

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

Case No. 08-14196 through 08-14204\*  
Chapter 11

**VALUE CITY HOLDINGS, INC., et al.**

(Name of Debtors)

Monthly Operating Report for  
the period from November 29, 2009 through January 2, 2010

Debtors' Address:

c/o Clingman & Hanger Management Associates, LLC  
11038 Lakeridge Parkway, Suite 4  
Ashland, VA 23005

**Willkie Farr & Gallagher LLP**

(Debtors' Attorneys)

Monthly Operating Income (Loss): \$1,264  
(\$ in thousands)

Report Preparer:

The undersigned, having reviewed the attached report and being familiar with the Debtors' financial affairs, verifies under the penalty of perjury, that the information contained therein is complete, accurate and truthful to the best of my knowledge.

Date: January 29, 2010

/s/ W. Edward Clingman, Jr.

W. Edward Clingman, Jr.  
Chief Wind-Down Officer

AMENDED STATEMENT\_\_\_\_\_

\* Refer to Schedule I for a listing of Debtors by case number.

**VALUE CITY HOLDINGS, INC.**  
**Case No. 08-14196 through 08-14204**  
**DEBTORS IN POSSESSION**  
**INDEX TO UNAUDITED FINANCIAL STATEMENTS**

Page

Notes to Unaudited Consolidated Financial Statements.....	3
Schedule I.....	7
Consolidated Statement of Cash Flows .....	8
Consolidated Statement of Operations.....	11
Consolidated Balance Sheet.....	12
Tax Schedule.....	13
Payments to Insiders and Professionals .....	14

VALUE CITY HOLDINGS, INC., et al.  
(DEBTORS IN POSSESSION)  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands)

## 1. Debtors' Businesses and Proceedings under Chapter 11

### *The Company*

Value City Holdings, Inc. ("**Value City**") and its affiliates (collectively, the "**Company**") operated a full-line, value-price retailer carrying men's, women's and children's apparel, accessories, jewelry, shoes, home fashions, and seasonal items. The Company (and its predecessors) operated stores in the Midwest, Mid-Atlantic and Southeastern United States for over 80 years and were traditionally filled with a wide assortment of designer, department, discount and specialty store deals at prices substantially lower than competing department and discount stores.

### *Bankruptcy Proceedings*

On October 26, 2008 (the "**Petition Date**")<sup>1</sup> Value City and certain of its affiliates (collectively, the "**Debtors**") filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the Southern District of New York (the "**Bankruptcy Court**"). The Debtors' chapter 11 cases are being jointly administered under the caption "In re Value City Holdings, Inc., et al." Case No. 08-14197 (JMP) (collectively, the "**Cases**"). The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in the Debtors' chapter 11 Cases. On November 3, 2008, the United States Trustee of the Southern District of New York (the "**U.S. Trustee**") appointed an Official Committee of Unsecured Creditors (the "**Committee**"). On December 16, 2008 and April 21, 2009, the U.S. Trustee amended its appointment of the Committee.

Concurrently with the commencement of the Cases, the Debtors filed various motions for relief under the Bankruptcy Code (the "**First Day Motions**"), seeking, among other things, authority to pay certain prepetition obligations, and seeking certain other operational and procedural relief. On October 27, 2008, October 28, 2008, November 19, 2008, and November 20, 2008, the Court entered orders approving such requests as modified therein (the "**First Day Orders**").

Also on the Petition Date, the Debtors filed a motion (the "**DIP Motion**") for approval of and authority to enter into that certain credit agreement (the "**DIP Credit Agreement**") by and between, among others, the Debtors, National City Business Credit, Inc., as Administrative Agent and Collateral Agent (the "**DIP Agent**"), Wells Fargo Retail Finance, LLC, as Co-Agent (the "**DIP Co-Agent**"), and the lenders party thereto (together with the DIP Agent and the DIP Co-Agent, the "**DIP Lenders**").

