ROSS STORES INC
Form 10-K
March 30, 2010

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

FORM 10-K

(Mark one)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 30, 2010
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 0-14678

Ross Stores, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	94-1390387 (I.R.S. Employer Identification No.)
4440 Rosewood Drive, Pleasanton, California (Address of principal executive offices)	94588-3050 (Zip Code)
Registrant's telephone number, including area code	(925) 965-4400

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

Title of each class	Name of each exchange on which registered
Common stock, par value $.01	Nasdaq Global Select Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No X

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. Large accelerated filer X Accelerated filer Non-accelerated filer Smaller reporting company

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

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of August 1, 2009 was $5,381,730,344, based on the closing price on that date as reported by the NASDAQ Global Select Market®. Shares of voting stock held by each director and executive officer have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of Common Stock, with $.01 par value, outstanding on March 12, 2010 was 122,529,865.

Documents incorporated by reference:

Portions of the Proxy Statement for Registrant's 2010 Annual Meeting of Stockholders, which will be filed on or before June 1, 2010, are incorporated herein by reference into Part III.

PART I

Item 1. Business.

Ross Stores, Inc. and its subsidiaries ("we" or the "Company") operate two chains of off-price retail apparel and home accessories stores. At January 30, 2010, we operated a total of 1,005 stores, of which 953 were Ross Dress for Less® ("Ross") locations in 27 states and Guam and 52 were dd's DISCOUNTS® stores in four states. Both chains target value-conscious women and men between the ages of 18 and 54. Ross target customers are primarily from middle income households, while the dd's DISCOUNTS target customer is typically from more moderate income households. The decisions we make, from merchandising, purchasing and pricing, to the locations of our stores, are based on these customer profiles.

Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family at everyday savings of 20 to 60 percent off department and specialty store regular prices. dd's DISCOUNTS features a more moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear, and home fashions for the entire family at everyday savings of 20 to 70 percent off moderate department and discount store regular prices. We believe that both Ross and dd's DISCOUNTS derive a competitive advantage by offering a wide assortment of product within each of our merchandise categories in organized and easy-to-shop store environments.

Our mission is to offer competitive values to our target customers by focusing on the following key strategic objectives:

- Maintain an appropriate level of recognizable brands, labels, and fashions at strong discounts throughout the store.
- Meet customer needs on a local basis.
- Deliver an in-store shopping experience that reflects the expectations of the off-price customer.
- Manage real estate growth to compete effectively across all our markets.

We refer to our fiscal years ended January 30, 2010, January 31, 2009, and February 2, 2008 as fiscal 2009, fiscal 2008, and fiscal 2007, respectively.

Merchandising, Purchasing and Pricing

We seek to provide our customers with a wide assortment of first-quality, in-season, brand-name and designer apparel, accessories, footwear, and home merchandise for the entire family at everyday savings of 20 to 60 percent below department and specialty store regular prices at Ross, and 20 to 70 percent below moderate department and discount store regular prices at dd's DISCOUNTS. We sell recognizable brand-name merchandise that is current and fashionable in each category. New merchandise typically is received from three to six times per week at both Ross and dd's DISCOUNTS stores. Our buyers review their merchandise assortments on a weekly basis, enabling them to respond to selling trends and purchasing opportunities in the market. Our merchandising strategy is reflected in our advertising, which emphasizes a strong value message. Our stores offer a treasure-hunt shopping experience where customers can find great savings every day on a broad assortment of brand-name bargains for the family and the home.

Merchandising. Our merchandising strategy incorporates a combination of off-price buying techniques to purchase advance-of-season, in-season, and past-season merchandise for both Ross and dd's DISCOUNTS. We believe nationally recognized name brands sold at compelling discounts will continue to be an important determinant of our success. We generally leave the brand-name label on the merchandise we sell.

We have established merchandise assortments that we believe are attractive to our target customers. Although we offer fewer classifications of merchandise than most department stores, we generally offer a large selection of brand names within each classification with a wide assortment of vendors, labels, prices, colors, styles, and fabrics within each size or item. The mix of comparable store sales by department in fiscal 2009 was approximately as follows: Ladies 30%, Home Accents and Bed and Bath 24%, Men's 13%, Accessories, Lingerie, Fine Jewelry, and Fragrances 13%, Shoes 11%, and Children's 9%. Our merchandise offerings also include product categories such as small furniture and furniture accents, educational toys and games, luggage, gourmet food and cookware, watches, sporting goods and, in select Ross stores, fine jewelry.

Purchasing. We have a combined network of approximately 7,700 merchandise vendors and manufacturers for both Ross and dd's DISCOUNTS and believe we have adequate sources of first-quality merchandise to meet our requirements. We purchase the vast majority of our merchandise directly from manufacturers, and we have not experienced any difficulty in obtaining sufficient merchandise inventory.

We believe that our ability to effectively execute certain off-price buying strategies is a key factor in our success. Our buyers use a number of methods that enable us to offer our customers brand-name and designer merchandise at strong everyday discounts relative to department and specialty stores for Ross and moderate department and discount stores for dd's DISCOUNTS. By purchasing later in the merchandise buying cycle than department, specialty, and discount stores we are able to take advantage of imbalances between retailers' demand for products and manufacturers' supply of those products.

