VALUE CITY DEPARTMENT STORES INC /OH
Form 10-Q
December 13, 2002

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended November 2, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ______________

Commission file number 1-10767

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

Ohio	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)

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

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES [ ] NO [X]

The number of shares outstanding of Common Stock, without par value, as of December 6, 2002 was 33,913,374.

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VALUE CITY DEPARTMENT STORES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)
(UNAUDITED)

	November 2, 2002	February 2, 2002
ASSETS		
Cash and equivalents	$ 30,626	$ 35,915
Accounts receivable, net	18,423	6,650
Receivables from affiliates	533	905

Inventories	487,931	396,830
Prepaid expenses and other assets	19,278	15,741
Deferred income taxes	60,159	63,102
Total current assets	616,950	519,143
Property and equipment, net	238,180	244,644
Goodwill	37,619	40,974
Tradenames and other intangibles, net	48,579	51,652
Other assets	35,523	23,898
	$ 976,851	$ 880,311
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 231,097	$ 149,864
Accounts payable to affiliates	2,653	8,909
Accrued expenses	135,337	130,930
Current maturities of long-term obligations	782	665
Total current liabilities	369,869	290,368
Long-term obligations, net of current maturities	354,752	337,199
Deferred rent and other noncurrent liabilities	38,193	32,315
Commitments and contingencies	--	--
Common shares, without par value; 80,000,000 authorized; issued, including treasury shares, 33,913,374 and 34,227,540 shares, respectively	144,182	145,772
Retained earnings	73,435	82,432
Deferred compensation expense, net	(1,132)	(4,150)
Treasury shares, at cost, 7,651 shares	(59)	(59)
Accumulated other comprehensive loss	(2,389)	(3,566)
	214,037	220,429
	$ 976,851	$ 880,311

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

VALUE CITY DEPARTMENT STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three months ended		Nine months en	
	November 2, 2002	November 3, 2001	November 2, 2002	Novemb

Net sales, excluding sales of licensed departments	$ 616,990	$ 584,403	$ 1,771,964	$ 1,65
Cost of sales	(383,921)	(360,943)	(1,092,109)	(1,02
Gross profit	233,069	223,460	679,855	63
Selling, general and administrative expenses	(231,241)	(229,185)	(670,516)	(64
License fees from affiliates	309	2,592	1,990	
Other operating income	948	1,658	3,860	
Operating profit (loss)	3,085	(1,475)	15,189	(
Interest expense, net	(8,765)	(7,406)	(22,966)	(2
Loss before equity in loss of joint venture, extraordinary item and cumulative effect of accounting change and income taxes	(5,680)	(8,881)	(7,777)	(3
Equity in loss of joint venture	--	(1,242)	--	(
Loss before extraordinary item and cumulative effect of accounting change and income taxes	(5,680)	(10,123)	(7,777)	(3
Benefit for income taxes	2,184	3,645	2,930	1
Loss before extraordinary item and cumulative effect of accounting change	(3,496)	(6,478)	(4,847)	(2
Extraordinary (charge), net of income taxes	--	--	(2,070)	
Cumulative effect of accounting change, net of income taxes	--	--	(2,080)	
Net loss	$ (3,496)	$ (6,478)	$ (8,997)	$ (2
Weighted average shares outstanding	33,677	33,570	33,652	3
Basic and diluted loss per share:				
Loss before extraordinary item and cumulative effect of accounting change	$ (0.10)	$ (0.19)	$ (0.15)	$
Extraordinary (charge), net of income taxes	--	--	(0.06)	
Cumulative effect of accounting change, net of income taxes	--	--	(0.06)	
Net loss	$ (0.10)	$ (0.19)	$ (0.27)	$

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

VALUE CITY DEPARTMENT STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

Nine months ended

	November 2, 2002	November 3, 2001
Cash flows from operating activities:		
Net loss	$ (8,997)	$(20,048)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Extraordinary charge	2,070	--
Cumulative effect of accounting change	2,080	--
Depreciation and amortization	41,273	38,972
Deferred income taxes and other noncurrent liabilities	2,959	(19,194)
Equity in loss of joint venture	--	2,453
Loss on disposal of assets	1,372	13
Change in working capital, assets and liabilities:		
Receivables	(11,401)	49,270
Inventories	(91,101)	(99,548)
Prepaid expenses and other assets	(3,782)	6,454
Accounts payable	74,977	31,172
Accrued expenses	4,464	(8,384)
Net cash provided by (used in) operating activities	13,914	(18,840)
Cash flows from investing activities:		
Capital expenditures	(30,042)	(22,588)
Proceeds from sale of assets	45	131
Proceeds from lease incentives	6,436	--
Net cash used in investing activities	(23,561)	(22,457)
Cash flows from financing activities:		
Proceeds from issuance of common shares	--	784
Proceeds from issuance of debt	65,500	40,000
Debt issuance costs	(13,205)	--
Net (decrease) increase in:		
Revolving credit facility	(27,500)	15,000
Capital leases and other debt	(20,437)	293
Net cash provided by financing activities	4,358	56,077
Net (decrease) increase in cash and equivalents	(5,289)	14,780
Cash and equivalents, beginning of period	35,915	10,562
Cash and equivalents, end of period	$ 30,626	$ 25,342
Non cash transaction:		
Issuance of warrants	$ 1,000	--

