apparel sales decreased 5.1% and 5.4%, respectively. DSW Shoe Warehouse achieved sales of $410.0 million with a 19.1% comparable stores sales increase.

Gross profit increased $89.1 million from $631.0 million to $720.1 million, and decreased to 32.5% as a percentage of net sales, compared to 37.8% as a percentage of net sales in the prior year. The decrease in the gross margin percentage is due primarily to a $105.4 million charge for the realignment of excess inventory quantities.

Selling, general and administrative expenses ("SG&A") increased $290.7 million from $579.5 million to $870.2 million, and increased as a percentage of net sales from 34.7% to 39.3%, an increase of 4.6%. New DSW and Value City stores accounted for $102.5 million of the SG&A increase; the Filene's stores added $84.8 million. Comparable store SG&A increased $37.0 million, primarily in the areas of payroll, benefits and occupancy costs. Distribution and transportation costs were up $41.1 million. Overhead increased $14.1 million to support expansion of our shoe business and the relocation of its distribution complex. SG&A also includes $4.6 million of non-recurring severance and asset impairment charges. All other expenses as a group were up approximately $6.6 million.

Based upon our experience, we estimate the average cost of opening a new department store to range from approximately $4.5 million to $6.5 million and the cost of opening a new shoe store to range from approximately $1.0 million to $2.0 million including leasehold improvements, fixtures, inventory, pre-opening expense and other costs. Similar costs for a Filene's store are in the $2.5 million to $3.5 million range. Preparations for opening a department store generally take between 8 and 12 weeks and preparations for a shoe store or a Filene's store generally take 8 to 10 weeks. Pre-opening costs are expensed as incurred. It has been our experience that new stores generally achieve profitability and contribute to net income after the first full year of operations. Twenty-three department stores opened less than 12 months as of the beginning of fiscal 2000 had a pre-tax net operating loss of $22.8 million, including $4.5 million of pre-opening expense amortization. Ten department stores opened less than 12 months during fiscal 1999 had pre-tax operating losses of $1.6 million in 1999, including $3.8 million of pre-opening expense. Twenty DSW stores opened less than 12 months in fiscal 2000 had a pre-tax net operating loss of $6.5 million, including $4.6 million of pre-opening expenses. Twenty-two DSW stores opened less than 12 months during fiscal 1999 had a pre-tax net operating loss of $3.7 million after recognizing $3.3 million of pre-opening expenses.

License fees from affiliates increased $2.9 million, or 34.0%, from $8.5 million to $11.3 million, and remained at 0.5% as a percentage of net sales.

Other operating income decreased $2.4 million, or 42.0%, from $5.6 million to $3.3 million and decreased as a percentage of net sales from 0.34% to 0.15%.

Operating (loss) profit decreased $201.2 million from $65.6 million to a loss of $135.6 million, and decreased as a percentage of net sales from 3.9% to a 6.1% loss as a result of the above factors.

Interest expense, net of interest income, increased from $10.7 million to $30.5 million due to increased borrowing.

Equity in income (loss) of joint venture decreased $2.7 million from income of $1.3 million to a loss of $1.3 million due primarily to markdowns taken to liquidate inventory.

Income (loss) before provision for income taxes decreased $223.8 million from income of $56.4 million to a loss of $167.4 million, and decreased as a percentage of sales from 3.4% to a 7.5% loss as a result of the above factors.

FISCAL YEAR ENDED JANUARY 29, 2000 COMPARED TO THE TWELVE MONTH PERIOD ENDED JANUARY 30, 1999

Our net sales increased $306.2 million, or 22.4%, from $1,364.0 million to $1,670.2 million. Comparable store sales increased 7.2%. Net sales for the department stores increased $148.3 million, or 13.5%, from $1,106.8 million to $1,255.1 million. Value City's comparable store sales increased 6.5%, or $69.7 million. The shoe departments in Value City's stores contributed net sales of $168.5 million. Non-apparel sales increased 9.0% and apparel sales increased 15.0%. On a comparable store basis, apparel and non-apparel sales increased 7.9% and 2.1%, respectively. DSW achieved sales of $246.6 million with a 19.5% comparable stores sales increase.

Gross profit increased $115.9 million from $515.1 million to $631.0 million, and remained at 37.8% as a percentage of net sales.

SG&A increased $98.9 million from $480.6 million to $579.5 million, but decreased as a percentage of net sales from 35.2% to 34.7%, a reduction of 0.5%, due primarily to the leveraging effect of higher sales volume partially offset by increased pre-opening costs in fiscal 1999 of approximately $7.6 million.

Ten department stores opened less than 12 months as of the beginning of fiscal 1999 had a pre-tax net operating loss of $1.6 million, including $3.8 million of pre-opening expense amortization. Four department stores opened less than 12 months during fiscal 1998 had pre-tax operating losses of $2.0 million in 1998, including $1.5 million of pre-opening expense. 22 DSW stores opened less than 12 months in fiscal 1999 had a pre-tax net operating loss of $3.7 million, including $3.3 million of pre-opening expenses. 12 DSW stores opened less than 12 months during fiscal 1998 had a pre-tax net operating loss of $0.4 million after recognizing $0.9 million of pre-opening expenses.

License fees from affiliates decreased $3.5 million, or 29.2%, from $12.0 million to $8.5 million, and decreased as a percentage of net sales from 0.9% to 0.5%. The decrease is attributable to the consolidation of Shonac, which was previously treated as a licensee.

Other operating income increased $0.9 million, or 18.1%, from $4.8 million to $5.6 million and remained at 0.3% as a percentage of net sales.

Operating profit increased $14.4 million from $51.2 million to $65.6 million, and increased as a percentage of net sales from 3.8% to 3.9% as a result of the above factors.

Interest expense, net of interest income, increased from $10.5 million to $10.7 million.

Equity in income of joint venture increased $1.8 million from a loss of $0.5 million to income of $1.3 million.

Income before provision for income taxes increased $16.1 million from $40.3 million to $56.4 million, and increased as a percentage of sales from 3.0% to 3.4% as a result of the above factors.

SEASONALITY

Our business is affected by the pattern of seasonality common to most retail businesses. Historically, the majority of our sales and operating profit have been generated during the back-to-school and Christmas selling seasons.

FISCAL YEAR

In June 1998, we decided to change our fiscal year to a 52/53 week year that ends on the Saturday nearest to January 31. This change was made to reflect the reporting period common to most retailers. Fiscal 2000 contained 53 weeks.

INCOME TAXES

The effective tax rate for fiscal 2000 was 39.2% versus 40.7% for fiscal 1999.

The effective tax rate for fiscal 2001 is expected to be approximately 41.5% due primarily to the effect of non-deductible goodwill amortization related to the Shonac acquisition.

ADOPTION OF ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) periodically issues Statements of Financial Accounting Standards ("SFAS"), some of which require implementation by a date falling within or after the close of our fiscal year.

Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, is effective for all fiscal years beginning after June 15, 2000. SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The Company will adopt SFAS 133 effective February 4, 2001. Management does not expect the adoption of SFAS 133 to have a significant impact on the financial position, results of operations, or cash flows of the Company.

INFLATION

The results of operations and financial condition are presented based upon historical cost. While it is difficult to accurately measure the impact of inflation because of the nature of the estimates required, management believes that the effect of inflation, if any, on the results of operations and financial condition has been minor.

LIQUIDITY AND CAPITAL RESOURCES

Net working capital was $211.4 million and $205.0 million at February 3, 2001 and January 29, 2000, respectively. Current ratios at those dates were 1.7 and 1.8, respectively.

Net cash used in operating activities totaled $114.7 million in fiscal 2000. Net cash provided by operating activities was $27.5 million, $93.2 million and $43.3 million for the fiscal year 1999, the Transition Period 1998 and fiscal 1998, respectively. Net loss, adjusted for depreciation and amortization, used $54.3 million of operating cash flow for the fiscal year 2000. This was reduced by $54.1 million representing a decrease in inventories and an increase in accounts payable. Increases in accounts receivable, deferred income taxes and prepaid expenses and other assets used $89.4 million. Other changes in working capital assets and liabilities used $25.1 million.

During the twelve months ended January 29, 2000, net income adjusted for depreciation and amortization, provided $67.7 million of operating cash flow. This was decreased by $67.0 million representing an increase in inventories net of a decrease in accounts payable. Other changes in working capital assets and liabilities provided $26.8 million.

Net cash used for investing activities totaled $70.1 million, $49.7 million, $18.2 million and $127.5 million for fiscal years 2000, 1999, Transition 1998 and fiscal 1998, respectively.

Net cash used for capital expenditures was $70.2 million, $37.3 million, $17.3 million and $27.2 million for fiscal years 2000, 1999, Transition 1998 and fiscal 1998, respectively. During fiscal 2000, capital expenditures included $30.5 million for new stores, $10.8 million for improvements in existing stores, $16.7 million for relocation of office, warehousing and operations of our shoe business, $5.9 million for MIS equipment upgrades and new systems. All other capital expenditures aggregated $6.3 million.

At February 3, 2001, we had a $300 million Amended and Restated Credit Agreement (Credit Agreement), dated as of March 15, 2000. The Credit Agreement, which expires on March 15, 2003, provides for revolving and overnight loans and issuance of letters of credit. Outstanding advances are secured by a lien on assets and are subject to a monthly borrowing base of eligible inventories and receivables, as defined. Terms of the Credit Agreement require compliance with certain restrictive covenants, including limitations on dividends, the incurrence of additional debt and financial ratio tests. Additionally, the Company has provided an unconditional guarantee of 50% of amounts outstanding on VCM's $25.0 million revolving line of credit. At February 3, 2001, $77.7 million was available under the Credit Agreement. Borrowings aggregated $200.0 million, plus $16.0 million of letters of credit were issued and outstanding and the VCM loan guarantee totaled $6.2 million. The Credit Agreement provides for various borrowing rates, currently equal to 275 basis points over LIBOR. The LIBOR rate on $40.0 million has been locked in at a fixed annual rate of 5.895% through May 2001 under a swap agreement. In addition, the LIBOR rate on $35 million has been locked in at a fixed annual rate of 6.99% through April 2002 under a swap agreement.