Unlike most department and specialty stores, we typically do not require that manufacturers provide promotional allowances, co-op advertising allowances, return privileges, split shipments, drop shipments to stores, or delayed deliveries of merchandise. For most orders, only one delivery is made to one of our four distribution centers. These flexible requirements further enable our buyers to obtain significant discounts on in-season purchases.

The majority of the apparel and apparel-related merchandise that we offer in all of our stores is acquired through opportunistic purchases created by manufacturer overruns and canceled orders both during and at the end of a season. These buys are referred to as "close-out" and "packaway" purchases. Close-outs can be shipped to stores in-season, allowing us to get in-season goods into our stores at lower prices. Packaway merchandise is purchased with the intent that it will be stored in our warehouses until a later date, which may even be the beginning of the same selling season in the following year. Packaway purchases are an effective method of increasing the percentage of prestige and national brands at competitive savings within our merchandise assortments. Packaway merchandise is mainly fashion basics and, therefore, not usually affected by shifts in fashion trends.

In fiscal 2009, we continued our emphasis on this important sourcing strategy in response to compelling opportunities available in the marketplace. Packaway accounted for approximately 38% of total inventories as of January 30, 2010 and January 31, 2009. We believe the strong discounts we are able to offer on packaway merchandise are one of the key drivers of our business results.

We continued to roll out additional information system enhancements and process changes to improve our merchandising capabilities. These new tools are designed to strengthen our ability to plan, buy, and allocate at a more local versus regional level. We completed the chain-wide rollout to all merchandise categories for Ross in fiscal 2009, which was earlier than planned. The long-term objective of these investments is to fine tune our merchandise offerings to address more localized customer preferences and thereby gradually increase sales productivity and gross profit margins in both newer and existing regions and markets.

Our buying offices are located in New York City and Los Angeles, the nation's two largest apparel markets. These strategic locations allow our buyers to be in the market on a daily basis, sourcing opportunities and negotiating purchases with vendors and manufacturers. These locations also enable our buyers to strengthen vendor relationships -- a key element to the success of our off-price buying strategies.

Over the past year, we continued to make strategic investments in our merchandise organization to further enhance our ability to deliver name brand bargains to our customers. At the end of fiscal 2009, we had a total of approximately 410 merchants for Ross and dd’s DISCOUNTS combined, up from 360 in the prior year. The Ross and dd’s buying organizations are separate and distinct. These buying resources include merchandise management, buyers, and assistant buyers. Ross and dd’s DISCOUNTS buyers have an average of about 12 years of experience, including merchandising positions with other retailers such as Ann Taylor, Bloomingdale's, Burlington Coat Factory, Foot Locker, HomeGoods, Kohl’s, Loehmann’s, Lord & Taylor, Macy's, Marshalls, Nordstrom, Saks, and T.J. Maxx. We expect to continue to make additional targeted investments in new merchants to further develop our relationships with an expanding number of manufacturers and vendors. Our ongoing objective is to strengthen our ability to procure the most desirable brands and fashions at competitive discounts.

The off-price buying strategies utilized by our experienced team of merchants enable us to purchase Ross merchandise at net prices that are lower than prices paid by department and specialty stores and to purchase dd’s DISCOUNTS merchandise at net prices that are lower than prices paid by moderate department and discount stores.

Pricing. Our policy is to sell brand-name merchandise at Ross that is priced 20 to 60 percent below most department and specialty store regular prices. At dd’s DISCOUNTS, we sell more moderate brand-name product and fashions that are priced 20 to 70 percent below most moderate department and discount store regular prices. Our pricing policy is reflected on the price tag displaying our selling price as well as the comparable selling price for that item in department and specialty stores for Ross merchandise, or in more moderate department and discount stores for dd’s DISCOUNTS merchandise.

Our pricing strategy at Ross differs from that of a department or specialty store. We purchase our merchandise at lower prices and mark it up less than a department or specialty store. This strategy enables us to offer customers consistently low prices. On a weekly basis our buyers review specified departments in our stores for possible markdowns based on the rate of sale as well as at the end of fashion seasons to promote faster turnover of merchandise inventory and to accelerate the flow of fresh product. A similar pricing strategy is in place at dd’s DISCOUNTS where prices are compared to those in moderate department and discount stores.

Stores

At January 30, 2010, we operated a total of 1,005 stores comprised of 953 Ross stores and 52 dd’s DISCOUNTS stores. Our stores are conveniently located in predominantly community and neighborhood shopping centers in heavily populated urban and suburban areas. Where the size of the market permits, we cluster stores to benefit from economies of scale in advertising, distribution, and field management.