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

VALUE CITY DEPARTMENT STORES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Value City Department Stores, Inc. 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 names Value City Department Stores and Filene's Basement, as well as better-branded off-price shoe stores, under the name DSW Shoe Warehouse ("DSW"). DSW operates 70 leased shoe departments with a non-affiliated Company. As of November 2, 2002, a total of 260 stores were open, including 116 Value City stores located principally in Ohio (23 stores) and Pennsylvania (18 stores) with the remaining stores dispersed throughout the Midwest, East and South, 124 DSW Shoe Warehouse stores located throughout the United States and 20 Filene's Basement stores ("Filene's Basement") located principally in the Northeast United States.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for fiscal year-end financial statements. In the opinion of management, all adjustments consisting of normal recurring adjustments considered necessary to present fairly the consolidated financial position and results of operations for the periods presented have been included. For further information, refer to the financial statement and footnotes thereto included in the Company's Form 10-K filed with the Securities and Exchange Commission.

To facilitate comparisons with the current year, certain previously reported balances have been reclassified to conform with the current period presentation.

2. LONG-TERM OBLIGATIONS

On June 11, 2002, the Company, together with its principal subsidiaries, entered into a $525.0 million refinancing that consists of three separate credit facilities: (i) a new three-year $350.0 million revolving credit facility, (ii) two $50.0 million term loan facilities provided equally by Cerberus Partners, L.P. and Schottenstein Stores Corporation ("SSC"), and (iii) an amended and restated $75.0 million senior convertible loan, initially entered into by the Company on March 15, 2000, which is held equally by Cerberus Partners, L.P. and Schottenstein Stores Corporation.

The Company recorded an extraordinary loss on debt extinguishment of $3.3 million, $2.1 million net of taxes, as a result of the debt financing. This loss represents the balance of unamortized deferred loan fees as of June 11, 2002.

$350 Million Revolving Credit Facility

Under the Revolving Credit Facility, the borrowing base formula is structured in a manner that allows the Company and its subsidiaries availability based on the value of their invento-

ries and receivables. Primary security for the facility is provided by a first priority lien on all of the inventory and accounts receivable of the

Company, as well as certain intercompany notes and payment intangibles. The facility also has a second priority perfected interest in all of the collateral securing the Term Loans. Interest on borrowings is calculated at the bank's base rate or Eurodollar rate plus 2.00% to 2.75%, depending upon the level of average excess availability the Company maintains. The final maturity date is June 11, 2005. At November 2, 2002, $148.0 million was available under the Revolving Credit Facility. Direct borrowings aggregated $150.0 million, plus $15.1 million of letters of credit were issued and outstanding.

$100 Million Term Loans

The Term Loans are comprised of a $50.0 million Term Loan B and a $50.0 million Term Loan C. All obligations under the Term Loans are senior debt, ranking pari passu with the Revolving Credit Facility and the Senior Convertible Facility. The Company and its principal subsidiaries are obligated on the facility. The final maturity date is June 11, 2005.

The Term Loans stated rate of interest per annum during the initial two years of the agreement is 14% if paid in cash and 15% if the Company elects a paid-in-kind ("PIK") option. During the first two years of this facility, the Company may elect to pay all interest in PIK. During the final year of the Term Loans, the stated rate of interest is 15.0% if paid in cash or 15.5% by PIK. The PIK option is limited to 50% of the interest due.

The Company issued to the Term Loan C Lenders warrants ("Warrants") to purchase shares of common stock initially exercisable for up to 8.75% of the shares of the common stock outstanding on the closing date, June 11, 2002, excluding all outstanding convertible securities, warrants, options or other equity equivalents, at an initial exercise price of $4.50 per share. The number of shares issuable upon the exercise of the Warrants and the per share exercise price are subject to adjustment upon the occurrence of specified events. The Warrants are exercisable at any time prior to the 10th anniversary of the date of issuance at the then Warrant exercise price. The Company has granted the Term Loan C Lenders registration rights with respect to the shares issuable upon exercise of the Warrants.

$75 Million Senior Convertible Loan

The Company has amended and restated its $75.0 million Senior Subordinated Convertible Loan Agreement dated March 15, 2000. As amended, borrowings under the convertible loan will bear interest at 10% per annum. At the Company's option, interest may be PIK from the closing date to the second anniversary thereof, and thereafter, at the option of the Company, up to 50% of the interest due may be PIK until maturity. The convertible loan is guaranteed by all principal subsidiaries and is secured by a lien on assets junior to liens granted in favor of the Lenders on the Revolving Credit Agreement and Term Loans. The Senior Convertible Loan is not prepayable for five years from the closing date. The agent has the right to designate two observers to the Board of Directors for so long as the agent is the beneficial owner of at least 50% of the advances initially made by it and has the right to designate two indi-

viduals to the Board of Directors for so long as the agent is the beneficial owner of at least 50% of the conversion shares issued upon conversion of the advances initially made by it.

The convertible notes are convertible at the option of the holders into shares of Value City Department Stores, Inc. common stock at an initial conversion price of $4.50. The conversion price is subject to adjustment upon the occurrence of specified events. The final maturity date is June 10, 2009.