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To supplement operating cash requirements the Company has a $50.0 million subordinated secured credit facility with SSC. Outstanding advances under the agreement are subordinated to the bank credit facility and are subject to a junior lien on assets securing the bank credit facility. At February 3, 2001, $20.0 million was outstanding. The interest rate and terms of the $50.0 million facility are generally the same as the Credit Agreement.

The Company entered into a $75.0 million Senior Subordinated Convertible Loan Agreement (Senior Facility), dated as of March 15, 2000. The Senior Facility bears interest at various rates, currently equal to 250 basis points over LIBOR. The interest rate increases an additional 50 basis points every 90 days after the first anniversary date. The Senior Facility is due in September 2003. In December 2000, pursuant to terms of the Senior Facility, SSC purchased the outstanding balance under the same continuing terms. The terms provide that if prior to March 17, 2001, the balance outstanding thereunder is not repaid from the proceeds of an equity offering or other subordinated debt acceptable to lenders under the Credit Agreement, then after that date SSC, as the lender, has the right to convert the debt into our common stock at a price equal to 95% of the 20-day average of high and low sales prices reported on the New York Stock Exchange at the time of conversion. As of March 17, 2001, the Senior Facility was not repaid. We paid SSC a one time fee of 200 basis points, or $1.5 million, at the initial closing in consideration for entering into a Put Agreement associated with the Senior Facility.

Although we believe that cash generated by operations, along with the available proceeds from the Credit Agreement, SSC subordinated secured credit facility and other sources of financing will be sufficient to meet our obligations for working capital, capital expenditures, and debt service requirements there is no assurance that we will be able to meet our projections. Further, there is no assurance that extended financing will be available to us in the future if we fail to meet our projections.

Our sales results in the first two fiscal months of 2001 were below plan, we believe principally as a result of severe weather in many of our markets. This condition, along with the effect of increased heating and fuel prices affected the retail industry in general. Achievement of expected cash flows from operations and compliance with our Credit Agreement covenants (see Note 5 to the Consolidated Financial Statements) are dependent upon a number of factors, including the attainment of sales, gross profit, expense levels, vendor relations, and flow of merchandise that are consistent with our financial projections, particularly for the balance of the Spring season.

A recent discussion with a major factor indicated they intend to reduce our future availability of credit and that we need to strengthen our liquidity and increase our credit availability from other sources.

ACQUISITION

On March 17, 2000, we, through our wholly-owned subsidiary, Base Acquisition Corp, completed the acquisition of substantially all of the assets and assumed certain liabilities of Filene's Basement Corp., a Massachusetts corporation, and Filene's Basement Inc., a wholly owned subsidiary of Filene's Basement Corp. pursuant to the closing of the asset purchase agreement, dated February 2, 2000.

The purchase price included cash of $3.5 million paid at closing, $1.2 million to be paid over a period not to exceed three years, 403,208 shares of our common stock with an agreed value of $5.5 million and the assumption of specified liabilities. The assumed liabilities included the payment of amounts outstanding under Filene's debtor-in-possession financing facility of approximately $22.5 million and certain trade payable and other obligations which will be paid in the ordinary course. Allocation of the purchase price has been determined based on fair market valuation of the net assets acquired subject to resolution of several outstanding matters.

The acquisition was funded by cash from operations and a portion of the proceeds from the Credit Agreement.

RISK FACTORS AND SAFE HARBOR STATEMENT

We caution that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this Report, other filings with the Securities and Exchange Commission or made by our management involve risks and uncertainties, and are subject to change based on various important factors. The following factors, among others, in some cases have affected and in the future could affect our financial performance and actual results and could cause actual results for 2001 and beyond to differ materially from those expressed or implied in any such forward-looking statements: decline in demand for our merchandise, the ability to repay the $75.0 million Senior Facility through an equity offering or refinancing, our ability to attain our fiscal 2001 business plan, expected cash flows from operations, vendor and their factor relations, flow of merchandise, compliance with the credit agreement, our ability to strengthen our liquidity and increase our credit availability, the availability of desirable store locations on suitable terms, changes in consumer spending patterns, consumer preferences and overall economic conditions, the impact of competition and pricing, changes in weather patterns, changes in existing or potential duties, tariffs or quotas, paper and printing costs, and the ability to hire and train associates.

Historically, our operations have been seasonal, with a disproportionate amount of sales and a majority of net income occurring in the back-to-school and Christmas selling seasons. As a result of this seasonality, any factors negatively affecting us during this period, including adverse weather, the timing and level of markdowns or unfavorable economic conditions, could have a material adverse effect on our financial condition and results of operations for the entire year.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to market risk from changes in interest rates which may adversely affect our financial position, results of operations and cash flows. In seeking to minimize the risks from interest rate fluctuations, we manage exposures through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not use financial instruments for trading or other speculative purposes and are not party to any leveraged financial instruments.

We are exposed to interest rate risk primarily through our borrowings under our revolving credit facility. At February 3, 2001, direct borrowings aggregated $200.0 million. The facility, as amended and restated effective March 17, 2000, permits debt commitments up to $300.0 million, has a March 15, 2003 maturity date and generally bears interest at a floating rate of LIBOR plus 2.0%. We have swap agreements to help manage the exposure to interest rate movements and reduce borrowing costs. As of February 3, 2001 the interest rate on $40.0 million has been locked in at a fixed rate of 7.395% until May 2001 and has a fair market value of $402,000. After January 29, 2000 the interest rate on an additional $35.0 million was locked in at a fixed rate of 8.99% until April 2003.

At February 3, 2001, we performed a sensitivity analysis assuming an average outstanding principal amount of $247.6 million subject to variable interest rates. A 10% increase in LIBOR would result in approximately $1.0 million of additional interest expense annually.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our financial statements and financial statement schedule and the Independent Auditors' Report thereon are filed pursuant to this Item 8 and are included in this report beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this item appears under the captions "Nominees for Election as Directors," "Officers and Key Employees," and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in our Proxy Statement relating to our Annual Meeting of Shareholders to be held in July 2001 and is incorporated herein by reference.

ITEM 11. EXECUTIVE OFFICER COMPENSATION.

The information required by this item appears under the captions "Executive Officer Compensation," "Information Concerning Board of Directors," and "Compensation Committee Interlocks and Insider Participation" in our Proxy Statement relating to our Annual Meeting of Shareholders to be held in July 2001 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item appears under the caption "Security Ownership of Certain Beneficial Owners and Management" in our Proxy Statement relating to our Annual Meeting of Shareholders to be held in July 2001 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item appears under the caption "Relationship with SSC and its Affiliates" in our Proxy Statement relating to our Annual Meeting of Shareholders to be held in July 2001 and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K.

14(a)(1) FINANCIAL STATEMENTS
The documents listed below are filed as part of this Form 10-K:

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Independent Auditors' Report
Consolidated Balance Sheets at February 3, 2001 and January 29, 2000
Consolidated Statements of Operations for the years ended February 3, 2001, January 29, 2000, 12 months ended January 30, 1999 (unaudited), 6 months ended January 30, 1999 and for the year ended August 1, 1998
Consolidated Statements of Shareholders' Equity for the years ended February 3, 2001, January 29, 2000, 6 months ended January 30, 1999 and for the year ended August 1, 1998
Consolidated Statements of Cash Flows for the years ended February 3, 2001, January 29, 2000, 12 months ended January 30, 1999 (unaudited), for 6 months ended January 30, 1999 and for the year ended August 1, 1998
Notes to Consolidated Financial Statements

14(a)(2) CONSOLIDATED FINANCIAL STATEMENT SCHEDULES:
The schedule listed below is filed as part of this Form 10-K:

Schedule II. Valuation and Qualifying Accounts

Schedules not listed above are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements or the notes thereto.

14(a)(3) EXHIBITS:

See Index to Exhibits which begins on Page E-1.

14(b) REPORTS ON FORM 8-K

During the fourth quarter, we filed a Form 8-K on January 8, 2001, Item 5 - "Other Items" relating to the Amendment No. 2 and Waiver to Credit Agreement for our $300 million bank credit facility with its existing lenders.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

VALUE CITY DEPARTMENT STORES, INC.

Date: April 27, 2001

By: *

(George Kolber, Vice Chairman and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this amended report has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE
* (Jay L. Schottenstein)	Chairman of the Board of Directors and Chief Executive Officer
* (George Kolber)	Vice Chairman and Chief Executive Officer (Principal Executive Officer)
* (Saul Schottenstein)	Vice Chairman of the Board of Directors
* (Martin P. Doolan)	Vice Chairman of the Board of Directors
* (James A. McGrady)	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)
* (Henry L. Aaron)	Director
*	Director

(Ari Deshe)

*	Director
--------------------------------- (Jon P. Diamond)	
*	Director
--------------------------------- (Richard Gurian)	
*	Director
--------------------------------- (Norman Lamm)	
*	Director
--------------------------------- (Geraldine Schottenstein)	
*	Director
--------------------------------- (Robert L. Shook)	

*By:/s/ George Kolber

George Kolber, (Attorney-in-Fact)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and
Shareholders of Value City
Department Stores, Inc.:

We have audited the accompanying consolidated balance sheets of Value City Department Stores, Inc. (a majority owned subsidiary of Schottenstein Stores Corporation) and its wholly owned subsidiaries (the "Company") as of February 3, 2001 and January 29, 2000 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years ended February 3, 2001, January 29, 2000 and August 1, 1998 and the six months ended January 30, 1999. Our audits also included the financial statement schedule listed in the Index as Item 14(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Value City Department Stores, Inc. and its wholly owned subsidiaries as of February 3, 2001 and January 29, 2000, and the results of their operations and cash flows for the years ended February 3, 2001, January 29, 2000, August 1, 1998 and the six months ended January 30, 1999 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP

Columbus, Ohio
April 30, 2001

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VALUE CITY DEPARTMENT STORES, INC.
CONSOLIDATED BALANCE SHEETS
at February 3, 2001 and January 29, 2000
(in thousands, except share amounts)

ASSETS	2/3/01	1/29/0
CURRENT ASSETS:		
Cash and equivalents	$10,562	$6,027
Accounts receivable, net	44,927	10,131
Receivables from affiliates	9,452	299
Inventories	393,577	412,479
Prepaid expenses and other assets	22,290	8,544
Deferred income taxes	51,732	18,052
TOTAL CURRENT ASSETS	532,540	455,532
PROPERTY AND EQUIPMENT, AT COST:		
Furniture, fixtures and equipment	223,675	192,207
Leasehold improvements	176,318	142,066
Land and building	801	801
Capital leases	38,348	42,328
	439,142	377,402
Accumulated depreciation and amortization	(190,103)	(169,907