On July 16, 2009 the Court entered an Order (I) Terminating Debtors' Prepetition and Postpetition Secured Financing Facilities, Including (A) Terminating and Releasing Liens and Security Interests Granted in Connection Therewith, (B) Finding All Amounts Due in Connection with the Debtors' Prepetition and Postpetition Financing Facilities Have Been Paid in Full, and (C) Directing Lenders to Return Excess Funds to the Debtors; and (III) Authorizing Debtors to Enter Into Credit Agreement with Bank of America, N.A., to Provide Substitute Letters of Credit Secured by Cash Collateral. On August 31, 2009 the Debtors entered into a letter of credit agreement with Bank of America, N.A. pursuant to the Court's order. The DIP Credit Agreement has since been terminated and the Debtors' obligations thereunder have been satisfied.

On November 20, 2008, the Bankruptcy Court entered an order (the "**GOB Sale Order**") authorizing the Debtors to continue to conduct store closing sales (the "**GOB Sales**") on a final basis at the Debtors' retail locations, to sell assets located at such locations free and clear of all liens, claims and encumbrances, and approving the Debtors' assumption of certain prepetition consulting agreements by and between Tiger Capital Group, LLC and the Debtors for the performance of services in connection with the GOB Sales. The Debtors have completed the GOB Sales at all of their stores and all store operations ceased by the end of 2008.

Following each of the phases of store closings, the Debtors rejected a large portion of their non-residential real property leases in accordance with the terms of that certain order dated October 28, 2008, establishing

<sup>1</sup> Two of the Debtors filed petitions for relief under Chapter 11 of the Bankruptcy Code on October 27, 2008. These entities were Retail Ventures Jewelry, Inc. and VCHI Acquisitions Company.

VALUE CITY HOLDINGS, INC., et al.  
(DEBTORS IN POSSESSION)  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands)

procedures for the rejection of executory contracts and unexpired leases of nonresidential real property and the abandonment of related personal property (the "**Rejection Procedures Motion**"). The Debtors have rejected approximately 65 leases in accordance with the terms of the Rejection Procedures Motion. On February 19, 2009, the Bankruptcy Court entered an order extending the period during which they could assume or reject unexpired leases of non-residential real property to May 26, 2009. The period during which the Debtors could assume or reject unexpired leases of non-residential real property has since expired.

On January 12, 2009, the Debtors filed their Statement of Financial Affairs and Schedule A, Schedule B, Schedule D, Schedule E, Schedule F, Schedule G and Schedule H of Assets and Liabilities with respect to each Debtor.

On January 29, 2009, the Bankruptcy Court entered an order (the "**Bar Date Order**") establishing the deadlines for filing certain proofs of claim in the Cases. The Bankruptcy Court ordered that creditors will be forever barred, estopped and enjoined from asserting such claims against any of the Debtors, subject to the express terms of the Bar Date Order unless: (i) all persons and entities that assert a prepetition claim against any of the Debtors file a proof of claim in writing so that it is received on or before March 10, 2009; (ii) any governmental unit (as defined in section 101(27) of the Bankruptcy Code) that asserts a prepetition claim against any of the Debtors file a proof of claim in writing so that it is received on or before April 27, 2009; and (iii) all persons and entities that assert a claim arising under section 503(b)(9) of the Bankruptcy Code file a proof of claim in writing so that it is received on or before March 10, 2009.

As provided by the Bankruptcy Code, the Debtors initially had the exclusive right to solicit a plan of reorganization for 120 days from the Petition Date, or until February 23, 2009. On February 19, 2009, the Bankruptcy Court entered an order extending the exclusivity period during which the Debtors may file a plan of reorganization or liquidation to June 23, 2009. On June 17, 2009, the Bankruptcy Court entered an order extending the exclusivity period during which the Debtors may file a plan of reorganization or liquidation to October 21, 2009. On October 16, 2009, the Bankruptcy Court entered an order further extending the exclusivity period during which the Debtors may file a plan of reorganization or liquidation to February 18, 2010.