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

	November 2, 2002	February 2, 2002
Credit facilities:		
Revolving credit facility	$ 150,000	$ 211,000
Term loans	100,000	--
Senior convertible loan	75,000	75,000
SSC loan	--	20,000
Warrant valuation	(875)	--
	324,125	306,000
Capital lease obligations	30,990	31,281
Other	419	583
	355,534	337,864
Less current maturities	(782)	(665)
	$ 354,752	$ 337,199

3. SHAREHOLDERS' EQUITY

Shareholders' equity for the nine months ended November 2, 2002 consists of (in thousands, except shares):

Total shareholders' equity, beginning of period
Net Loss
Amortization of deferred compensation expense
Net unrealized gain on derivative financial instruments, net of income tax provision of $457
Minimum pension liability, net of income tax provision of $272
Forfeitures of 570,000 restricted shares at $2,590
Issuance of common stock purchase warrants

Total shareholders' equity, end of period

VALUE CITY DEPARTMENT STORES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

4. VALUATION ACCOUNTS

Reserves established and used for severance costs are the result of head count and job elimination reductions of approximately 400 associates at Value City Department Stores and an inventory alignment reserve as follows (in thousands):

	Nine months ended		
	November 2, 2002	November 3, 2001	
	Severance	Inventory	Severance
Balance at beginning of period	$ 5,357	$ 43,700	$ 3,397
Provisions to establish reserves	3,218	--	--
Charges/payments	(6,155)	(43,700)	(3,397)
Balance at end of period	$ 2,420	$ --	$ --

5. 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 the fiscal year.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 applies to all business combinations completed after June 30, 2001, and requires the use of purchase accounting. SFAS No. 141 also establishes new criteria for determining whether intangible assets should be recognized separately from goodwill.

Under SFAS 142, the Company was initially required to test all existing goodwill for impairment as of February 3, 2002, on an operating segment basis and perform an annual test thereafter. A fair value approach is used to test goodwill for impairment. An impairment charge is recognized for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. Fair values and the related implied fair values of their respective goodwill were established using discounted cash flows. When available and as appropriate, comparative market multiples were used to corroborate results of the discounted cash flows.

The initial result of testing for goodwill for impairment in accordance with SFAS 142, as of February 3, 2002, was a non-cash charge of $3.4 million, $2.1 million net of taxes, which is reported in the caption "Cumulative effect of accounting change". Substantially all of the charge relates to goodwill associated with the Company's purchase of the Mazel partner's interest in VCM, Ltd. and is included in the net loss for the nine months ended November 2, 2002. At November 2, 2002, the Company had $37.6 million of goodwill subject to annual testing.

The following proforma amount reflects the effect of retroactive application on the previously reported quarter ended May 4, 2002 (in thousands, except per share amounts).

Net loss before cumulative effect of accounting change	$ (2,695)
Cumulative effect of accounting change, net of income taxes	(2,080)
Net loss as restated	$ (4,775)

Per share amounts:

Basic and diluted loss per share:	
Net loss before cumulative effect of accounting change	$ (0.08)
Cumulative effect of accounting change, net of income taxes	(0.06)
Net loss as restated	$ (0.14)

The proforma effect of ceasing amortization of goodwill under SFAS 142 is as follows (in thousands, except per share amounts):

	Nine months ended	
	November 2, 2002	November 3, 2001
Reported net loss	$ (8,997)	$(20,048)
Addback goodwill amortization	--	2,504
Adjusted net loss	$ (8,997)	$(17,544)
Basic and diluted loss per share	$ (0.27)	$ (0.52)

Amortization of intangible assets are as follows (in thousands):

	Value City	DSW	Filene's Basement	Total
As of November 2, 2002				
Tradenames:				
Gross amount	$ 1,120	$ 12,750	$ 9,900	$ 23,770
Accumulated amortization	(336)	(3,825)	(1,760)	(5,921)
Useful life (in years)	15	15	15	
Favorable lease values:				
Gross amount	$ 14,417	$ 140	$ 23,057	$ 37,614
Accumulated amortization	(3,755)	(47)	(3,082)	(6,884)
Average useful life (in years)	25	14	20	

VALUE CITY DEPARTMENT STORES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

As of February 2, 2002				
Tradenames:				
Gross amount	$ 1,120	$ 12,750	$ 9,900	$ 23,770
Accumulated amortization	(280)	(3,189)	(1,265)	(4,734)
Useful life (in years)	15	15	15	
Favorable lease values:				
Gross amount	$ 14,417	$ 140	$ 24,993	$ 39,550
Accumulated amortization	(3,295)	(37)	(3,602)	(6,934)
Average useful life (in years)	25	14	20	

Aggregate amortization expense for the current and each of the five succeeding years is as follows (in thousands):

Fiscal Year	Value City	DSW	Filene's Basement
2002	$ 688	$ 863	$ 2,253
2003	681	863	1,794
2004	676	863	1,794
2005	676	863	1,794
2006	676	855	1,794
2007	676	854	1,794

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addressed financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Under this Statement, obligations that meet the definition of a liability will be recognized consistently with the retirement of the associated tangible long-lived assets. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company is currently assessing the impact of SFAS No. 143. At this time, the Company has yet to determine the effect of this pronouncement on its results of operations and financial position.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The standard rescinds FASB Statements No. 4 and 64 that deal with issues relating to the extinguishment of debt. The standard also rescinds FASB Statement No. 44 that deals with intangible assets of motor carriers. The standard modifies SFAS No. 13, "Accounting for Leases," so that certain capital lease modifications must be accounted for by lessees as sale-leaseback transactions. Additionally, the standard identifies amendments that should have been made to previously existing pronouncements and formally amends the appropriate pronouncements. This Statement is effective for fiscal years beginning after May 15, 2002. The adoption of SFAS No. 145 will not have a significant effect on the Company's results of operations or its financial position. The Company for fiscal year 2003 will be required to reclassify the loss on

VALUE CITY DEPARTMENT STORES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

the extinguishment of debt from extraordinary to operating profit, in the condensed consolidated statements of operations, under the provisions of SFAS No. 145.