PROPERTY AND EQUIPMENT, NET	249,039	207,495
INVESTMENT IN JOINT VENTURE	8,292	9,679
GOODWILL AND TRADENAMES, NET	67,056	45,566
OTHER ASSETS	51,082	25,909
TOTAL ASSETS	$908,009	$744,181

LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$180,736	$164,196
Accounts payable to affiliates	13,655	4,532
Accrued expenses:		
Compensation	19,662	17,118
Taxes	31,255	22,604
Other	75,227	41,611
Current maturities of long-term obligations	603	460
TOTAL CURRENT LIABILITIES	321,138	250,521
LONG-TERM OBLIGATIONS, NET OF CURRENT MATURITIES	326,449	144,168
DEFERRED INCOME TAXES AND OTHER NONCURRENT LIABILITIES	10,115	7,131
COMMITMENTS AND CONTINGENCIES	-	-
SHAREHOLDERS' EQUITY:		
Common shares, without par value; 80,000,000 authorized; issued, including treasury shares, 34,330,863 shares and 32,992,122 shares, respectively	145,659	132,601
Retained earnings	111,155	212,946
Deferred compensation expense, net	(6,448)	(2,513
Treasury shares, at cost, 7,651 and 87,651, respectively	(59)	(673
TOTAL SHAREHOLDERS' EQUITY	250,307	342,361
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$908,009	$744,181

The accompanying notes are an integral part of the consolidated financial statements.

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VALUE CITY DEPARTMENT STORES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended February 3, 2001 and January 29, 2000,
Twelve Months Ended January 30, 1999 (Unaudited),
Six Months Ended January 30, 1999 and Year Ended August 1, 1998

(in thousands, except per share amounts)

	For the Year Ended 2/3/01 53 Weeks	For the Year Ended 1/29/00 52 Weeks	For the 12 Months Ended 1/30/99 (Unaudited) 52 Weeks
Net sales, excluding sales of licensed departments	$2,213,017	$1,670,176	$1,364,030
Cost of sales	(1,492,947)	(1,039,145)	(848,964)
GROSS PROFIT	720,070	631,031	515,066
Selling, general and administrative expenses	(870,237)	(579,460)	(480,584)
License fees from affiliates	11,323	8,451	11,987
Other operating income	3,259	5,620	4,757
OPERATING (LOSS) PROFIT	(135,585)	65,642	51,226
Interest expense, net	(30,480)	(10,728)	(10,532)
(Loss) gain on disposal of assets, net	(16)	146	40
(LOSS) INCOME BEFORE EQUITY IN (LOSS) INCOME OF JOINT VENTURE AND BENEFIT (PROVISION) FOR INCOME TAXES	(166,081)	55,060	40,734
Equity in (loss) income of joint venture	(1,340)	1,340	(464)
(LOSS) INCOME BEFORE BENEFIT (PROVISION) FOR INCOME TAXES	(167,421)	56,400	40,270
Benefit (provision) for income taxes	65,630	(22,932)	(15,399)
NET (LOSS) INCOME	$(101,791)	$33,468	$24,871
BASIC (LOSS) EARNINGS PER SHARE	$(3.03)	$1.03	$0.77
DILUTED (LOSS) EARNINGS PER SHARE	$(3.03)	$1.02	$0.76

The accompanying notes are an integral part of the consolidated financial statements.

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VALUE CITY DEPARTMENT STORES, INC.
CONSOLIDATED STATEMENTS OF
SHAREHOLDERS' EQUITY
Years Ended February 3, 2001 and January 29, 2000, Six Months Ended January 30, 1999 and the Year Ended August 1, 1998
(in thousands)

	NUMBER OF SHARES					
	Common Shares	Common Shares in Treasury	Common Shares	Retained Earnings	Deferred Compensation Expense	Tr S
BALANCE AT AUGUST 2, 1997	32,259	369	120,796	138,863	(982)	
Net income				20,359		
Exercise of stock options	331		3,602			
Tax benefit realized on vested restricted shares			120			
Grant of restricted shares	30		328		(328)	
Amortization of deferred compensation expense					230	
BALANCE, AUGUST 1, 1998	32,620	369	124,846	159,222	(1,080)	
Net income				20,256		
Sale of treasury shares		(25)	119			
Exercise of stock options	41		324			
Tax benefit realized on vested restricted shares			145			
Forfeiture of restricted shares	(23)		(278)		278	
Amortization of deferred compensation expense					131	
BALANCE, JANUARY 30, 1999	32,638	344	125,156	179,478	(671)	
Net income				33,468		
Exercise of stock options	198		1,660			
Tax benefit on stock options and restricted shares			1,548			
Grant of restricted shares	156		2,201		(2,201)	
Amortization of deferred compensation expense					359	
Acquisitions		(256)	2,036			
BALANCE, JANUARY 29, 2000	32,992	88	132,601	212,946	(2,513)	

Net loss				(101,791)	
Sales of treasury shares		(80)	466		
Exercise of stock options	182		1,431		
Tax benefit on stock options and restricted shares			228		
Grant of restricted shares, net of forfeitures	754		5,433		(4,703)
Amortization of deferred compensation expense					768
Acquisitions	403		5,500		
BALANCE, FEBRUARY 3, 2001	34,331	8	$145,659	$111,155	$(6,448)

The accompanying notes are an integral part of the consolidated financial statements.

VALUE CITY DEPARTMENT STORES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended February 3, 2001 and January 29, 2000,
Twelve Months Ended January 30, 1999 (Unaudited),
Six Months Ended January 30, 1999 and Year ended August 1, 1998
(in thousands)

	Year Ended 2/3/01 53 Weeks	Year Ended 1/29/00 52 Weeks	(
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$(101,791)	$33,468	
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization	47,495	34,230	
Deferred income taxes and other noncurrent liabilities	(35,058)	(68)	
Equity in (income) loss of joint venture	1,340	(1,340)	
Loss (gain) on disposal of assets	16	(146)	
Change in working capital, assets and liabilities, excluding effects of acquisitions:			
Receivables	(42,657)	4,317	
Inventories	44,194	(126,284)	
Prepaid expenses and other assets	(11,675)	(3,178)	
Accounts payable	7,271	59,265	
Accrued expenses	(23,852)	27,263	
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(114,717)	27,527	

CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(70,226)	(37,317)
Investment in joint venture	-	-
Proceeds from sale of assets	326	167
Acquisitions	(3,506)	(8,000)
Notes receivable	-	-
Other assets	3,355	(4,580)
NET CASH USED IN INVESTING ACTIVITIES	(70,051)	(49,730)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common shares	1,431	1,660
Net payments under demand note facility	-	-
Net proceeds from issuance of debt	187,872	15,000
Net principal payments under long-term obligations	-	(9,325)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	189,303	7,335
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	4,535	(14,868)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	6,027	20,895
CASH AND EQUIVALENTS, END OF YEAR	$10,562	$6,027

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS OPERATIONS AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Value City Department Stores, Inc. (VCDS) and its wholly owned subsidiaries. These entities are herein referred to collectively as the Company. The Company operates a chain of full-line, off-price department stores, principally under the name Value City, as well as better-branded off-price shoe stores, under the name "DSW Shoe Warehouse." As of February 3, 2001 a total of 216 stores were open, including 119 Value City stores located principally in Ohio (23 stores) and Pennsylvania (19 stores) with the remaining stores dispersed throughout the Midwest, East and South and 78 shoe stores located throughout the United States and 19 Filene's Basement stores ("Filene's") located principally in the New England states.

To facilitate comparisons with the current year, certain amounts in prior years' and interim period financial statements have been reclassified to conform to the current year presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FISCAL YEAR

On June 10, 1998, the Company determined to change its fiscal year from a 52/53 week year that ends on the Saturday nearest to July 31 to a 52/53 week year that ends on the Saturday nearest to January 31. The six-month transition period of August 3, 1998 through January 30, 1999 (the "Transition Period") contains 26 weeks and precedes the start of the new fiscal year. Fiscal 2000 contains 53 weeks.

An unaudited consolidated statement of income and an unaudited consolidated statement of cash flows for the twelve months ended January 30, 1999 is presented for comparative purposes. All necessary adjustments for fair presentation have been made.

CONSOLIDATION

The consolidated financial statements include the accounts of the Company after elimination of significant intercompany transactions and balances.

CASH AND EQUIVALENTS

Cash and equivalents represent cash and highly liquid investments with maturities when purchased of three months or less.

INVENTORIES

Merchandise inventories are stated at the lower of cost or market using the retail method.

PRE-OPENING EXPENSES

Pre-opening expenses are expensed as incurred. Pre-opening costs expensed were $10,902,000, $7,563,000, $1,308,000 and $1,434,000 for fiscal 2000, 1999, the Transition Period and for fiscal year 1998, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

INVESTMENT IN JOINT VENTURE

VCM, Ltd. ("VCM") operates the health and beauty care, food and toy and sporting goods departments in the Company's stores as licensed departments. VCM is a 50/50 joint venture with Mazel Stores, Inc. ("Mazel"). The Company accounts for its fifty percent interest in the joint venture under the equity method. (See Note 3, Related Party Transactions.)

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation and amortization are recognized principally on the straight-line method in amounts adequate to amortize costs over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of their useful lives or lease term. The estimated useful lives by class of asset are:

Buildings	31 years
Furniture, fixtures and equipment	3 to 10 years
Leasehold improvements	10 years

LONG-LIVED ASSETS
Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that full recoverability is questionable.

GOODWILL AND TRADENAMES
Goodwill represents the excess cost over the estimated fair values of net assets and identifiable intangible assets of businesses acquired and is being amortized over 15 years. Tradenames represent the values assigned to names that the Company acquired and is being amortized over 15 years. The accumulated amortization for these assets was $10,638,000 and $5,631,000 at February 3, 2001 and January 29, 2000, respectively.

REVENUE RECOGNITION
Sales of merchandise and services are net of returns and allowances and exclude sales tax. Layaway sales are recognized when the merchandise has been paid for in full.