On March 5, 2009, the Bankruptcy Court entered an order authorizing the Debtors to retain Clingman & Hanger Management Associates, LLC ("**Clingman & Hanger**") to provide personnel to assist in managing the wind-down of the Debtors' businesses and to appoint W. Edward Clingman, Jr. as Chief Wind-Down Officer. With Clingman & Hanger's assistance the Debtors continue to wind-down their affairs and maximize the value of their assets.

On July 17, 2009, upon the Debtors' First Omnibus Objection to Classification of Certain Claims Allegedly Arising Under Section 503(b)(9) of the Bankruptcy Code by which the Debtors seek to reclassify certain claims asserting rights under section 503(b)(9) of the Bankruptcy Code, the Court entered the Amended Order Reclassifying Certain Claims Allegedly Arising Under Section 503(b)(9) of the Bankruptcy Code.

On July 31, 2009, the Bankruptcy Court entered an order denying demands for reclamation of goods pursuant to Section 546(c) of the Bankruptcy Code and reclassifying claims based on such demands.

On August 12, 2009, the Bankruptcy Court entered an order authorizing the Debtors to retain Storch Amini & Munves PC as special counsel to analyze and litigate preference claims.

#### *Basis of Presentation*

This Monthly Operating Report ("**MOR**") is in a format prescribed by the applicable guidelines. Except as noted below, the information in the MOR has been prepared in accordance with generally accepted accounting principles applicable in the United States of America ("**GAAP**") for interim reporting. However, the accompanying financial information omits substantially all of the disclosures required by GAAP. If the omitted disclosures were included, they might influence the user's conclusions. Preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from those estimates, and such differences could be material. The

VALUE CITY HOLDINGS, INC., et al.  
(DEBTORS IN POSSESSION)  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands)

MOR has not been audited or reviewed by independent accountants. For the foregoing reasons, the Debtors caution readers not to place undue reliance upon the information contained in the MOR.

The unaudited condensed consolidated financial information contained herein has been prepared in accordance with generally accepted accounting principles applicable to a going concern, and do not purport to reflect or to provide all of the possible consequences of the ongoing chapter 11 Cases. Specifically, the unaudited condensed consolidated information does not present the amount which will ultimately be paid to settle liabilities and contingencies which may be required in the Cases. The Debtors have not filed a plan of reorganization or liquidation as of this date and, any such plan, when filed, will be subject to acceptance by the required creditors and approval by the Bankruptcy Court.

Because of the ongoing nature of the Cases, the outcome of which is not presently determinable, the unaudited condensed consolidated financial statements contained herein are subject to material uncertainties and may not be indicative of the Debtors' future financial position. No assurance can be given as to the outcome of these Cases or the potential recoveries to the Debtors' creditors.

The MOR has been prepared in accordance with the provisions of Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"). Pursuant to SOP 90-7, the Debtors' prepetition liabilities that are subject to compromise are reported separately on the balance sheet as an estimate of the amount that will ultimately be allowed by the Bankruptcy Court. SOP 90-7 also requires separate reporting of certain expenses, realized gains and losses and provisions for losses related to the bankruptcy filing as reorganization items. The Debtors have not completed the process of reconciling their pre- and postpetition liabilities, and the amounts are subject to reclassification in future consolidated monthly operating reports.

## **2. Liabilities Subject to Compromise**

The Debtors have been operating as debtors in possession since October 26, 2008. The Debtors are authorized to operate their businesses in the ordinary course.