In June 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs that are associated with a restructuring, discontinued operations, plant closing, or other exit or disposal activity. Previous accounting guidance was provided by EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". Statement 146 replaces Issue 94-3 and is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

6. OTHER COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) represents net income (loss) plus the results of certain non-shareholder's equity changes not reflected in the Consolidated Statement of Operations.

The components of comprehensive loss, net of tax are as follows (in thousands):

	Three months ended		
	November 2, 2002	November 3, 2001	Novembe
Net loss	$(3,496)	$(6,478)	$(8
Net unrealized gain (loss), on derivative financial instruments, net of income tax	528	(833)	1
Minimum pension liability, net of income tax	(183)	--	
Other comprehensive loss	$(3,151)	$(7,311)	$(7

The components of the balance sheet caption accumulated other comprehensive loss are as follows (in thousands):

	November 2, 2002
Net unrealized loss on derivative	

financial instruments, net of income tax	$(1,235)
Minimum pension liability, net of income tax	(1,154)
Accumulated other comprehensive loss	$(2,389)

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VALUE CITY DEPARTMENT STORES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

7. INVESTMENT IN JOINT VENTURE

Effective at the close of business on February 2, 2002, the Company acquired the Mazel partner's interest in the VCM, Ltd. joint venture for $8.4 million. The consolidated balance sheet and current operations for the period ended November 2, 2002 reflect this acquisition.

The following unaudited proforma consolidated financial results for the three and nine months ended November 3, 2001 are presented as if the acquisition had taken place at the beginning of the applicable period (in thousands, except per share amounts):

	Three Months Proforma Total	Nine P
Net sales	$ 613,295	$ 1,
Net loss	$ (6,724)	$
Basic and diluted loss per share	$ (0.20)	$

8. SEGMENT REPORTING

The Company is managed in three operating segments: Value City Department Stores, DSW and Filene's Basement. All of the operations are located in the United States. The Company has identified such segments based on management responsibility and measures segment profit as the operating (loss) profit before interest expense and income taxes.

Three month period ended November 2, 2002 (in thousands):

	Value City	DSW	File
Net sales	$367,010	$170,193	$79
Operating (loss) profit	(2,122)	3,147	2
Capital expenditures	2,716	6,771	
Depreciation and amortization	11,461	723	1

Three month period ended November 3, 2001 (in thousands):

	Value City	DSW	File
Net sales	$370,543	$136,219	$77
Operating (loss) profit	(4,645)	2,094	1
Capital expenditures	2,175	5,432	
Depreciation and amortization	8,640	3,264	1

VALUE CITY DEPARTMENT STORES, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Nine month period ended November 2, 2002 (in thousands):

	Value City	DSW	File
Net sales	$1,062,691	$485,002	$224
Operating (loss) profit	(5,524)	16,879	3
Capital expenditures	10,749	17,408	1
Depreciation and amortization	32,018	4,104	5
Identifiable assets	581,754	277,927	117

Nine month period ended November 2, 2001 (in thousands):

	Value City	DSW	File
Net sales	$1,052,042	$388,885	$210
Operating (loss) profit	(18,127)	5,810	5
Capital expenditures	10,022	11,999	
Depreciation and amortization	26,456	7,486	5
Identifiable assets	661,101	194,556	118

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 have a material adverse impact on the Company's financial position or results of operations.

10. EARNINGS PER SHARE

Basic earnings per share is based on a simple weighted average of common shares outstanding. Diluted earnings per share give effect to all dilutive potential common shares outstanding during a period. The quarterly calculation for dilution indicated that the result would be antidilutive and therefore is not included in the statement of operations.

VALUE CITY DEPARTMENT STORES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The Company's Form 10-K for the year ended February 2, 2002 included a discussion of the Company's critical accounting policies, which discussion should be read in conjunction with the quarterly information contained in this Form 10-Q.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentage relationships to net sales of the listed items included in the Company's Consolidated Statements of Operations.