We believe a key element of our success is our organized, attractive, easy-to-shop, in-store environments at both Ross and dd’s DISCOUNTS, which allow customers to shop at their own pace. While our stores promote a self-service, treasure hunt shopping experience, the layouts are designed to promote customer convenience in their merchandise presentation, dressing rooms, checkout, and merchandise return areas. Each store's sales area is based on a prototype single floor design with a racetrack aisle layout. A customer can locate desired departments by signs displayed just below the ceiling of each department. We enable our customers to select among sizes and prices through prominent category and sizing markers, promoting a self-service atmosphere. At most stores, shopping carts are available at the entrance for customer convenience. All cash registers are centrally located at store exits for customer ease and efficient staffing.

We use point-of-sale (“POS”) hardware and software systems in all stores, which minimizes transaction time for the customer at the checkout counter by electronically scanning each ticket at the point of sale and authorizing personal checks and credit cards in a matter of seconds. In addition, the POS systems allow us to accept debit cards and electronic gift cards from customers. For Ross and dd’s DISCOUNTS combined, approximately 58% of payments in fiscal 2009 and fiscal 2008 were made with credit cards and debit cards. We provide cash, credit card, and debit card refunds on all merchandise (not used, worn, or altered) returned with a receipt within 30 days. Merchandise returns having a receipt older than 30 days are exchanged or credited with store credit.

Operating Costs

Consistent with the other aspects of our business strategy, we strive to keep operating costs as low as possible. Among the factors which have enabled us to keep operating costs low are:

- Labor costs that generally are lower than full-price department and specialty stores due to a store design that creates a self-service retail format and due to the utilization of labor saving technologies.
- Economies of scale with respect to general and administrative costs as a result of centralized merchandising, marketing, and purchasing decisions.
- Flexible store layout criteria which facilitates conversion of existing buildings to our formats.

Information Systems

We continue to invest in new information systems and technology to provide a platform for growth over the next several years. Recent initiatives include the following:

- We completed the rollout of demand forecasting software and related process changes designed to strengthen our merchandise planning effectiveness for Ross. We expect this initiative to drive gradual increases over time in store sales productivity and profitability by improving our ability to plan, buy, and allocate product at a more local level.
- We implemented additional supply chain enhancements to support expansion and improvement of our supply chain network. We also implemented a new labor time and attendance system at all of our distribution centers.
- We completed the rollout of new tools to better support the continued growth of our import business. These new tools provide our merchants with greater visibility into item cost components and inbound movement of import products.

- We made enhancements to our POS systems to reduce customer transaction and wait times.
- We implemented enhanced labor scheduling capabilities to give our stores the ability to better align the workforce with in-store activities.
- We upgraded our loss prevention software to allow for greater in-depth analysis and reporting. We also invested in additional store video surveillance systems to provide centralized remote monitoring.
- We implemented new on-line tools to assist our stores in their recruiting and hiring efforts. These new tools are designed to help our store managers expedite the hiring process and increase the quality of hiring decisions.

Distribution

We have four distribution processing facilities–-two in California and one each in Pennsylvania and South Carolina. We ship all of our merchandise to our stores through these distribution centers, which are large, highly automated, and built to suit our specific off-price business model.

In addition, we own one and lease three other warehouse facilities for packaway storage. We use other third-party facilities as needed for storage of packaway inventory.

We also utilize third-party cross docks to distribute merchandise to stores on a regional basis. Shipments are made by contract carriers to the stores from three to six times per week depending on location.

We believe that our existing distribution centers with their current expansion capabilities will provide adequate processing capacity to support store growth over the next few years. Additional information on the size and locations of our distribution centers and warehouse facilities is found under “Properties” in Item 2.

Advertising

We rely primarily on television advertising to communicate the Ross value proposition--brand-name merchandise at low everyday prices. This strategy reflects our belief that television is the most efficient and cost-effective medium for communicating everyday savings on a wide selection of brand-name bargains for both the family and home. Advertising for dd’s DISCOUNTS is primarily focused on new store grand openings and local grass roots initiatives.

Trademarks

The trademarks for Ross Dress For Less® and dd’s DISCOUNTS® have been registered with the United States Patent and Trademark Office.

Employees

As of January 30, 2010, we had approximately 45,600 total employees, including an estimated 32,300 part-time employees. Additionally, we hire temporary employees--especially during the peak seasons. Our employees are non-union. Management considers the relationship between the Company and our employees to be good.

Competition

We believe the principal competitive factors in the off-price retail apparel and home accessories industry are offering significant discounts on brand-name merchandise, offering a well-balanced assortment that appeals to our target customer, and consistently providing store environments that are convenient and easy to shop. To execute this concept, we continue to make strategic investments in our buying organization. As discussed under Information Systems, we also recently completed the rollout in fiscal 2009 of additional enhancements to our merchandise planning system to strengthen our ability to plan, buy, and allocate product based on more local versus regional trends. We believe that we are well positioned to compete on the basis of each of these factors.