As a result of the commencement of the Cases, all actions to collect the payment of prepetition indebtedness are subject to compromise or other treatment under a plan of reorganization or liquidation. Generally, actions to enforce or otherwise effect payment of prepetition liabilities are stayed. Although such actions with respect to prepetition claims are generally stayed, as part of the First Day Orders and subsequent motions granted by the Bankruptcy Court, the Bankruptcy Court approved the Debtors' motions to pay certain prepetition obligations. The Debtors have been paying and intend to continue to pay undisputed postpetition claims in the ordinary course of business. In addition, the Debtors may continue to reject prepetition executory contracts and unexpired leases in accordance with the terms of the Rejection Procedures Motion. Any damages resulting from rejection of executory contracts and unexpired leases are treated as general unsecured claims and will be classified as liabilities subject to compromise.

Valuation methods used in chapter 11 reorganization cases vary depending on the purpose for which they are prepared and used and are rarely based on GAAP, the basis of which the accompanying unaudited consolidated financial statements are prepared. Accordingly, the values set forth in the unaudited consolidated financial statements are not likely to be indicative of the values presented to or used by the Bankruptcy Court.

As of January 2, 2010, the Debtors have liabilities subject to compromise of approximately \$106 million. Such amounts may be subject to future adjustments depending on Bankruptcy Court actions, further developments with respect to disputed claims, determinations of the secured, administrative, or priority status of certain claims or other events.

## **3. Accounts Payable and Accrued Expenses**

To the best of the Debtors' knowledge, the Debtors are generally current on their postpetition obligations as of January 2, 2010.

VALUE CITY HOLDINGS, INC., et al.  
(DEBTORS IN POSSESSION)  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands)

**4. Bank Accounts**

As of January 2, 2010, the Debtors' had 5 bank accounts; account analyses and reconciliations are available at the Debtors' corporate offices.

**5. Bankruptcy Court Reporting Schedules**

Certain attached schedules have been prepared for the purpose of filing with the Bankruptcy Court and are not required by GAAP. The information reflected in the accompanying schedules, as with all other information contained herein, has been obtained from the books and records of the Debtors and are unaudited.

**VALUE CITY HOLDINGS, INC., et al.**  
**(DEBTORS IN POSSESSION)**

**Schedule I - Debtors**

<u>LEGAL ENTITY</u>	<u>Case Number</u>
Value City Department Stores LLC	08-14196 (JMP)
Value City Holdings, Inc.	08-14197 (JMP)
Value City Department Stores Services, Inc.	08-14198 (JMP)
Value City of Michigan, Inc.	08-14199 (JMP)
Gramex Retail Stores, Inc.	08-14200 (JMP)
GB Retailers, Inc.	08-14201 (JMP)
J.S. Overland Delivery, Inc.	08-14202 (JMP)
Retail Ventures Jewelry, Inc.	08-14203 (JMP)
VCHI Acquisition Co.	08-14204 (JMP)

**Value City Holdings, Inc. et al.**  
**Chapter 11 Case 08-14197-jmp**  
**Consolidated Statement of Cash Flows (000's)**  
**(unaudited)**  
**For the month ended January 2, 2010**

	<b>Amount</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net Income	\$ 1,264
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities -	
Amortization of debt issuance costs and discount on debt	0
Depreciation and amortization	0
Tradenames and Other Intangibles, net	6
Deferred income taxes and other liabilities	0
Impairment of Assets	0
(Gain)Loss on disposal of assets	0
(Gain)Loss on capital leases	0
Other Assets	200
Common Stock	0
Accumulated Deficit	0
 Changes in operating assets and liabilities:	
Accounts Receivables	0
Inventory	0
Prepaid expenses & other assets	0
Accounts payable	(21)
Accrued expenses	57
Net cash provided by (used in) operating activities	1,506
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Cash paid for property and equipment	0
Proceeds from the sale of equipment	0
Other assets and acquisitions	0
Net cash provided by (used in) investing activities	0
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Net principal payments under long-term obligations	
Non-affiliated	0
Affiliated	0
Write-off on capital leases	0
Proceeds from affiliated parties	0
Net increase (decrease) in Revolving credit facility	0
Debt issuance costs	0
Debt discount	0
Deferred income tax adjustment	0
Net cash provided by (used in) financing activities	0
NET INCREASE (DECREASE) IN CASH	1,506
CASH - BEGINNING OF PERIOD	11,644
CASH - END OF PERIOD	\$ 13,150