	Three months ended		
	November 2, 2002	November 3, 2001	Nove
Net sales, excluding sales of licensed departments	100.0%	100.0%	
Cost of sales	(62.2)	(61.8)	
Gross profit	37.8	38.2	
Selling, general and administrative expenses	(37.5)	(39.2)	
License fees from affiliates and other operating income	0.2	0.7	
Operating profit (loss)	0.5	(0.3)	
Interest expense, net	(1.4)	(1.2)	
Loss before equity in loss of joint venture, extraordinary item and cumulative effect of accounting change and income taxes	(0.9)	(1.5)	
Equity in loss of joint venture	--	(0.2)	
Loss before extraordinary item and cumulative effect of accounting change and income taxes	(0.9)	(1.7)	
Benefit for income taxes	0.3	0.6	
Loss before extraordinary item and cumulative effect of accounting change	(0.6)	(1.1)	
Extraordinary (charge), net of income taxes	--	--	
Cumulative effect of accounting change, net of income taxes	--	--	
Net loss	(0.6)%	(1.1)%	

VALUE CITY DEPARTMENT STORES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

THREE MONTHS ENDED NOVEMBER 2, 2002 COMPARED TO THREE MONTHS ENDED NOVEMBER 3, 2001

The Company's net sales increased $32.6 million, or 5.6%, from $584.4 million to $617.0 million. Sales for the period ended November 2, 2002 include $27.3 million attributable to sales of departments formally operated by the joint venture VCM, Ltd. Comparable stores sales decreased 4.6% for the quarter. By segment, comparable store sales were:

	Three months ended	
	November 2, 2002	November 3, 2001
Value City Department Stores	(7.2)%	(0.1)%
DSW	1.8%	(2.4)%
Filene's Basement	0.0%	(1.2)%
Total	(4.6)%	(0.7)%

Value City Department Store's non-apparel comparable sales decreased 5.8% while apparel sales decreased 8.3%. Each of the three apparel divisions: Children's, Men's and Ladies, had negative comparable sales for the quarter of 10.8%, 12.7% and 2.8%, respectively, and shoe sales decreased 4.7%.

DSW sales were $170.2 million, a 24.9% increase in the quarter, which includes a net increase of 26 stores and 62 leased shoe departments.

Filene's Basement sales were $79.8 million, a 2.8% increase in the quarter, with net stores remaining unchanged.

Gross profit increased $9.6 million, a 4.3% improvement, from $223.5 million to $233.1 million, and decreased as a percentage of sales from 38.2% to 37.8%. Gross profit, as a percent of sales by segment in the third quarter, was:

	Three months ended	
	November 2, 2002	November 3, 2001
Value City Department Stores	37.9%	38.6%
DSW	39.7%	39.4%

Filene's Basement	33.0%	34.6%
Total	37.8%	38.2%

Selling, general and administrative expenses ("SG&A") increased $2.0 million, from $229.2 million to $231.2 million, and decreased as a percentage of sales from 39.2% to 37.5%. This increase includes $10.9 million attributable to new stores in operation at DSW and Filene's Basement and a $1.4 million provision for severance costs. SG&A for the quarter ended November 3, 2001 includes $0.8 million of goodwill amortization and includes an additional charge of $7.9 million across all segments for costs associated with employee health and welfare and employment taxes. In addition, the 2001 quarter includes a charge of $1.3 million for two store closings in Value City. SG&A as a percent of sales by segment in the third quarter was:

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	Three months ended	
	November 2, 2002	November 3, 2001
Value City Department Stores	38.8%	40.9%
DSW	37.9%	37.8%
Filene's Basement	30.8%	33.6%
Total	37.5%	39.2%

License fees from affiliates and other operating income decreased $3.0 million, from $4.3 million to $1.3 million, and decreased as a percentage of sales from 0.7% to 0.2% as a result of VCM, Ltd. acquisition. License fees received from the VCM, Ltd. joint venture in the quarter ended November 3, 2001 were approximately $2.1 million.

Operating profit improved $4.6 million, from a loss of $1.5 million to income of $3.1 million, and increased as a percentage of sales from a loss of 0.3% to income of 0.5%.

Net interest expense for the quarter increased $1.4 million to $8.8 million. This increase is due primarily to an increase of 248 basis points in our weighted average borrowing rate, offset by a $42.2 million decline in our average borrowings from last year to this year, primarily due to inventory management and expense controls.

Effective at the close of business on February 2, 2002, the Company acquired the Mazel partner's interest in the VCM, Ltd. joint venture for $8.4 million. The consolidated balance sheets as of November 2, 2002 and February 2, 2002, and statements of operations for the three month period ended November 2, 2002 reflect this acquisition.

The effective tax rate for the three months ended November 2, 2002 is 38.5% versus 36.0% for the three months ended November 3, 2001.

NINE MONTHS ENDED NOVEMBER 2, 2002 COMPARED TO NINE MONTHS ENDED NOVEMBER 3, 2001

The Company's net sales increased $121.0 million, or 7.3%, from $1,651.0 million to $1,772.0 million. Sales for the nine-month period ended November 2, 2002 include $76.4 million attributable to sales of departments formally operated by the joint venture VCM, Ltd. Comparable stores sales decreased 3.0% for the nine month period. By segment, comparable store sales were:

	Nine months ended	
	November 2, 2002	November 3, 2001
Value City Department Stores	(4.9)%	(4.6)%
DSW	0.3%	0.4%
Filene's Basement	1.9%	2.3%
Total	(3.0)%	(3.0)%

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Value City Department Store's non-apparel comparable sales decreased 3.2% while apparel sales decreased 6.5%. Each of the three apparel divisions: Children's, Men's and Ladies, had negative comparable sales for the nine-month period of 9.0%, 10.3% and 2.0%, respectively, and shoe sales decreased 1.0%.

DSW sales were $485.0 million, a 24.7% increase in the nine month period, which includes a net increase of 20 stores and 70 leased shoe departments.

Filene's Basement sales were $224.3 million, a 6.8% increase in the nine month period, with net stores remaining unchanged.