Nevertheless, the retail apparel market is highly fragmented and competitive. We face a challenging macro- economic and retail environment that creates intense competition for business from department stores, specialty stores, discount stores, warehouse stores, other off-price retailers, and manufacturer-owned outlet stores, many of which are units of large national or regional chains that have substantially greater resources. We also compete to some degree with retailers that sell apparel and home accessories through catalogs or over the internet. The retail apparel and home-related businesses may become even more competitive in the future.

dd’s DISCOUNTS

At January 30, 2010, we operated 52 dd’s DISCOUNTS in four states: 39 in California, 7 in Texas, 5 in Florida, and 1 in Arizona. At January 31, 2009, we had 39 dd’s DISCOUNTS stores in California, 6 in Florida, 5 in Texas, and 2 in Arizona, for a total of 52 stores. This smaller off-price concept targets the needs of households with more moderate incomes than Ross customers. We believe this is one of the fastest growing demographic markets in the country. dd’s DISCOUNTS features a moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear, and home fashions at everyday savings of 20 to 70 percent off moderate department and discount store regular prices.

The dd’s DISCOUNTS business generally has similar merchandise departments and categories to those of Ross, but features a different mix of brands at lower average price points. The typical dd’s DISCOUNTS store is located in an established shopping center in a densely populated urban or suburban neighborhood. The merchant, store, and distribution organizations for dd’s DISCOUNTS and Ross are separate and distinct; however, dd’s DISCOUNTS shares certain other corporate and support services with Ross.

Available Information

The internet address for our corporate website is www.rossstores.com. Our Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Proxy Statements, and amendments to those reports are made available free of charge on or through the Investors section of our corporate website promptly after being electronically filed with the Securities and Exchange Commission. The information found on our corporate website is not part of this, or any other report or regulatory filing we file with or furnish to the Securities and Exchange Commission.

Item 1A. Risk Factors.

Our Annual Report on Form 10-K for fiscal 2009, and information we provide in our Annual Report to Stockholders, press releases, telephonic reports, and other investor communications, including those on our corporate website, may contain forward-looking statements with respect to anticipated future events and our projected financial performance, operations and competitive position that are subject to risk factors that could cause our actual results to differ materially from those forward-looking statements and our prior expectations and projections. Refer to Management's Discussion and Analysis for a more complete identification and discussion of "Forward-Looking Statements."

Our financial condition, results of operations, cash flows, and the performance of our common stock may be adversely affected by a number of risk factors. Risks and uncertainties that apply to both Ross and dd's DISCOUNTS include, without limitation, the following:

We are subject to the economic and industry risks that affect large retailers operating in the United States.

Our business is exposed to the risks of a large, multi-store retailer, which must continually and efficiently obtain and distribute a supply of fresh merchandise throughout a large and growing network of stores. These risk factors include:

- An increase in the level of competitive pressures in the apparel or home-related merchandise industry.
- Changes in the level of consumer spending on or preferences for apparel or home-related merchandise, including the potential impact from the macro-economic environment, uncertainty in financial and credit markets, and changes in geopolitical conditions.
- Unseasonable weather trends that could affect consumer demand for seasonal apparel and apparel-related products.
- A change in the availability, quantity, or quality of attractive brand-name merchandise at desirable discounts that could impact our ability to purchase product and continue to offer customers a wide assortment of merchandise at competitive prices.
- Potential disruptions in the supply chain that could impact our ability to deliver product to our stores in a timely and cost-effective manner.
- A change in the availability, quality, or cost of new store real estate locations.
- A downturn in the economy or a natural disaster in California or in another region where we have a concentration of stores or a distribution center. Our corporate headquarters, Los Angeles buying office, two distribution centers, and 26% of our stores are located in California.

We are subject to operating risks as we attempt to execute on our merchandising and growth strategies.

The continued success of our business depends, in part, upon our ability to increase sales at our existing store locations, to open new stores, and to operate stores on a profitable basis. Our existing strategies and store expansion programs may not result in a continuation of our anticipated revenue or profit growth. In executing our off-price retail strategies and working to improve efficiencies, expand our store network, and reduce our costs, we face a number of operational risks, including:

- Our ability to attract and retain personnel with the retail talent necessary to execute our strategies.

- Our ability to effectively operate our various supply chain, core merchandising, and other information systems.
- Our ability to improve our merchandising capabilities through the recent implementation of new processes and systems enhancements.
- Our ability to improve new store sales and profitability, especially in newer regions and markets.
- Our ability to achieve and maintain targeted levels of productivity and efficiency in our distribution centers.
- Our ability to lease or acquire acceptable new store sites with favorable demographics and long term financial returns.
- Our ability to identify and to successfully enter new geographic markets.
- Our ability to achieve planned gross margins by effectively managing inventories, markdowns, and shrink.
- Our ability to effectively manage all operating costs of the business, the largest of which are payroll and benefit costs for store and distribution center employees.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

At January 30, 2010, we operated a total of 1,005 stores, of which 953 were Ross Dress for Less locations in 27 states and Guam and 52 were dd's DISCOUNTS® stores in four states. All stores are leased, with the exception of two locations which we own.

During fiscal 2009, we opened 52 new Ross stores and closed three existing stores. The average approximate Ross store size is 29,800 square feet.