ADVERTISING EXPENSE
The cost of advertising is expensed as incurred. During fiscal year 2000, 1999, the Transition Period and during fiscal year 1998, advertising expense was $78,224,000, $59,194,000, $29,741,000 and $38,245,000, respectively.

INTEREST RATE SWAP AGREEMENT
The Company utilizes interest rate swap agreements to manage the interest rate risk associated with a portion of its borrowings. The counterparty to this instrument is a major financial institution. These agreements are used to reduce the potential impact of increases in interest rates on variable rate long-term debt. The differential to be paid or received is accrued as interest rates change and is recognized as an adjustment to interest expense.

EARNINGS PER SHARE
Basic earnings per share is based on a simple weighted average of common shares outstanding. Diluted earnings per share reflects the potential dilution of common shares, related to outstanding

stock options, calculated using the treasury stock method. The numerator for the calculation of basic and diluted earnings per share is net income. The denominator is summarized as follows (in thousands):

	Year Ended 2/3/01	Year Ended 1/29/00	6 Months Ended 1/30/99
Weighted average shares outstanding	33,567	32,495	32,285
Assumed exercise of dilutive stock options	-	366	350

Number of shares for computation of diluted earnings per share	33,567	32,861	32,635

Options to purchase 2,615,550 shares of stock at prices ranging from $5.56 to $21.44 per share were outstanding during the year ended February 3, 2001 but were not included in the computation of diluted loss per share. Options to purchase 16,000 shares of stock at prices ranging from $16.56 to $21.44 per share were outstanding during the year ended January 29, 2000 but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the stock.

USE OF ESTIMATES
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, actual results could differ from these estimates.

RECENT ACCOUNTING PRONOUNCEMENTS
Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, is effective for all fiscal years beginning after June 15, 2000. SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The Company will adopt SFAS 133 effective February 4, 2001. Management has concluded that the adoption of SFAS 133 will not have a significant impact on the financial position, results of operations, or cash flows of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. RELATED PARTY TRANSACTIONS

The Company purchases merchandise from and sells merchandise to affiliates of Schottenstein Stores Corporation ("SSC"), direct owner of approximately 53.0% of the Company's common shares, and VCM. The related party transactions are as follows (in thousands):

	Year Ended 2/3/01	Year Ended 1/29/00	6 Months 1/30

Purchases of merchandise from affiliates	$24,787	$7,228	$1,4
Merchandise sold to affiliates at cost, including handling charges	14,300	-	-
Merchandise purchased on behalf of and shipped directly to affiliates, at cost plus delivery charges	-	-	-

The Company had license agreements with Shonac prior to its acquisition. The license agreement was for the operation of shoe departments in all of the Company's stores and provided for fees based on a percentage of sales, as defined.

Sales by licensed departments and the related license fees earned are as follows (in thousands):

	Year Ended 2/3/01	Year Ended 1/29/00	6 Months Ended 1/30/99
VCM			
Sales	$140,240	$112,333	$63,480
License fees	9,144	8,451	4,880
Shonac			
Sales	-	-	-
License fees	-	-	-

The Company also leases certain store and warehouse locations owned by SSC as described in Note 4.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Accounts receivable from and payable to affiliates principally result from commercial transactions with entities owned or controlled by SSC or intercompany transactions with SSC.

The Company shares certain personnel, administrative and service costs with SSC and its affiliates. The costs of providing these services are allocated among the Company, SSC and its affiliates without a premium. The allocated amounts are not significant. SSC does not charge the Company for general corporate management services. In the opinion of the Company and SSC management, the aforementioned charges are reasonable.

The Company participates in SSC's self insurance program for general liability, casualty loss and Ohio workers' compensation. The Company expensed $16,550,000, $9,564,000, $4,001,000 and $7,265,000 in fiscal years 2000, 1999, the Transition Period and 1998, respectively, for such coverage.

In July 2000, the Company assigned to SSC the future proceeds from a lease termination agreement with a lessor in exchange for $13.5 million. This agreement was subsequently canceled in November 2000 and the proceeds were returned to SSC. No gain or loss was recorded on the transaction. During the Transition Period and fiscal year 1998, the Company contributed $1,120,000 each period to a private charitable foundation controlled by the Schottenstein family. The fiscal 1999 contribution was made in March 2000 by utilizing 80,000 common shares of the Company held in Treasury. During fiscal 2000, $2.2 million of contributions were expensed.

See Footnote 5 Long-Term Obligations and Notes Payable.

4. LEASES

The Company operates stores and warehouses under various arrangements with related and unrelated parties. Such leases expire through 2019 and in most cases provide for renewal options. Generally, the Company is required to pay real estate taxes, maintenance, insurance and contingent rentals based on sales in excess of specified levels.

The Company has entered into several leasing agreements with SSC and affiliates. Under a Master Lease Agreement, as amended, the Company leases five store locations owned by SSC for an annual minimum rent of $1,314,000 and additional contingent rents based on aggregate sales in excess of specified sales levels for the store locations. The Company also leased or subleased from SSC and affiliates fourteen store locations, three warehouse facilities and a parcel of land for specified minimum rentals, plus contingent rents based on sales in excess of specified sales levels for the store locations. Leases and subleases with related parties are for initial periods generally ranging from five to twenty years, provide for renewal options and require the Company to pay real estate taxes, maintenance and insurance.

On August 12, 1997, seventeen related party leases (thirteen stores and four other facilities) were renegotiated and became unrelated party leases pursuant to a sale-leaseback transaction between SSC and a third party. All of the new leases for the thirteen stores covered by the SSC sale-leaseback transaction eliminated percentage rents and provided for increased fixed rents for an initial twenty year term.

The Company incurred new capital lease obligations, including one with a related party, aggregating $27,100,000 and $9,400,000 in 1999 and 1997, respectively, to obtain store facilities. The total cost of capital leases at February 3, 2001 and January 29, 2000 were $36,186,000 and $42,328,000, respectively. Assets held under capital leases are amortized over the terms of the related leases. The

accumulated amortization for these assets was $2,595,000 and $1,988,000 at February 3, 2001 and January 29, 2000, respectively.

Future minimum lease payments required under the aforementioned leases, exclusive of real estate taxes, insurance and maintenance costs, at February 3, 2001 are as follows (in thousands):

Fiscal Year Ending	Operating Leases Total	Operating Leases Unrelated Party	Operating Leases Related Party	Ca Le
2002	$90,502	$76,065	$14,437	$
2003	87,915	74,466	13,449	
2004	83,447	70,466	12,981	
2005	77,587	64,760	12,827	
2006	75,056	62,153	12,903	
Future Years	523,027	402,693	120,334	5
Total minimum lease payments				7
Less amount representing interest				(4
Present value of minimum lease payments				3
Less current portion				
Total long-term portion				$3

The composition of rental expense (in thousands):

	Year Ended 2/3/01	Year Ended 1/29/00	6 Months Ended 1/30/99	Year Ended 8/1/98
Minimum rentals:				
Unrelated parties	$47,203	$47,562	$20,421	$27,618
Related parties	11,265	8,361	4,093	8,307
Contingent rentals:				
Unrelated parties	3,981	5,648	1,585	2,681
Related parties	2,195	2,289	357	1,556
Total	$64,644	$63,860	$26,456	$40,162

Many of the Company's leases contain fixed escalations of the minimum annual lease payments during the original term of the lease. For these leases, the Company recognizes rental expense on a straight-line basis and records the difference between the average rental amount charged to expense and the amount payable under the lease as deferred rent. At the end of fiscal 2000 and fiscal 1999, the balance of deferred rent was $6,721,000 and $3,863,000, respectively, and is included in other noncurrent liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. LONG-TERM OBLIGATIONS AND NOTES PAYABLE

Long-term obligations consist of the following (in thousands):

	2/3/01	1/29/00
Senior unsecured notes	-	$36,571
Credit facilities	$295,000	70,000
Capital lease obligations	31,247	37,042
Other	805	1,015
	327,052	144,628
Less current maturities	(603)	(460)
	$326,449	$144,168

The senior unsecured notes were retired in March 2000.

At February 3, 2001, the Company had a $300 million Amended and Restated Credit Agreement (Credit Agreement), dated as of March 15, 2000. The Credit Agreement, which expires on March 15, 2003, provides for revolving and overnight loans and issuance of letters of credit. Outstanding advances are secured by a lien on assets and are subject to a monthly borrowing base of eligible inventories and receivables, as defined. Terms of the Credit Agreement require compliance with certain restrictive covenants, including limitations on dividends, the incurrence of additional debt and financial ratio tests. Additionally, the Company has provided an unconditional guarantee of 50% of amounts outstanding on VCM's $25.0 million revolving line of credit. At February 3, 2001, $77.7 million was available under the Credit Agreement. Borrowings aggregated $200.0 million, plus $16.1 million of letters of credit were issued and outstanding and the VCM loan guarantee totaled $6.2 million. The Credit Agreement provides for various borrowing rates, currently equal to 275 basis points over LIBOR.

The LIBOR rate on $40.0 million has been locked in at a fixed annual rate of 5.895% through May 2001 under a swap agreement. The fair market value of the swap agreement at February 3, 2001 and January 29, 2000 was $(59,496) and $402,000, respectively. In addition, the LIBOR rate on $35 million has been locked in at fixed annual rate of 6.99% through April 2002 under a swap agreement. The fair market value of this swap agreement at February 3, 2001 was $(2,700,359).

The Company entered into a $75.0 million Senior Subordinated Convertible Loan Agreement (Senior Facility), dated as of March 15, 2000. The Senior Facility bears interest at various rates, currently equal to 250 basis points over LIBOR. The interest rate increases an additional 50 basis points every 90 days after the first anniversary date. The Senior Facility is due in September 2003. In December 2000, pursuant to terms of the Senior Facility, SSC purchased the outstanding balance under the same continuing terms. The terms provide that if prior to March 17, 2001, the balance outstanding thereunder is not repaid from the proceeds of an equity offering or other subordinated debt acceptable to lenders under the Credit Agreement, then after that date SSC, as the lender, has the right to convert the debt into our common stock at a price equal to 95% of the 20-day average of high and low sales prices reported on the New York Stock Exchange at the time of conversion. As of March 17, 2001, the Senior Facility was not repaid. We paid SSC a one time fee of 200 basis points, or $1.5 million, at the initial closing in consideration for entering into a Put Agreement associated with the Senior Facility.