**Value City Holdings, Inc. et al.**  
**Chapter 11 Case 08-14197-jmp**  
**Disbursement by Debtor**  
**(unaudited)**  
**For the month ended January 2, 2010**

**Consolidated Totals:**

Net Payroll & Benefits	36,393.15
Payroll Tax Withholding	18,737.08
Sales Tax Disbursements	0.00
Liquidator Fees	0.00
Other Disbursements	229,789.18
<b>Total</b>	<b><u>284,919.41</u></b>

**GB Retailers, Inc.:**

**Case #08-14201**

Net Payroll & Benefits	0.00
Payroll Tax Withholding	0.00
Sales Tax Disbursements	0.00
Liquidator Fees	0.00
Other Disbursements	0.00
<b>Total</b>	<b><u>0.00</u></b>

**Gramex Retail Stores, Inc.:**

**Case #08-14200**

Net Payroll & Benefits	0.00
Payroll Tax Withholding	0.00
Sales Tax Disbursements	0.00
Liquidator Fees	0.00
Other Disbursements	0.00
<b>Total</b>	<b><u>0.00</u></b>

**J.S. Overland Delivery, Inc.:**

**Case #08-14202**

Net Payroll & Benefits	0.00
Payroll Tax Withholding	0.00
Sales Tax Disbursements	0.00
Liquidator Fees	0.00
Other Disbursements	0.00
<b>Total</b>	<b><u>0.00</u></b>

**Value City of Michigan, Inc.:**

**Case #08-14199**

Net Payroll & Benefits	0.00
Payroll Tax Withholding	0.00
Sales Tax Disbursements	0.00
Liquidator Fees	0.00
Other Disbursements	0.00
<b>Total</b>	<b><u>0.00</u></b>

**Retail Ventures Jewelry, Inc.:**

**Case #08-14203**

Net Payroll & Benefits	0.00
Payroll Tax Withholding	0.00
Sales Tax Disbursements	0.00
Liquidator Fees	0.00
Other Disbursements	0.00
<b>Total</b>	<b>0.00</b>

**VCHI Acquisition Co.:**

**Case #08-14204**

Net Payroll & Benefits	0.00
Payroll Tax Withholding	0.00
Sales Tax Disbursements	0.00
Liquidator Fees	0.00
Other Disbursements	0.00
<b>Total</b>	<b>0.00</b>

**Value City Department Stores Services, Inc.:**

**Case #08-14198**

Net Payroll & Benefits	0.00
Payroll Tax Withholding	0.00
Sales Tax Disbursements	0.00
Liquidator Fees	0.00
Other Disbursements	0.00
<b>Total</b>	<b>0.00</b>

**Value City Holdings, Inc.**

**Case #08-14197**

Net Payroll & Benefits	0.00
Payroll Tax Withholding	0.00
Sales Tax Disbursements	0.00
Liquidator Fees	0.00
Other Disbursements	0.00
<b>Total</b>	<b>0.00</b>

**Value City Department Stores LLC:**

**Case #08-14196**

Net Payroll & Benefits	36,393.15
Payroll Tax Withholding	18,737.08
Sales Tax Disbursements	0.00
Liquidator Fees	0.00
Other Disbursements	229,789.18
<b>Total</b>	<b>284,919.41</b>

**Value City Holdings, Inc. et al.**  
**Chapter 11 Case 08-14197-Jmp**  
**Consolidated Statement of Operations (000's)**  
**(unaudited)**  
**For the month ended January 2, 2010**