During fiscal 2009, we opened four new dd's DISCOUNTS stores and closed four existing stores. The average approximate dd's DISCOUNTS store size is 24,900 square feet. Our dd's DISCOUNTS stores are currently located in California, Texas, Florida, and Arizona.

During fiscal 2009, no one store accounted for more than 1% of our sales.

We carry earthquake insurance for business interruption, inventory, and personal property to mitigate our risk on our corporate headquarters, distribution centers, buying offices, and all of our stores.

Our real estate strategy in 2010 is to open stores in states where we currently operate to increase our market penetration and to reduce overhead and advertising expenses as a percentage of sales in each market. We expect to enter new states for both Ross and dd's DISCOUNTS in 2011. Important considerations in evaluating a new store location are the availability and quality of potential sites, demographic characteristics, competition, and population density of the local trade area. In addition, we continue to consider opportunistic real estate acquisitions.

The following table summarizes the locations of our stores by state as of January 30, 2010 and January 31, 2009.

State/Territory	January 30, 2010	January 31, 2009
Alabama	17	17
Arizona	52	52
California	259	247
Colorado	28	27
Delaware	1	1
Florida	125	114
Georgia	44	44
Guam	1	1
Hawaii	12	11
Idaho	9	9
Louisiana	11	10
Maryland	18	17
Mississippi	5	5
Montana	6	6
Nevada	20	19
New Jersey	10	9
New Mexico	6	5
North Carolina	32	32
Oklahoma	18	16
Oregon	25	25
Pennsylvania	32	29
South Carolina	20	20
Tennessee	25	24
Texas	153	143
Utah	12	12
Virginia	32	30
Washington	30	29
Wyoming	2	2
Total	1,005	956

Where possible, we obtain sites in buildings requiring minimal alterations, allowing us to establish stores in new locations in a relatively short period of time at reasonable costs in a given market. At January 30, 2010, the majority of our stores had unexpired original lease terms ranging from three to ten years with three to four renewal options of five years each. The average unexpired original lease term of our leased stores is five years, or 22 years if renewal options are included. See Note E of Notes to Consolidated Financial Statements.

See additional discussion under “Stores” in Item 1.

The following table summarizes the location and approximate sizes of our distribution centers, warehouses, and office locations as of January 30, 2010. Square footage information for the distribution centers and warehouses represents total ground floor area of the facility. Square footage information for office space represents total space occupied. See additional discussion in Management's Discussion and Analysis.

Location	Approximate Square Footage	Own / Lease
Distribution centers		
Carlisle, Pennsylvania	425,000	OWN
Fort Mill, South Carolina	1,300,000	OWN
Moreno Valley, California	1,300,000	OWN
Perris, California	1,300,000	LEASE
Warehouses		
Carlisle, Pennsylvania	239,000	LEASE
Carlisle, Pennsylvania	246,000	LEASE
Fort Mill, South Carolina	423,000	OWN
Fort Mill, South Carolina	255,000	LEASE
Office space		
Los Angeles, California	26,000	LEASE
New York City, New York	197,000	LEASE
Pleasanton, California	181,000	LEASE

In October 2008, we purchased 167 acres of land in the Southeast.

See additional discussion under "Distribution" in Item 1.

Item 3. Legal Proceedings.

Like many California retailers, we have been named in class action lawsuits regarding wage and hour claims. Class action litigation involving allegations that hourly associates have missed meal and/or rest break periods, as well as allegations of unpaid overtime wages to store managers and assistant store managers at Company stores under state law remains pending as of January 30, 2010.

We are also party to various other legal proceedings arising in the normal course of business. Actions filed against us include commercial, product, customer, intellectual property, and labor and employment-related claims, including lawsuits in which plaintiffs allege that we violated state or federal laws. Actions against us are in various procedural stages. Many of these proceedings raise factual and legal issues and are subject to uncertainties.

We believe that the resolution of these legal proceedings will not have a material adverse effect on our financial condition, results of operations, or cash flows.

Item 4. (Removed and Reserved).

Executive Officers of the Registrant

The following sets forth the names and ages of our executive officers, indicating each person's principal occupation or employment during at least the past five years. The term of office is at the discretion of our Board of Directors.

Name	Age	Position
Michael Balmuth	59	Vice Chairman and Chief Executive Officer
James S. Fassio	55	President and Chief Development Officer
Michael O'Sullivan	46	President and Chief Operating Officer
Barbara Rentler	52	President and Chief Merchandising Officer
Lisa Panattoni	47	Group Executive Vice President, Merchandising
John G. Call	51	Senior Vice President and Chief Financial Officer

Mr. Balmuth joined the Board of Directors as Vice Chairman and became Chief Executive Officer in September 1996. From February 2005 to December 2009, he also served as President. He was Executive Vice President, Merchandising from July 1993 to September 1996 and Senior Vice President and General Merchandise Manager from November 1989 to July 1993. Before joining Ross, he was Senior Vice President and General Merchandising Manager at Bon Marché in Seattle from September 1988 to November 1989. From April 1986 to September 1988, he served as Executive Vice President and General Merchandising Manager for Karen Austin Petites.