To supplement operating cash requirements the Company has a $50.0 million subordinated secured credit facility with SSC. Outstanding advances under the agreement are subordinated to the Credit Agreement and are subject to a junior lien on assets securing the Credit Agreement. At February 3, 2001, $20.0 million was outstanding. The interest rate and terms of the $50.0 million facility are generally the same as the Credit Agreement.

The weighted average interest rate on borrowings under the Company's credit facilities during fiscal year 2001, 1999, the Transition Period and fiscal year 1998 was 10.7%, 8.8%, 8.3% and 8.56%, respectively.

The book value of notes payable and long-term debt approximates fair value at February 3, 2001.

The Company believes that the availability under the Credit Agreements along with its current available cash plus expected cash flows from its operations, will enable the Company to fund its expected needs for working capital, capital expenditures, and debt service requirements. Achievement of expected cash flows from operations, vender and their factor relations, flow of merchandise, and compliance with the Credit Agreements' covenants are dependent upon the Company's attainment of its Fiscal 2001 business plan.

6. BENEFIT PLANS

The Company participates in the SSC sponsored 401(k) savings plan (the "401(k) Plan"). Employees who attained twenty and one-half years of age and completed one year of service could contribute up to twenty percent of their salaries to the 401(k) Plan on a pre-tax basis, subject to IRS limitations. The Company matched up to three percent of participants' eligible compensation. Effective January 1, 2001, the Company matches up to four and one-half percent of participants' eligible compensation. Effective as of April 1, 1999 employees who work 20 or more hours per week are eligible to participate in the 401K Plan after 60 days of service, with the Company matching contributions beginning after one full year of service. Employees who work less than 20 hours per week continue to participate under the pre-April 1999 rules. Additionally, the Company has contributed a discretionary profit sharing amount to the 401(k) Plan each year. The Company incurred costs associated with the 401(k) Plan of $4,684,000, $4,696,000, $1,591,000 and $3,907,000 for fiscal year 2000, 1999, the Transition Period and for fiscal year 1998, respectively. In 1998, the Company recognized the benefit of approximately $1,639,000 of forfeitures attributable to employer contributions pursuant to an amendment to the plan.

The Company provides an Associate Stock Purchase Plan. Eligibility requirements are similar to the 401(k) Plan. Eligible employees can purchase common shares of the Company through payroll deductions. The Company will match 15% of employee investments up to a maximum investment level. Plan costs to the Company for all fiscal periods presented are not material to the consolidated financial statements.

Certain employees of the Company are covered by union-sponsored, collectively bargained, multi-employer pension plans, the costs of which are not material to the consolidated financial statements.

Certain employees of the Company participate in the Schottenstein Stores Corporation Deferred Compensation Plan which is a non-qualified, pre-tax, income deferral plan. The cost of the plan is not material to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. SHAREHOLDERS' EQUITY

During fiscal years 1999 and 1997, the Company issued common shares to certain key employees pursuant to individual employment agreements. The agreements and grants were approved by the Board of Directors and each consists of a one time grant of restricted shares. As a result, the Company recorded the market value of the shares at the date of grant of $5,433,000 and $2,201,000 in fiscal 2000 and 1999, respectively, as deferred compensation expense. The agreements condition the vesting of the shares upon continued employment with the Company with such restrictions expiring as to 20% of the shares on each of the five anniversary dates of the grants. Deferred compensation is charged to income on a straight-line basis over the period during which the restrictions lapse.

8. STOCK OPTION PLANS

The Company has a Non-employee Director Stock Option Plan (the "Non-employee Director Plan") which provides for the issuance of options to purchase up to 130,000 common shares. An option to purchase 1,000 common shares is automatically granted to each non-employee director on the first New York Stock Exchange ("NYSE") trading day in each calendar quarter. The exercise price for each option is the fair market value of the common shares on the date of grant. All options become exercisable one year after the grant date and remain exercisable for a period of ten years from the grant date, subject to continuation of the option-holders' service as directors of the Company.

The Company has a 1991 Stock Option Plan which provides for the grant of options to purchase up to 4,000,000 common shares. Such options are exercisable 20% per year on a cumulative basis and remain exercisable for a period of ten years from the date of grant.

In December 2000, the Board of Directors approved the 2000 Stock Incentive Plan (the "2000 Stock Plan"). The 2000 Stock Plan is subject to shareholder approval. The 2000 Stock Plan provides for the grant of up to 3,000,000 options to purchase shares of common stock or the issuance of restricted stock.

Such options and restricted stock generally vest 20% per year on a cumulative basis. Options granted under the 2000 Stock Plan remain exercisable for a period of ten years from the date of grant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes the Company's stock option plans and related Weighted Average Exercise Prices ("WAEP") (shares in thousands):

	Fiscal Years Ended				6 Months Ended	
	2/3/01		1/29/00		1/30/99	
	Shares	WAEP	Shares	WAEP	Shares	WA
Outstanding beginning of year	2,460	$10.12	2,296	$9.31	2,331	$9
Granted	961	9.24	526	9.56	48	11
Exercised	(176)	8.12	(201)	8.14	(41)	8
Canceled	(629)	9.83	(161)	9.07	(42)	11
Outstanding end of year	2,616	9.32	2,460	10.12	2,296	9
Options exercisable end of year	1,100	$9.63	1,171	$9.08	1,028	$8
Shares available for additional grants	1,233		443		310	

The following table summarizes information about stock options outstanding as of February 3, 2001 (shares in thousands):

	Options Outstanding			
Range of exercise prices	Shares	Weighted Average Remaining Contract Life	Weighted Average Exercise Price	Sh

$5.56- $7.94	826	9 yrs	$7.07
$8.06- $12.69	1,380	6 yrs	$9.12
$13.25- $21.44	410	7 yrs	$14.49

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company has adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and accordingly has elected to retain the intrinsic value method of accounting for stock-based compensation. Had the compensation cost for the Company's stock-option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methods of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

	Year Ended 2/3/01	Year Ended 1/29/00	6 Month 1/3
Net (loss) income:			
As reported	$(101,791)	$33,468	$20
Pro forma	$(101,953)	$31,877	$19
Basic (loss) earnings per share:			
As reported	$(3.03)	$1.03	$
Pro forma	$(3.04)	$0.98	$
Diluted (loss) earnings per share			
As reported	$(3.03)	$1.02	$
Pro forma	$(3.04)	$0.97	$

To determine the pro forma amounts, the fair value of each stock option has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in the fiscal year 2000, 1999, Transition Period, and fiscal 1998, respectively: expected volatility of 55.4%, 48.9%, 67.8% and 38.6%; dividend yield of 0%; risk-free interest rates of 4.8%, 6.7%, 4.9% and 5.6%; and, expected lives of 6.5, 6.8, 5.8 and 5.1 years. The weighted average fair value of options granted in the fiscal year 2000, 1999 and the Transition Period was $4.91, $7.25 and $7.43, respectively.

Consistent with SFAS No. 123, pro-forma net (loss) income and (loss) earnings per share have not been calculated for options granted prior to July 30, 1995. Pro forma disclosures may not be representative of that to be expected in future years.

9. COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal proceedings that are incidental to the conduct of its business. In the opinion of management, the amount of any liability with respect to these proceedings will not be material.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. INCOME TAXES

The (benefit) provision for income taxes consists of the following (in thousands):

	Year Ended 2/3/01	Year Ended 1/29/00	6 Months Ended 1/30/99	Year Ended 8/1/98
Current:				
Federal	$(29,092)	$22,852	$10,323	$12,174
State and local	(5,847)	4,071	2,510	1,912
	(34,939)	26,923	12,833	14,086
Deferred:				
Federal	(25,818)	(3,492)	1,015	(2,227)
State and local	(4,873)	(499)	140	(318)
	(30,691)	(3,991)	1,155	(2,545)
Income tax (benefit) expense	$(65,630)	$22,932	$13,988	$11,541

The provision (benefit) for deferred income taxes includes the following amounts (in thousands):

	Year Ended 2/3/01	Year Ended 1/29/00	6 Months Ended 1/30/99
Type of temporary differences:			
Basis differences in inventory	$(19,106)	$(4,707)	$2,778
Depreciation	3,669	(142)	(1,376)
Deferred bonus	(1,151)	(168)	1,107
Net operating loss carry forward	(10,321)	1,026	(1,354)
Federal income tax credit carry forward	(5,645)	-	-
Other	1,863	-	-
	$(30,691)	$(3,991)	$1,155

A reconciliation of the expected income taxes based upon the statutory federal rate are as follows (in thousands):

	Year Ended 2/3/01	Year Ended 1/29/00	6 Months Ended 1/30/99	Year Ended 8/1/98
Income tax (benefit) expense at federal statutory rate	$(58,597)	$19,740	$11,986	$11,165
Jobs credit	(822)	(712)	(235)	(164)
State and local taxes, net	(7,668)	2,843	1,753	1,548
Resolution of income tax issues	-	(269)	-	(1,410)
Non-deductible goodwill	1,080	1,080	388	273
Other	377	250	96	129
	$(65,630)	$22,932	$13,988	$11,541

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The components of the net deferred tax asset as of February 3, 2001 and January 29, 2000 are (in thousands):

	2/3/01	1/29/00
Deferred tax assets:		
Basis differences in inventory	$31,558	$15,565
Basis differences in fixed assets	3,454	2,416

State and local taxes	1,580	1,085
Deferred compensation	1,151	39
Amortization of lease acquisition costs	1,395	1,415
Net operating loss carry forward	10,320	-
Federal tax credit carry forward	5,645	-
Other	7,143	4,362
	62,246	24,882
Deferred tax liabilities:		
Depreciation	(5,779)	(5,730)
Capital leases	(2,995)	(2,173)
	(8,774)	(7,903)
Total net	$53,472	$16,979

The net deferred tax asset is recorded in the Company's consolidated balance sheet as follows (in thousands):

	2/3/01	1/29/
Current deferred tax asset	$51,732	$18,0
Non-current deferred tax asset (liability)	1,740	(1,0
Net deferred tax asset	$53,472	$16,9

11. ACQUISITIONS

Effective May 3, 1998, the Company purchased 99.9% of the common stock of Shonac from Nacht Management, Inc. and SSC (in September 2000 the remaining 0.1% was acquired). SSC owned approximately 60% of the Company's outstanding common shares at the time of the acquisition. The Company also acquired the store operations of Valley Fair from SSC. Shonac had operated, as licensee, the shoe departments in the Company's department stores since Shonac's inception in 1969. Shonac also operated a chain of retail shoe outlets located throughout the United States, principally under the name DSW Shoe Warehouse. Valley Fair operated two department stores located in Irvington and Little Ferry, New Jersey. The Company had been a licensee of certain departments in these two stores for 18 years. The negotiated purchase price for Shonac and Valley Fair was

$108,473,000. The acquisitions were funded by cash provided by operations and approximately $88,000,000 of borrowings.