Gross profit increased $48.9 million, a 7.8% improvement from $631.0 million to $679.9 million, and increased as a percentage of sales from 38.2% to 38.4%. Gross profit, as a percent of sales by segment in the nine-month period, was:

	November 2, 2002	November 3, 2001
Value City Department Stores	38.5%	38.5%
DSW	39.9%	39.1%
Filene's Basement	34.5%	35.3%
Total	38.4%	38.2%

Selling, general and administrative expenses ("SG&A") increased $21.5 million, from $649.0 million to $670.5 million, and decreased as a percentage of sales from 39.3% to 37.8%. This increase includes $22.6 million attributable to new stores in operation at DSW and Filene's Basement, a charge of $1.7 million for store closings and a $3.2 million provision for severance costs. SG&A for the nine months ended November 3, 2001 included $2.5 million of goodwill amortization and an additional charge of $7.9 million across all segments for costs associated with employee health and welfare and employment taxes plus a charge of $1.3 million for two store closings in Value City. SG&A as a percent of sales by segment in the nine month period was:

	November 2, 2002	N
Value City Department Stores	39.4%	
DSW	36.4%	
Filene's Basement	33.5%	
Total	37.8%	

License fees from affiliates and other operating income decreased $5.2 million, from $11.1 million to $5.9 million, and decreased as a percentage of sales from 0.7% to 0.3% as a result of VCM, Ltd. acquisition. License fees received from the VCM, Ltd. joint venture in the nine month period ended November 3, 2001 were approximately $5.2 million.

Operating profit improved $22.1 million, from a loss of $6.9 million to income of $15.2 million, and increased as a percentage of sales from a loss of 0.4% to income of 0.9%.

Net interest expense for the nine-month period decreased $1.0 million to $23.0 million. This decrease is due primarily to a $36.7 million drop in weighted average borrowings from last year to this year, primarily due to inventory management and expense controls and a 0.2% decrease in our weighted average borrowing rate.

Effective at the close of business on February 2, 2002, the Company acquired the Mazel partner's interest in the VCM, Ltd. joint venture for $8.4 million. The consolidated balance sheets as of November 2, 2002 and February 2, 2002 and statements of operations for the nine month period ended November 2, 2002 reflect this acquisition.

Under SFAS 142, the Company was initially required to test all existing goodwill, on an operating segment basis, for impairment as of February 3, 2002, and perform an annual test thereafter. A fair value approach is used to test goodwill for impairment. An impairment charge is recognized for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. Fair values and the related implied fair values of their respective goodwill were established using discounted cash flows. When available and as appropriate, comparative market multiples were used to corroborate results of the discounted cash flows.

The result of the initial testing of goodwill for impairment in accordance with SFAS 142, as of February 3, 2002, was a non-cash charge of $3.4 million, $2.1

million net of taxes, which is reported in the caption "Cumulative effect of accounting change". Substantially all of the charge relates to goodwill associated with the Company's purchase of the Mazel partner's interest in VCM, Ltd. and is included in the net loss for the nine months ended November 2, 2002. At November 2, 2002, the Company had $37.6 million of recorded goodwill subject to annual testing.

The Company recorded an extraordinary loss on debt extinguishment of $3.4 million, $2.1 million net of taxes, as a result of the debt refinancing. This loss represents the balance of unamortized deferred loan fees as of June 11, 2002.

The effective tax rate for fiscal 2002 is 37.7% versus 39.8% for fiscal 2001. The Company expects its tax rate to trend lower than last year, the extent to which will depend upon the relative taxable income in the various taxing jurisdictions.

LIQUIDITY AND CAPITAL RESOURCES

Net working capital was $247.1 million at November 2, 2002, compared to $272.2 million at November 3, 2001. Current ratios at those dates were each 1.67 and 1.78, respectively.

Net cash provided by operating activities totaled $13.9 million for the nine months ended November 2, 2002 compared to a use of cash of $18.8 million for the nine months ended November 3, 2001. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the nine months ended November 2, 2002 was $56.7 million.

Net cash used for capital expenditures was $30.0 million and $22.6 million for the nine months ended November 2, 2002 and November 3, 2001, respectively. During the nine months ended

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November 2, 2002, capital expenditures included $14.4 million for new stores, $10.8 million on remodeled and existing stores, $2.2 million for MIS upgrades and new systems and $2.6 million for office and warehousing.

On June 11, 2002, the Company, together with its principal subsidiaries, entered into a $525.0 million refinancing that consists of three separate credit facilities: (i) a new three-year $350.0 million revolving credit facility, (ii) two $50.0 million term loan facilities provided equally by Cerberus Partners, L.P. and Schottenstein Stores Corporation, and (iii) an amended and restated $75.0 million senior convertible loan, initially entered into by the Company on March 15, 2000, which is held equally by Cerberus Partners, L.P. and Schottenstein Stores Corporation.

$350 Million Revolving Credit Facility

Under the Revolving Credit Facility, the borrowing base formula is structured in a manner that allows the Company and its subsidiaries availability based on the value of their inventories and receivables. Primary security for the facility is provided by a first priority lien on all of the inventory and accounts receivable of the Company, as well as certain intercompany notes and payment intangibles. The facility also has a second priority perfected interest in all of the collateral securing the Term Loans. Interest on borrowings is calculated at the bank's base rate or Eurodollar rate plus 2.00% to 2.75%, depending upon the level of average excess availability the Company maintains.