Mr. Fassio became President and Chief Development Officer in December 2009. Prior to this, he was Executive Vice President, Property Development, Construction and Store Design from February 2005 to December 2009. From March 1991 to February 2005, he served as Senior Vice President, Property Development, Construction and Store Design. He joined the Company in June 1988 as Vice President of Real Estate. Prior to joining Ross, Mr. Fassio held various retail and real estate positions with Safeway Stores, Inc.

Mr. O'Sullivan became President and Chief Operating Officer in December 2009. From February 2005 to December 2009, he served as Executive Vice President and Chief Administrative Officer, after joining Ross in September 2003 as Senior Vice President, Strategic Planning and Marketing. From 1991 to 2003, Mr. O'Sullivan was a partner with Bain & Company providing consulting advice to retail, consumer goods, financial services and private equity clients.

Ms. Rentler has served as President and Chief Merchandising Officer of Ross Dress for Less® since December 2009, with responsibility for all merchandising categories at Ross. From December 2006 to December 2009, she was Executive Vice President, Merchandising, with responsibility for all Ross Apparel and Apparel-related products. She also served as Executive Vice President and Chief Merchandising Officer of dd's DISCOUNTS® from February 2005 to December 2006, Senior Vice President and Chief Merchandising Officer of dd's DISCOUNTS from January 2004 to February 2005 and Senior Vice President and General Merchandise Manager at Ross Dress for Less from February 2001 to January 2004. Prior to that, she held various merchandising positions since joining the Company in February 1986.

Ms. Panattoni was named Group Executive Vice President, Merchandising for Ross Home, Men's and Children's in December 2009. She joined the Company in January 2005 as Senior Vice President and General Merchandise Manager of Ross Home and was promoted to Executive Vice President in October 2005. Prior to joining Ross, Ms. Panattoni was with The TJX Companies, where she served as Senior Vice President of Merchandising and Marketing for HomeGoods from 1998 to 2004 and as Divisional Merchandise Manager of the Marmaxx Home Store from 1994 to 1998.

Mr. Call has served as Senior Vice President and Chief Financial Officer since joining the Company in June 1997. From June 1997 to February 2009 he also served as Corporate Secretary. Mr. Call was Senior Vice President, Chief Financial Officer, Secretary and Treasurer of Friedman's from June 1993 until joining Ross in 1997. Prior to joining Friedman's, Mr. Call held various positions with Ernst & Young LLP.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

General information. See the information set forth under the caption "Quarterly Financial Data (Unaudited)" under Note K of Notes to Consolidated Financial Statements in Item 8 of this Annual Report, which is incorporated herein by reference. Our stock is traded on The NASDAQ Global Select Market® under the symbol ROST. There were 768 stockholders of record as of March 12, 2010 and the closing stock price on that date was $52.92 per share.

Cash dividends. In January 2010, our Board of Directors declared a quarterly cash dividend payment of $.16 per common share, payable on March 31, 2010. Our Board of Directors declared quarterly cash dividends of $.11 per common share in January, May, August, and November 2009, and cash dividends of $.095 per common share in January, May, August, and November 2008.

Issuer purchases of equity securities. Information regarding shares of common stock we repurchased during the fourth quarter of fiscal 2009 is as follows:

Period	Total number of shares (or units) purchased[1]	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs ($000)
November (11/01/2009-11/28/2009)	310,363	$ 45.31	309,776	$ 56,000
December (11/29/2009-01/02/2010)	724,912	$ 43.68	722,670	$ 25,000
January (01/03/2010-01/30/2010)	553,919	$ 45.27	542,397	$ -
Total	1,589,194	$ 44.55	1,574,843	$ -[2]

1 We acquired 14,351 shares of treasury stock during the quarter ended January 30, 2010. Treasury stock includes shares purchased from employees for tax withholding purposes related to vesting of restricted stock grants. All remaining shares were repurchased under our publicly announced stock repurchase program.
2 In January 2010 our Board of Directors approved a two-year $750 million stock repurchase program for fiscal 2010 and 2011.

See Note H of Notes to Consolidated Financial Statements for equity compensation plan information. The information under Item 12 of this Annual Report on Form 10-K under the caption "Equity compensation plan information" is incorporated herein by reference.

Stockholder Return Performance Graph

The following information in this Item 5 shall not be deemed filed for purposes of Section 18 of the Securities Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

Set forth below is a line graph comparing the cumulative total stockholder returns for our common stock with the Standard & Poors ("S&P") 500 Index and the S&P Retailing Group over the last five years. The five year period comparison graph assumes that the value of the investment in our common stock at each fiscal year end and the comparative indexes was $100 on January 31, 2005 and measures the performance of this investment as of the last trading day in the month of January for each of the following five years. These measurement dates are based on the historical month-end data available and may vary slightly from our actual fiscal year-end date for each period. Data with respect to returns for the S&P indexes is not readily available for periods shorter than one month. The total return assumes the reinvestment of dividends at the frequency with which dividends are paid. The graph is a historical representation of past performance only and is not necessarily indicative of future returns to stockholders.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Ross Stores, Inc., The S&P 500 Index and S&P Retailing Group

*$100 invested on 1/28/05 in stock or 1/31/05 in index, including reinvestment of dividends.
Fiscal year ended January 31. Indexes calculated on month-end basis.