The acquisitions have been accounted for using the purchase method of accounting and accordingly, the purchase price has been allocated to the net assets and identifiable intangible assets acquired based upon their estimated fair values at the date of acquisition. The aggregate amount of goodwill recorded was $35,218,000.

On November 19, 1999, the Company purchased 100% of the common stock of Gramex Retail Stores, Inc. ("Gramex") from Gramex Corporation pursuant to a Stock Purchase Agreement, dated as of November 8, 1999. Gramex operated a chain of fifteen discount stores under the name "Grandpa's" in the greater St. Louis metropolitan area.

The purchase price for Gramex was $13.1 million including cash of $8.0 million, 255,949 shares of the Company's common stock with an agreed value of $4.0 million and an unsecured, 5-year note of $1.1 million. In conjunction with the acquisition, the Company satisfied approximately $37 million of Gramex bank debt at closing and assumed certain trade payable and other obligations which were satisfied from the proceeds from liquidation of inventory and certain other assets. The transaction was funded by cash from operations and a $25 million 180 day bank loan bearing interest at 8.0925%. The acquisition was accounted for as a purchase. Allocation of the purchase price was based on fair market valuation of the net assets acquired.

Of the 15 stores acquired and after liquidation of the existing Grandpa's inventory, 13 stores were converted to the Value City format. Six stores received only minor improvements and were reopened in March 2000. Seven stores were remodeled based on the current Value City format and were reopened in April 2000. The lease for one store with terms consistent with current market conditions is located near an existing store in St. Louis. This location was assigned without payment of additional consideration to the Value City Furniture Division of SSC after completion of liquidation of the store inventory and fixtures.

The operating results of Grandpa's have been included in the consolidated results of the Company from the date of acquisition. The following unaudited pro forma consolidated financial results for the fiscal year ended January 29, 2000 are presented as if the acquisition had taken place at the beginning of fiscal 1999. The proforma results are not indicative of results of operations in future periods or in the period presented below. Included in the proforma results are the adjustments to depreciation and amortization based on the purchase price allocation, the effects of the issuance of additional common shares and interest on acquisition related borrowings (in thousands, except per share amounts):

	1/29/00

Net Sales	$1,818,008
Net Income	$31,799
Basic earnings per share	$0.98
Diluted earnings per share	$0.97

On March 17, 2000, the Company completed through its wholly owned subsidiary, Base Acquisition Corp. ("Base Acquisition"), the acquisition of substantially all of the assets and assumed certain liabilities of Filene's Basement Corp., a Massachusetts corporation, and Filene's Basement, Inc., a wholly owned subsidiary of Filene's Basement Corp. (collectively, "Filene's") pursuant to the closing of an asset purchase agreement, dated February 2, 2000.

The operating results of Filene's have been included in the consolidated results of the Company from the date of acquisition. The following unaudited proforma consolidated financial results for the fiscal year ended February 3, 2001 are presented as if the acquisition had taken place at the beginning of fiscal 2000 (in thousands, except per share amounts):

	2/3/01	1/29/00
Net sales	$2,248,605	$2,140,966
Net (loss) income	$(108,888)	$(20,678)
Basic loss per share	$(3.24)	$(0.64)
Diluted loss per share	$(3.24)	$(0.63)

The purchase price included cash of $3.5 million paid at closing, $1.2 million to be paid over a period not to exceed three years, 403,208 shares of the Company's common stock with an agreed value of $5.5 million and the assumption of specified liabilities. The assumed liabilities included the payment of amounts outstanding under Filene's debtor-in-possession financing facility of approximately $22.5 million and certain trade payable and other obligations which will be paid in the ordinary course. The acquisition will be accounted for as a purchase. Allocation of the purchase price has been determined based on fair market valuation of the net assets acquired subject to resolution of several outstanding matters.

The acquisition was funded by cash from operations and a portion of the proceeds from the Credit Agreement. See Note 5 for further discussion.

12. SEGMENT REPORTING

The Company has adopted FASB Statement No. 131, "Disclosure about Segments of a Business Enterprise and Related Information." The Company is managed in three operating segments: Value City Department Stores, DSW Stores and Filene's Basement Stores. All of the operations are located in the United States. The Company has identified such segments based on the management responsibility and measures segment profit as operating profit which is defined as income before interest expense and income taxes. Corporate assets include goodwill and loan costs related to the Shonac acquisition.

YEAR ENDED FEBRUARY 3, 2001 (in thousands):

	Value City	DSW	Filene's	Co
Net sales	$1,553,902	$409,968	$249,147	
Operating (loss) profit	(150,530)	13,368	1,577	
Identifiable assets	688,308	104,172	87,304	
Capital expenditures	51,829	12,649	5,748	
Depreciation and amortization	35,658	2,914	5,175	

YEAR ENDED JANUARY 29, 2000 (in thousands):

	Value City	DSW	Corporat
Net sales	$1,423,581	$246,595	-
Operating profit	57,982	7,660	-
Identifiable assets	656,758	56,893	$30,53
Capital expenditures	32,293	5,024	-
Depreciation and amortization	28,308	2,216	3,70

SIX MONTH PERIOD ENDED JANUARY 30, 1999 (in thousands):

	Value City	DSW	Corporat
Net sales	$688,103	$92,160	-
Operating profit	35,380	5,419	-
Identifiable assets	486,242	54,473	$33,71
Capital expenditures	16,377	928	-
Depreciation and amortization	13,655	942	1,70

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED AUGUST 1, 1998 (IN THOUSANDS):

	Value City	DSW	Corporat
Net Sales	$1,113,894	$47,485	-
Operating profit	35,173	1,748	-
Identifiable assets	608,185	39,556	36,337
Capital expenditures	26,501	664	-
Depreciation and amortization	24,641	444	2,688

The following sets forth sales by each major merchandise category (in thousands):

	Fiscal Year Ended 2/3/01	12 Months Ended 1/29/00	6 Months Ended 1/30/99
Apparel and ready to wear	$1,266,479	$943,798	$444,759
Hard goods and home furnishings	332,039	305,694	158,702
Shoes and other footwear	614,499	420,684	176,802
Total	$2,213,017	$1,670,176	$780,263

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

FISCAL YEAR ENDED FEBRUARY 3, 2001

	1st Qtr. 04/29/00 13 Weeks	2nd Qtr. 07/29/00 13 Weeks	3rd Qtr. 10/28/00 13 Weeks(1)	1
Net sales	$462,053	$528,246	$559,820	
Cost of sales	(284,322)	(327,958)	(446,973)	
GROSS PROFIT	177,731	200,288	112,847	
Selling, general and administrative expenses	(174,192)	(197,063)	(235,835)	
License fees	1,919	2,731	1,599	

Other operating income	277	1,156	614
OPERATING PROFIT (LOSS)	5,735	7,112	(120,775)
Interest expense, net	(5,354)	(7,963)	(7,873)
(Loss) gain on sale of assets, net	(20)	861	(597)
INCOME (LOSS) BEFORE EQUITY IN INCOME (LOSS) OF JOINT VENTURE AND PROVISION FOR INCOME TAXES	361	10	(129,245)
Equity in (loss) income of joint venture	(269)	107	(551)
INCOME (LOSS) BEFORE (PROVISION) BENEFIT FOR INCOME TAXES	92	117	(129,796)
(Provision) benefit for income taxes	(37)	(49)	50,781
NET INCOME (LOSS)	$55	$68	$(79,015)
BASIC AND DILUTED LOSS PER SHARE	$0.00	$0.00	$(2.35)

FISCAL YEAR ENDED JANUARY 30, 2000

	1st Qtr. 05/01/99 13 Weeks	2nd Qtr. 07/31/99 13 Weeks	3rd Qtr. 10/30/99 13 Weeks
Net sales	$344,481	$372,812	$441,281
Cost of sales	(214,859)	(232,543)	(272,109)
GROSS PROFIT	129,622	140,269	169,172
Selling, general and administrative expenses	(126,820)	(133,731)	(155,558)
License fees	1,523	1,832	1,640
Other operating income	933	1,097	1,372
OPERATING PROFIT	5,258	9,467	16,626
Interest expense, net	(2,480)	(2,424)	(3,288)
Gain on sale of assets, net	13	34	32
INCOME BEFORE EQUITY IN INCOME (LOSS) OF JOINT VENTURE AND PROVISION FOR INCOME TAXES	2,791	7,077	13,370
Equity in (loss) income of joint venture	(111)	(245)	(168)
INCOME BEFORE PROVISION FOR INCOME TAXES	2,680	6,832	13,202
Provision for income taxes	(1,118)	(2,870)	(5,504)
NET INCOME	$1,562	$3,962	$7,698
BASIC EARNINGS PER SHARE	$0.05	$0.12	$0.24
DILUTED EARNINGS PER SHARE	$0.05	$0.12	$0.23

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(1) The results of operations for the quarters ended 10/28/00 and 2/3/01include non-recurring pretax charges for inventory realignment, asset impairment and severance costs of $90.4 million and $19.6 million, respectively.

(2) The results of operations for the quarter ended 1/29/00 include a reduction of $3.1 million to cost of sales representing the annual book to physical adjustment for the physical inventory.

14. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION (IN THOUSANDS):

	Year Ended 2/3/01	Year Ended 1/29/00	6 Months Ended 1/30/99	Year Ende 8/1/98
Cash paid during the year for:				
Interest	$29,723	$11,756	$7,586	$5,911
	=======	=======	=======	=======
Income taxes	$4,700	$17,101	$15,465	$9,018
	=======	=======	=======	=======

Supplemental schedule of non-cash investing and financing activities:

In December 1998, the Company exchanged 25,000 of its treasury shares with a fair market value of $311,000 for the right to acquire several leases.