$100 Million Term Loans

The Term Loans are comprised of a $50.0 million Term Loan B and a $50.0 million Term Loan C. All obligations under the Term Loans are senior debt, ranking pari passu with the Revolving Credit Facility and the Senior Convertible Facility. The Company and its principal subsidiaries are obligated on the Facility.

The Term Loans stated rate of interest per annum during the initial two years of the agreement is 14% if paid in cash and 15% if the Company elects a paid-in-kind ("PIK") option. During the first two years of this facility, the Company may elect to pay all interest in PIK. During the final year of the Term Loans, the stated rate of interest is 15.0% if paid in cash or 15.5% by PIK. The PIK option is limited to 50% of the interest due.

The Company issued to the Term Loan C Lenders warrants ("Warrants") to purchase shares of common stock initially exercisable for up to 8.75% of the shares of the common stock outstanding on the closing date, June 11, 2002, excluding all outstanding convertible securities, warrants, options or other equity equivalents, at an initial exercise price of $4.50 per share. The number of shares issuable upon the exercise of the Warrants and the per share exercise price are subject to adjustment upon the occurrence of specified events. The Warrants are exercisable at any time prior to the 10th anniversary of the date of issuance at the then Warrant exercise price. The Company has granted the Term Loan C Lenders registration rights with respect to the shares issuable upon exercise of the Warrants.

$75 Million Senior Convertible Loan

The Company has amended and restated its $75.0 million Senior Subordinated Convertible Loan Agreement dated March 15, 2000. As amended, borrowings under the convertible loan will bear interest at 10% per annum. At the Company's option, interest may be PIK from the closing date to the second anniversary thereof, and thereafter, at the option of the Company, up to 50% of the interest due may be PIK until maturity. The convertible loan is guaranteed by all principal subsidiaries and is secured by a lien on assets junior to liens granted in favor of the Lenders on the Revolving Credit Agreement and Term Loans. The Senior Convertible Loan is not prepayable for five years from the closing date. The agent has the right to designate two observers to the Board of Directors for so long as the agent is the beneficial owner of at least 50% of the advances initially made by it and has the right to designate two individuals to the Board of Directors for so long as the agent is the beneficial owner of at least 50% of the conversion shares issued upon conversion of the advances initially made by it.

The convertible notes are convertible at the option of the holders into shares of Value City Department Stores, Inc. common stock at a initial conversion price of $4.50. The conversion price is subject to adjustment upon the occurrence of specified events.

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 the fiscal year.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 applies to all business combinations completed after June 30, 2001, and requires the use of purchase accounting. SFAS No. 141 also establishes new criteria for determining whether intangible assets should be recognized separately from goodwill.

Under SFAS 142, the Company was initially required to test all existing goodwill for impairment as of February 3, 2002, on an operating segment basis and perform an annual test thereafter. A fair value approach is used to test goodwill for impairment. An impairment charge is recognized for the amount, if any, by which the carrying amount of goodwill exceeds its implied fair value. Fair values and the related implied fair values of their respective goodwill were established using discounted cash flows. When available and as appropriate, comparative market multiples were used to corroborate results of the discounted cash flows.

The initial result of testing for goodwill for impairment in accordance with SFAS 142, as of February 3, 2002, was a non-cash charge of $3.4 million, $2.1 million net of taxes, which is reported in the caption "Cumulative effect of accounting change". Substantially all of the charge relates to goodwill associated with the Company's purchase of the Mazel partner's interest in VCM, Ltd. and is included in the net loss for the nine months ended November 2, 2002. At November 2, 2002, the Company had $37.6 million of recorded goodwill subject to annual testing.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addressed financial accounting and reporting for obligations associated with the

retirement of tangible long-lived assets and the associated asset retirement costs. Under this Statement, obligations that meet the definition of a liability will be recognized consistently with the retirement of the associated tangible long-lived assets. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company is currently assessing the impact of SFAS No. 143. At this time, the Company has yet to determine the effect of this pronouncement on its results of operations and financial position.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The standard rescinds FASB Statements No. 4 and 64 that deal with issues relating to the extinguishment of debt. The standard also rescinds FASB Statement No. 44 that deals with intangible assets of motor carriers. The standard modifies SFAS No. 13, "Accounting for Leases," so that certain capital lease modifications must be accounted for by lessees as sale-leaseback transactions. Additionally, the standard identifies amendments that should have been made to previously existing pronouncements and formally amends the appropriate pronouncements. This Statement is effective for fiscal years beginning after May 15, 2002. The adoption of SFAS No. 145 will not have a significant effect on the Company's results of operations or its financial position. The Company for fiscal year 2003 will be required to reclassify the loss on the extinguishment of debt from extraordinary to operating profit, in the condensed consolidated statements of operations, under the provisions of SFAS No. 145.

In June 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs that are associated with a restructuring, discontinued operations, plant closing, or other exit or disposal activity. Previous accounting guidance was provided by EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". Statement 146 replaces Issue 94-3 and is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

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 the effect of inflation, if any, on the results of operations and financial condition has been minor.