Company / Index	Base Period Indexed Returns for Years Ended 2005	2006	2007	2008	2009	2010
Ross Stores, Inc.	100	106	119	110	110	173
S&P 500 Index	100	110	126	123	76	101
S&P Retailing Group	100	109	124	106	67	107

Item 6. Selected Financial Data.

The following selected financial data is derived from our consolidated financial statements. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the section "Forward-Looking Statements" in this Annual Report on Form 10–K and our consolidated financial statements and notes thereto.

($000, except per share data)	2009	2008	2007	2006[1]	2005
Operations					
Sales	$ 7,184,213	$ 6,486,139	$ 5,975,212	$ 5,570,210	$ 4,944,179
Cost of goods sold	5,327,278	4,956,576	4,618,220	4,317,527	3,852,591
Percent of sales	74.2%	76.4%	77.3%	77.5%	77.9%
Selling, general and administrative	1,130,813	1,034,357	935,901	863,033	766,144
Percent of sales	15.7%	16.0%	15.7%	15.5%	15.5%
Interest expense (income), net	7,593	(157)	(4,029)	(8,627)	(2,898)
Earnings before taxes	718,529	495,363	425,120	398,277	328,342
Percent of sales	10.0%	7.6%	7.1%	7.2%	6.6%
Provision for taxes on earnings	275,772	189,922	164,069	156,643	128,710
Net earnings	442,757	305,441	261,051	241,634	199,632
Percent of sales	6.2%	4.7%	4.4%	4.3%	4.0%
Basic earnings per share	$ 3.60	$ 2.36	$ 1.93	$ 1.73	$ 1.38
Diluted earnings per share	$ 3.54	$ 2.33	$ 1.90	$ 1.70	$ 1.36
Cash dividends declared per common share	$ .490	$ .395	$ .320	$ .255	$ .220

1 Fiscal 2006 was a 53-week year; all other fiscal years presented were 52 weeks.

Selected Financial Data

($000, except per share data)	2009	2008	2007	2006[1]	2005
Financial Position					
Merchandise inventory	$ 872,498	$ 881,058	$ 1,025,295	$ 1,051,729	$ 938,091
Property and equipment, net	942,999	951,656	868,315	748,233	639,852
Total assets	2,768,633	2,355,511	2,371,322	2,358,591	1,938,738
Return on average assets	17%	13%	11%	11%	11%
Working capital	554,933	358,456	387,396	431,699	349,864
Current ratio	1.5:1	1.4:1	1.4:1	1.4:1	1.4:1
Long-term debt	150,000	150,000	150,000	150,000	-
Long-term debt as a percent of total capitalization	11%	13%	13%	14%	-
Stockholders' equity	1,157,293	996,369	970,649	909,830	836,172
Return on average stockholders' equity	41%	31%	28%	28%	25%
Book value per common share outstanding at year-end	$ 9.41	$ 7.82	$ 7.24	$ 6.53	$ 5.80
Operating Statistics					
Number of stores opened	56	77	98	66	86
Number of stores closed	7	11	5	3	1
Number of stores at year-end	1,005	956	890	797	734
Comparable store sales increase[2] (52-week basis)	6%	2%	1%	4%	6%
Sales per square foot of selling space3 (52-week basis)	$ 311	$ 298	$ 301	$ 305	$ 304
Square feet of selling space at year-end (000)	23,700	22,500	21,100	18,600	17,300
Number of employees at year-end	45,600	40,000	39,100	35,800	33,200
Number of common stockholders of record at year-end	767	754	760	749	756

1 Fiscal 2006 was a 53-week year; all other fiscal years presented were 52 weeks.

2 Comparable stores are stores open for more than 14 complete months.

3 Based on average annual selling square footage.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We are the second largest off-price apparel and home goods retailer in the United States. At the end of fiscal 2009, we operated 953 Ross Dress for Less ("Ross") locations in 27 states and Guam, and 52 dd's DISCOUNTS stores in four states. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear and home fashions at everyday savings of 20 to 60 percent off department and specialty store regular prices. dd's DISCOUNTS features a more moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear and home fashions at everyday savings of 20 to 70 percent off moderate department and discount store regular prices.

Our primary objective is to pursue and refine our existing off-price strategies to maintain or improve profitability and improve financial returns over the long term. In establishing appropriate growth targets for our business, we closely monitor market share trends for the off-price industry. Total aggregate sales for five of the largest off-price retailers in the United States increased 7% during 2009 on top of a 3% increase in 2008. This compares to total national apparel sales which declined 5% during 2009 compared to a 3% decline in 2008, according to data published by the NPD Group, Inc., which provides global sales and marketing information on the retail industry.