	<b>Amount</b>
Net Sales	\$ -
Less: Cost of Goods Sold	-
Gross Profit:	<u>-</u>
SG&A Expenses	<u>(112)</u>
Reorganization Items:	
Estimated Lease Rejection Costs	-
Impairment of Assets	-
Professional Fees	<u>(135)</u>
Total Reorganization Items:	<u>(135)</u>
Operating (Loss) Profit	(247)
Interest Expense, Net	(8)
Other Operating Income (Expense)	1,519
(Loss) Income before Income Taxes	<u>1,264</u>
(Provision) Benefit for Income Taxes	-
Net (Loss)/Income	<u><u>\$ 1,264</u></u>

Value City Holdings, Inc. et al.  
Chapter 11 Case 08-14197-Jmp  
Consolidate Balance Sheet (000's)  
(unaudited)  
As of January 2, 2010

	Amount
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash & Cash Equivalents	\$ 13,150
Accounts Receivable	584
Accounts Receivable from Related Parties	3,227
Inventory, at cost	-
Prepaid Expenses and other assets	143
Total Current Assets	17,104
<b>PROPERTY AND EQUIPMENT:</b>	
Furniture, Fixtures and Equipment	-
Leasehold Improvements	-
Land and Building	-
Capital Leases	-
Accumulated Depreciation	-
Property and Equipment, net	-
<b>OTHER ASSETS:</b>	
Tradenames and other intangibles, net	249
Deferred income taxes	740
Other assets	2,853
Total Other Assets	3,842
<b>TOTAL ASSETS</b>	<b>\$ 20,946</b>
<b>LIABILITIES AND EQUITY</b>	
<b>CURRENT LIABILITIES:</b>	
Liabilities not subject to compromise:	
Accounts Payable - Expense	\$ 946
Accrued Expenses	1,147
Accrued Restructuring/Administrative Charges	-
Accrued Compensation	271
Accrued Interest Exp	-
Accrued Taxes	(18)
Note Payable to Banks	-
Total Liabilities not subject to compromise	2,346
Liabilities subject to compromise:	
Accounts Payable - Trade & Expense	49,218
Accts Payable Related Parties	8,449
Accrued Expenses	13,121
Accrued Lease Termination Costs	23,578
Accrued Compensation	2,724
Accrued Taxes	8,941
Total Liabilities subject to compromise	106,031
Total Liabilities	108,377
<b>SHAREHOLDERS' EQUITY</b>	
Common Shares, no par value	136,000
Accumulated Deficit	(222,278)
Accumulated Other Comprehensive Loss	(1,153)
Total Shareholders' Equity	(87,431)
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 20,946</b>



Value City Holdings, Inc. et al.  
Chapter 11 Case 08-14197-jmp  
Payments to Insiders  
(unaudited)  
For the month ended January 2, 2010

Date	Payee	Type	Reference #	Amount
		NONE		<u>\$ -</u>

Value City Holdings, Inc. et al.  
Chapter 11 Case 08-14197-jmp  
Payments to Professionals  
(unaudited)  
For the month ended January 2, 2010

<u>Date</u>	<u>Payee</u>	<u>Type</u>	<u>Reference #</u>	<u>Amount</u>
12/4/2009	Otterbourg Steindler Houston Rosen	Committee Legal Counsel	BOA018	6,071.80
12/4/2009	Silverman Acampora	Committee Special Counsel	BOA019	18,339.47
12/4/2009	Traxi	Committee Financial Advisor	BOA020	14,238.10
12/4/2009	Willkie Farr & Gallagher	Debtor Legal Counsel	BOA021	55,445.71
12/30/2009	Otterbourg Steindler Houston Rosen	Committee Legal Counsel	BOA022	6,643.40
12/30/2009	Silverman Acampora	Committee Special Counsel	BOA023	9,091.88
12/30/2009	Willkie Farr & Gallagher	Debtor Legal Counsel	BOA024	55,448.76
			<u>\$</u>	<u>165,278.92</u>