During 1999 the Company incurred capital lease obligations to obtain new store facilities. Non-cash amounts of $27,100,000 were capitalized as of January 29, 2000 under the captions of property and equipment and long-term obligations in relation to these leases.

In March 2000, the Company issued 403,208 common shares with a market value of $4.0 million for the acquisition of Filene's. Also in March 2000, the Company contributed 80,000 common shares with a market value of $1.1 million to a private charitable foundation controlled by the Schottenstein family.

Amounts of $779,000, $756,000, $490,000 and $2,126,000 were recorded under the captions of property and equipment and accounts payable for real estate improvements and construction at new stores as of February 3, 2001, January 29, 2000, January 30, 1999 and August 1, 1998, respectively.

In November 1999, the Company exchanged 255,959 of its treasury shares with a fair market value of $4.0 million as part of its acquisition of Gramex. See Note 11.

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VALUE CITY DEPARTMENT STORES, INC.
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(dollars in thousands)

COLUMN A	COLUMN B	COLUMN C		COLUMN D
Description	Balance at Beginning Of Period	Charge to Costs and Expenses	Charges to Other Accounts(1)	Deductions(2)
Allowance deducted from asset to which it applies:				
Allowance for doubtful accounts:				
Period Ended:				
12 Months, 8/1/98	363	716	95	832
6 Months, 1/30/99	342	195	0	227
12 Months, 1/29/00	310	3,742	442	3,469
12 Months, 2/3/01	1,025	341	1	385
Allowance for Markdowns:				
Period Ended:				
12 Months, 8/1/98	4,311	2,828	8,893	4,203
6 Months, 1/30/99	11,829	4,460	0	5,897
12 Months, 1/29/00	10,392	13,745	0	6,908
12 Months, 2/3/01	17,229	125,348	2,941	93,431
Allowance for Sales Returns:				
Period Ended:				
12 Months, 8/1/98	968	0	645	0
6 Months, 1/30/99	1,613	0	0	0
12 Months, 1/29/00	1,613	0	0	227
12 Months, 2/3/01	1,386	521	127	168
Reserves				
Store Closing Reserve:				
Year ended:				
12 Months, 8/1/98	395	511	721	722
6 Months, 1/30/99	905	145	0	973
12 Months, 1/29/00	77	0	0	4
12 Months, 2/3/01	73	0	970	0

(1) The charges to other accounts represent balances resulting from the acquisition of Shonac in 1998 and Gramex Retail Stores, Inc. in 1999.

(2) The deductions in Column D are amounts written off against the respective reserve.

INDEX TO EXHIBITS

Exhibit No.	Description	Exhibit Page No.
3.1	First Amended and Restated Articles of Incorporation of the Company.	Previously filed as Exhibit 3.2 to Registrat Statement on Form S-1 (file no. 33-40214) filed April 29, 1991, and incorporated herei by reference.
3.2	Code of Regulations of the Company.	Previously filed as Exhibit 3.3 to Registrat Statement on Form S-1 (file no. 33-40214) filed April 29, 1991, and incorporated herei by reference.
10.1.1	Corporate Services Agreement, dated October 12, 1994, between the Company and Schottenstein Stores Corporation.	Previously filed on Exhibit 10.1.1 to Form 10-Q (file no. 1-10767) filed December 12, 1994, and incorporated herein by reference.
10.1.2	Corporate Services Agreement, dated September 27, 1995, between the Company and SSC.	Previously filed as Exhibit 10.1.2 to Form 10-K (file no. 1-10767) filed October 27, 1995, and incorporated herein by reference.
10.1.3	Corporate Services Agreement, dated October 1996, between the Company and SSC.	Previously filed as Exhibit 10.1.3 to Form 10-K (file no. 1-10767) filed November 1, 1996, and incorporated herein by reference.
10.1.4	Corporate Services Agreement, dated October 13, 1997, between the Company and SSC.	Previously filed as Exhibit 10.1.4 to Form 1 (file no. 1-10767) filed December 16, 1997, incorporated herein by reference.
10.2	License Agreement, dated June 5, 1991, between the Company and SSC re Service Marks.	Previously filed as Exhibit 10.2 to Amendment No. 1 to Form S-1 Registration Statement (file no. 33-40214) filed June 6, and incorporated herein by reference.
10.7	Form of Indemnification Agreement, dated 1991, between the Company and its directors and executive officers.	Previously filed as Exhibit 10.7 to Amendment No. 1 to Form S-1 Registration Statement (file no. 33-40214) filed June 6, and incorporated herein by reference.

10.8	Form of Company's 1991 Stock Option Plan.	Previously filed as Exhibit 10.8 to Amendment No. 1 to Form S-1 Registration Statement (file no. 33-40214) filed June 6, 1991, and incorporated herein by reference.
10.9	Master Store Lease, dated April 25, 1991, between the Company, as lessee, and SSC, as lessor, re fourteen stores.	Previously filed as Exhibit 10.9 to Form S-1 Registration Statement (file no. 33-40214) filed April 29, 1991, and incorporated herein by reference.
10.9.1	First Amendment to Master Store Lease, dated February 1991, between the Company, as lessee, and SSC, as lessor, re fourteen stores.	Previously filed as Exhibit 10.9.1 to Form S-1 Registration Statement (file no. 33-47252) filed April 16, 1992, and incorporated herein by reference.
10.9.2	Lease Modification Agreement to Master Store Lease, dated June 5, 1995, between the Company, as lessee, and SSC, as lessor, re Beckley, West Virginia.	Previously filed as Exhibit 10.9.2 to Form 10-K (file no. 1-10767) filed October 27, 1995, and incorporated herein by reference.
10.9.3	Exercise of the first five-year renewal option commencing August 1, 1996 under Master Store Lease, dated June 5, 1995, as amended, between the Company, as lessee, and SSC, as lessor, re fourteen stores.	Previously filed as Exhibit 10.9.3 to Form 10-Q (file no. 1-10767) filed March 19, 1996, and incorporated herein by reference.
10.10	Master Warehouse Lease, dated April 25, 1991, between the Company, as lessee, and SSC, as lessor, re three warehouses, office, and shop locations.	Previously filed as Exhibit 10.10 to Form S-1 Registration Statement (file no. 33-40214) filed April 29, 1991, and incorporated herein by reference.
10.10.1	First Amendment to Master Warehouse Lease, dated February 1992, between the Company, as lessee, and SSC, as lessor, re three warehouse, office, and shop. locations.	Previously filed as Exhibit 10.10.1 to Form S-1 Registration Statement (file no. 33-47252) filed April 16, 1992, and incorporated herein by reference.
10.10.2	Second Amendment to Master Warehouse Lease, dated June 1993, between Company, as lessee, and SSC, as lessor, re three warehouse, office, and shop locations.	Previously filed as Exhibit 10.10.2 to the Form 10-K (file no. 1-10767) filed October 26, 1993, and incorporated herein by reference.

10.10.3	Exercise of the first five-year renewal option commencing August 1, 1996 under Master Store Lease, dated April 25, 1991, as amended, between the Company, as lessee and SSC, as	Previously filed as Exhibit 10.10.3 to Form 10-Q (filed no. 1-10767) filed March 19, 1996, and incorporated herein by reference.

	lessor, re three warehouse locations.	
10.11	Master Sublease, dated April 25, 1991, between the Company, as sublessee, and SSC, as sublessor, re three stores.	Previously filed as Exhibit 10.11 to Form S-1 Registration Statement (file no. 33-40214) filed April 29, 1991, and incorporated herein by reference.
10.12	Sublease, dated April 25, 1991, between the Company, as sublessor, and SSC, as sublessee, re one warehouse, with underlying Lease, dated July 15, 1981, between SSC, as lessee, and J.A.L. Realty Co., an affiliate of SSC, as lessor.	Previously filed as Exhibit 10.12 to Form S-1 Registration Statement (file no. 33-40214) filed April 29, 1991 and incorporated herein by reference.
10.12.1	Exercise of five-year renewal option commencing July 16, 1996 under Sublease, dated April 25, 1991 between the Company, as sublessee, and SSC, as sublessor, re 3681 Westerville Road warehouse.	Previously filed as Exhibit 10.12.1 to Form 10-Q (file no. 1-10767) filed March 19, 1996, and incorporated herein by reference.
10.13	Lease, dated July 7, 1987, between the Company, by assignment from SSC, as lessee, and Schottenstein Trustees, an affiliate of SSC, as lessor, re one store.	Previously filed as Exhibit 10.13 to Amendment No. 1 to Form S-1 Registration Statement (file no. 33-40214) filed June 6, 1991, and incorporated herein by reference.
10.14.1	Lease, dated June 28, 1989, between the Company, by assignment from SSC, as lessor, re one warehouse.	Previously filed as Exhibit 10.14.1 to Form S-1 Registration Statement (file no. 33-40214) filed April 29, 1991, and incorporated herein by reference.
10.14.2	Lease, dated October 27, 1989, between the Company, by assignment from SSC, as lessee, and Southeast Industrial Park Realty Company, an affiliate of SSC, as lessor, re one warehouse.	Previously filed as Exhibit 10.14.2 to Form S-1 Registration Statement (file no. 33-40214) filed April 29, 1991, and incorporated herein by reference.

10.14.3	Lease, dated March 7, 1989, between the Company, by assignment from SSC, as lessee, and Southeast Industrial Park Realty Company, an affiliate of SSC, as lessor, re one warehouse.	Previously filed as Exhibit 10.14.3 to Form S-1 Registration Statement (file no. 33-40214) filed April 29, 1991, and incorporated herein by reference.
10.15.1	Sublease, dated April 25, 1991, between the Company, as sublessor, and SSC, as sublessee, re Baltimore, MD (Eastpoint) furniture store location.	Previously filed as Exhibit 10.15.1 to Form S-1 Registration Statement (file no. 33-40214) filed April 29, 1991, and incorporated herein by reference.
10.15.2	Sublease, dated April 25, 1991, between the Company, as sublessor, and SSC, as sublessee, re Baltimore, MD (Westview) furniture store location.	Previously filed as Exhibit 10.15.2 to Form S-1 Registration Statement (file no. 33-40214) filed April 29, 1991, and incorporated herein by reference.