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 and/or other risk factors that may be described in the Safe Harbor Statement and Business Risks section of the Company's Form 10-K, filed April 29, 2002, or contained in 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 2002 and beyond to differ materially from those expressed or implied in

any such forward-looking statements: decline in demand for our merchandise, our ability to attain our fiscal 2002 business plan, expected cash from operations, vendor and their factor relations, flow of merchandise, compliance with the terms of our credit facilities, our ability to strengthen our liquidity, 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk results from fluctuations in interest rates. The Company is exposed to interest rate risk through borrowings under its revolving credit agreement. To minimize the effect of interest rate fluctuations, the Company has entered into a $75.0 million interest rate swap arrangement. Under this agreement, the Company pays a fixed rate of interest on a portion of the outstanding balance. The fair value of the interest rate at November 2, 2002 was $2.1 million.

ITEM 4. CONTROLS AND PROCEDURES.

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer along with the Company's Chief Operating Officer and Chief Financial Officer of the effectiveness of the design and operation of the company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon the evaluation, the Company's President and Chief Executive Officer along with the Company's Chief Operating Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. There were no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

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PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS. Not applicable

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS. Not applicable

Item 3. DEFAULTS UPON SENIOR SECURITIES. Not applicable

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

A. The Company held its fiscal 2002 Annual Meeting of Shareholders on September 26, 2002. Holders of 31,173,299 Common Shares of the Company were present representing 92.46% of the Company's 33,716,770 Common Shares issued and outstanding and entitled to vote at the meeting.

B. The following persons were elected as members of the Company's Board of Directors to serve until the annual meeting following their election or until their successors are duly elected and qualified. Each person received the number of votes for or the number of votes with authority withheld indicated below.

Name	Votes For
Henry L. Aaron	26,299,904
Roger D. Blackwell	26,303,510
Ari Deshe	26,302,920
Jon P. Diamond	25,915,702
Elizabeth M. Eveillard	25,926,906
William R. Fields	26,303,910
Marvin Goldstein	25,926,906
Roger S. Markfield	26,199,501
Jay L. Schottenstein	24,909,388
Harvey L. Sonnenberg	25,925,106
James L. Weisman	25,927,106

C. The proposal to approve the issuance of warrants to purchase shares of the Company's common stock, initially exercisable for up to 2,954,793 shares of common stock and the issuance of shares of common stock issuable pursuant to the anti-dilution and other provisions of the warrants passed with 23,764,345 shares voting in favor, 764,634 shares voting against and 2,141,789 shares abstaining.

D. The proposal to approve the issuance of shares of the Company's common stock as interest on and upon conversion of amounts outstanding under the Amended and Restated Senior Convertible Loan Agreement, as well as any additional shares of common stock issuable pursuant to the terms of the Amended and Restated Senior Convertible Loan

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Agreement passed with 23,872,788 shares voting in favor, 354,574 shares voting against and 2,443,406 shares abstaining.

E. The proposal to amend the Company's 2000 Stock Incentive Plan to increase the number of shares that may be issued thereunder from 3,000,000 to 13,000,000 and to increase the number of shares that may be awarded to an individual in any performance period from 2,500,000 to 3,000,000 passed with 20,028,118 shares voting in favor, 4,494,882 shares voting against and 2,147,767 shares abstaining.

F. The proposal to approve the merger of a subsidiary of the Company with and into the Company in order to create a holding company structure (the "Merger") passed with 23,946,834 shares voting in favor, 299,522 shares voting against and 2,424,392 shares abstaining.

G. The proposal to approve the Company's 2003 Incentive Compensation Plan passed with 21,642,769 shares voting in favor, 2,891,606 shares voting against and 2,136,392 shares abstaining.

Item 5. OTHER INFORMATION. Not applicable

Item 6. EXHIBITS AND REPORTS ON FORM 8-K.

Part A Exhibits.

Exhibit No.	Document
99.1	Certification Pursuant to 18 U.S.C. Section adopted, Pursuant to Section 906 of the Sarb of 2002 by the Chief Executive Officer.
99.2	Certification Pursuant to 18 U.S.C. Section

adopted, Pursuant to Section 906 of the Sarb
of 2002 by the Chief Financial Officer.

Part B Reports on Form 8-K.

On September 12, 2002, we filed a Form 8-K, Item 7, relating to John C. Rossler, Chief Executive Officer, and James A. McGrady, Chief Financial Officer, each to which filed with the Securities and Exchange Commission a Statement Under Oath of Principal Executive Officer and Principal Financial Officer Regarding Facts and Circumstances Relating to Exchange Act Filings as required by SEC Order 4-460 issued on June 27, 2002.

On September 24, 2002, we filed a Form 8-K, Item 7, relating to the issue of a press release announcing the appointment of Stuart Glasser to head the softlines merchandising operations in its department stores.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VALUE CITY DEPARTMENT STORES, INC.
(Registrant)

Date: December 11, 2002

By: /s/ James A. McGrady

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

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CERTIFICATION

I, John C. Rossler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Value City Department Stores, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible

for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 11, 2002

/s/ John C. Rossler

John C. Rossler
President and Chief Executive Officer of
Value City Department Stores, Inc.

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CERTIFICATION

I, James A. McGrady, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Value City

Department Stores, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 11, 2002

/s/ James A. McGrady

James A. McGrady

Executive Vice President,
Chief Financial Officer,
Treasurer and Secretary of
Value City Department
Stores, Inc.