10.15.3	Sublease, dated April 25, 1991, between the Company, as sublessor, and SSC, as sublessee, re Lansing, MI furniture store location.	Previously filed as Exhibit 10.15.3 to Form S-1 Registration Statement (file no. 33-40214) filed April 29, 1991, and incorporated herein by reference.
10.15.4	Sublease, dated April 25, 1991, between the Company, as sublessor, and SSC, as sublessee, re Louisville, KY (Preston Highway) furniture store location.	Previously filed as Exhibit 10.15.4 to Form S-1 Registration Statement (file no. 33-40214) filed April 29, 1991, and incorporated herein by reference.
10.16	Form of Assignment and Assumption Agreement between the Company, as assignee, and SSC, as assignor, re separate assignments of leases for 31 stores.	Previously filed as Exhibit 10.16 to Form S-1 Registration Statement (file no. 33-40214) filed April 29, 1991, and incorporated herein by reference.
10.17	Form of Restricted Stock Agreement, dated 1991, among SSC, the Company and certain officers.	Previously filed as Exhibit 10.17 to Amendment No. 1 to Form S-1 Registration Statement (file no. 33-40214) filed June 6, 1991, and incorporated herein by reference.
10.19	Lease Agreement, dated as of July 1, 1988, between SSC as sublessor and the Company as sublessee, by assignment dated April 25, 1991, re Benwood, W.V. store location.	Previously filed as Exhibit 10.19 to Form 10-K (file no.1-10767) filed October 24, 1991, and incorporated herein by reference.

10.20	Lease, dated July 2, 1991, between the Company as lessee and Allied Company/ Saul Schottenstein Realty Company as lessor re Springfield, Ohio store.	Previously filed as Exhibit 10.20 to Form 10-K (file no.1-10767) filed October 24, 1991, and incorporated herein by reference.
10.20.1	Exercise of the first five-year renewal option commencing November 1, 1996 under Lease dated July 2, 1991 between the Company, as lessee, and Allied Company/Saul Schottenstein Realty Company, as lessor, re Springfield, Ohio store.	Previously filed as Exhibit 10.20.1 to Form 10-Q (file no. 1-10767) filed March 19, 1996, and incorporated herein by reference.
10.21	Form of Restricted Stock Agreement, dated 1992, between the Company and certain employees.	Previously filed as Exhibit 10.27 to Amendment No. 1 to Form S-1 Registration Statement (file no. 33-47252) filed April 27 1992, and incorporated herein by reference.
10.22	The Company's Non-employee Director Stock Option Plan.	Previously filed as Exhibit 10.28 to Form 10-K (file no.1-10767) filed October 22, 1992, and incorporated herein by reference.

10.23	Lease, dated September 1, 1992, between the Company, as lessee, and SSC, as lessor, re South Bend, IN store.	Previously filed as Exhibit 10.29 to Form 10-K (file no.1-10767) filed October 22, 1992, and incorporated herein by reference.
10.24	Lease, dated January 27, 1992, between the Company, as lessee, and J.A.L. Realty Company, as lessor, as amended on July 29, 1992, re 3080 Alum Creek warehouse.	Previously filed as Exhibit 10.30 to Form 10-K (file no.1-10767) filed October 22, 1992, and incorporated herein by reference.
10.24.1	Exercise of the first five-year renewal option commencing February 1, 1997 under lease, dated January 27, 1992, as amended, between the Company, as lessee, and J.A.L. Realty Company, as lessor, re 3080 Alum Creek warehouse.	Previously filed as Exhibit 10.30.1 to Form 10-Q (file no. 1-10767) filed March 19, 1996, and incorporated herein by reference.
10.25	Lease, dated July 29, 1992, between the Company, as lessee, and J.A.L. Realty Company, as lessor, re 3232 Alum Creek warehouse.	Previously filed as Exhibit 10.31 to Form 10-K (file no.1-10767) filed October 22, 1992, and incorporated herein by reference.

10.26	Lease, dated October 26, 1993 between the Company, as lessee, and J.A.L. Realty Company, as lessor. re 2560 Valueway, Columbus, OH 43224.	Previously filed as Exhibit 10.33 to Form 10-Q (file no. 1-10767) filed March 14, 1994, and incorporated herein by reference.
10.26.1	Lease Modification Agreement dated to June 16, 1995 to Lease, dated October filed 26, 1993, between the Company, as lessee, and J.A.L. Realty Company, as lessor, re 2560 Valueway, Columbus, Ohio 43224.	Previously filed as Exhibit 10.33.1 Form 10-K (file no.1-10767) October 27, 1995, and incorporated herein by reference.
10.27	License Agreement dated as of January 12, 1994 between the Company, as licensee, and Valley Fair Corporation, as licensor, re Housewares Depts.	Previously filed as Exhibit 10.34 to Form 10-K (file no. 1-10767) filed October 26, 1994, and incorporated herein by reference.
10.28	Ground lease, dated April 15, 1994, between the Company, as lessee, and J.A.L. Realty Company, as lessor, re 19 acres.	Previously filed as Exhibit 10.35 to Form 10-K (file no 1-10767) filed October 26, 1994, and incorporated herein by reference.
10.29	Agreement of Lease dated September 1, 1994, between Company, as tenant, and Jubilee Limited Partnership, as landlord, re Carol Stream, IL store.	Previously filed as Exhibit 10.36 to Form 10 (file no. 1-10767) filed December 12, 1994, and incorporated herein by reference.

10.30	Agreement of Lease, dated March 1, 1994, between the Company, as tenant, and Jubilee Limited Partnership, as landlord, re Hobart, IN store.	Previously filed as Exhibit 10.37 to Form 10 (file no. 1-10767) filed December 12, 1994, and incorporated herein by reference.
10.31	Agreement of Lease, date February 10, 1995, between the Company, as tenant, and Jubilee Limited Partnership, as landlord, re Gurnee Mills, IL store.	Previously filed as Exhibit 10.38 to Form 10 (file no. 1-10767) filed March 14, 1995 and incorporated herein by reference.
10.32	Agreement of Lease, dated January 13, 1995, between the Company, as tenant, and Westland Partners, as landlord, re Westland, MI store.	Previously filed as Exhibit 10.39 to Form 10 (file no. 1-10767) filed March 14, 1995 and incorporated herein by reference.
10.33	Agreement of Lease, dated January 31, 1995, between the Company, as tenant, and Taylor Partners, as landlord, re Taylor, MI store.	Previously filed as Exhibit 10.40 to Form 10 (file no. 1-10767) filed March 14, 1995 and incorporated herein by reference.

10.34	Sublease, dated December 28, 1994, between the Company, as subtenant, and Shonac Corporation, as sublandlord, re Alum Creek Drive warehouse space.	Previously filed as Exhibit 10.41 to Form 10 (file no. 1-10767) filed March 14, 1995 and incorporated herein by reference.
10.35	Analysis sheet for Lease re Ft. Wayne, Indiana acquired by SSC pursuant to Assignment and Assumption Agreement dated July 21, 1995.	Previously filed as Exhibit 10.43 to Form 10-K (file no. 1-10767) filed October 27, 1995, and incorporated herein by reference.
10.36	Merchandise Royalty Agreement, dated July 15, 1995, between American Eagle Outfitters, Inc., and the Company re American Eagle merchandise sold to Value City Department Stores, Inc.	Previously filed as Exhibit 10.44 to Form 10-Q (file no. 1-10767) filed December 12, 1995, and incorporated herein by reference.
10.37	Agreement of Lease, dated April 10, 1995, between the Company as tenant, and Independence Limited Liability Company, as landlord, re Charlotte, North Carolina Store.	Previously filed as Exhibit 10.45 to Form 10-Q (file no. 1-10767) filed December 12, 1995, and incorporated herein by reference.
10.38	Sublease and Occupancy Agreement, dated December 15, 1995, between the Company, SSC and SSC dba Value City Furniture, re Louisville, Kentucky (Preston Highway) store.	Previously filed as Exhibit 10.46 to Form 10-Q (file no. 1-10767) filed March 19, 1996, and incorporated herein by reference.
10.39	Agreement of Lease, dated March 13, to 1996, between the Company as tenant, and Jubilee Limited Partnership, as landlord, re Saginaw, Michigan store.	Previously filed as Exhibit 10.47 Form 10-Q (file no. 1-10767) filed March 19, 1996, and incorporated herein by reference.
10.40	Agreement of lease, dated 1996	Previously filed as Exhibit 10.49 to

	between the Company, as tenant, and SSC, as landlord, re the Melrose Park, IL store.	Form 10-K (file no. 1-10767) filed November 1, 1997 and incorporated herein by reference.
10.41	Agreement of Lease, dated October 4, 1996, between the Company, as tenant, and Hickory Ridge Pavilion, Ltd., as landlord, re the Memphis, TN store.	Previously filed as Exhibit 10.50 to Form 10-K (file no. 1-10767) filed November 1, 1997 and incorporated herein by reference.
10.42	Restricted Stock Agreement dated July 14, 1997 between Martin P. Doolan and the Company.	Previously filed as Exhibit 10.53 to Form 10-K (file no. 1-10767) filed October 31, 1997, and incorporated herein by reference.

10.43	Lease, dated October 30, 1998 between the Company, as tenant, and Jubilee Limited Partnership, as landlord, re River Oaks West Shopping Center, Calumet City, Illinois.	Previously filed as Exhibit 10.56 to Form 10-K (file no. 1-10767) filed April 30, 1999, and incorporated herein by reference.
10.44	Lease, dated May 3, 1998 between the Company, as tenant, and Valley Fair Corporation, as landlord, re Irvington, NJ.	Previously filed as Exhibit 10.57 to Form 10-K (file no. 1-10767) filed April 30, 1999, and incorporated herein by reference.
10.45	Lease, dated March 22, 2000 between East Fifth Avenue, LLC, an affiliate of SSC, and Shonac Corporation.	
10.46	Employment Agreement dated June 21, 2000 between James A. McGrady and the Company.	
10.47	Employment Agreement dated December 4, 2000 between George Kolber and the Company.	
21	List of Subsidiaries	Page E-9.
23	Consent of Deloitte & Touche LLP	Page E-10.
24	Power of Attorney	Page E-11.