We believe that the stronger relative sales gains of the off-price retailers during 2009 were driven mainly by the increased focus on value by consumers, whose spending continued to be pressured by the challenging macro-economic environment. Our sales and earnings gains in 2009 benefited from efficient execution of our resilient and flexible off-price business model. Our merchandise and operational strategies are designed to take advantage of the expanding market share of our off-price industry as well as the ongoing customer demand for name brand fashions for the family and home at compelling everyday discounts.

Looking ahead to 2010, we are planning to maintain tight controls of both inventory levels and operating expenses as part of our strategy to help us maximize our profitability.

We refer to our fiscal years ended January 30, 2010, January 31, 2009, and February 2, 2008 as fiscal 2009, fiscal 2008, and fiscal 2007, respectively. Fiscal 2009, 2008, and 2007 were 52 weeks.

Results of Operations

The following table summarizes the financial results for fiscal years ended 2009, 2008, and 2007.

	2009	2008	2007
Sales			
Sales (millions)	$ 7,184	$ 6,486	$ 5,975
Sales growth	10.8%	8.6%	7.3%
Comparable store sales growth	6%	2%	1%
Costs and expenses (as a percent of sales)			
Cost of goods sold	74.2%	76.4%	77.3%
Selling, general and administrative	15.7%	16.0%	15.7%
Interest expense (income), net	0.1%	0.0%	(0.1%)
Earnings before taxes (as a percent of sales)	10.0%	7.6%	7.1%
Net earnings (as a percent of sales)	6.2%	4.7%	4.4%

Stores. Total stores open at the end of 2009, 2008, and 2007 were 1,005, 956, and 890, respectively. The number of stores at the end of fiscal 2009, 2008, and 2007 increased by 5%, 7%, and 12% from the respective prior years. Our expansion strategy is to open additional stores based on market penetration, local demographic characteristics, competition, expected store profitability, and the ability to leverage overhead expenses. We continually evaluate opportunistic real estate acquisitions and opportunities for potential new store locations. We also evaluate our current store locations and determine store closures based on similar criteria.

	2009	2008	2007
Stores at the beginning of the period	956	890	797
Stores opened in the period	56	77	98
Stores closed in the period	(7)	(11)	(5)
Stores at the end of the period	1,005	956	890
Selling square footage at the end of the period (000)	23,700	22,500	21,100

Sales. Sales for fiscal 2009 increased $698.1 million, or 10.8%, compared to the prior year due to the opening of 49 net new stores during 2009, and a 6% increase in sales from “comparable” stores (defined as stores that have been open for more than 14 complete months). Sales for fiscal 2008 increased $510.9 million, or 8.6%, compared to the prior year due to the opening of 66 net new stores during 2008, and a 2% increase in sales from comparable stores.

Our sales mix is shown below for fiscal 2009, 2008, and 2007:

	2009	2008	2007
Ladies	30%	32%	32%
Home accents and bed and bath	24%	23%	23%
Men’s	13%	14%	15%
Accessories, lingerie, fine jewelry, and fragrances	13%	12%	11%
Shoes	11%	10%	10%
Children’s	9%	9%	9%
Total	100%	100%	100%

We expect to address the competitive climate for off-price apparel and home goods by pursuing and refining our existing strategies and by continuing to strengthen our organization, to diversify our merchandise mix, and to more fully develop our organization and systems to improve regional and local merchandise offerings. Although our strategies and store expansion program contributed to sales gains in fiscal 2009, 2008, and 2007, we cannot be sure that they will result in a continuation of sales growth or an increase in net earnings.

Cost of goods sold. Cost of goods sold in fiscal 2009 increased $370.7 million compared to the prior year mainly due to increased sales from the opening of 49 net new stores during the year, and a 6% increase in sales from comparable stores.

Cost of goods sold as a percentage of sales for fiscal 2009 decreased approximately 230 basis points from the prior year. This improvement was mainly the result of a 170 basis point increase in merchandise gross margin, which includes a 40 basis point benefit from lower shortage. In addition, freight costs declined by about 50 basis points, occupancy leveraged 35 basis points, and distribution costs declined by about 10 basis points. These improvements were partially offset by a 35 basis point increase in buying expenses due in part to higher incentive costs versus the prior year.

Cost of goods sold in fiscal 2008 increased $338.4 million compared to the prior year mainly due to increased sales from the opening of 66 net new stores during the year, and a 2% increase in sales from comparable stores.

Cost of goods sold as a percentage of sales for fiscal 2008 decreased approximately 90 basis points from the prior year. This improvement was mainly the result of a 100 basis point increase in merchandise gross margin. In addition, distribution costs for the year improved by about 20 basis points. As a percent of sales, these favorable trends were partially offset by a 10 basis point increase in occupancy expense and a 20 basis point increase in incentive costs.

We cannot be sure that the gross profit margins realized in fiscal 2009, 2008, and 2007 will continue in future years.

Selling, general and administrative expenses. For fiscal 2009, selling, general and administrative expenses (“SG&A”) increased $96.5 million compared to the prior year, mainly due to increased store operating costs reflecting the opening of 49 net new stores during the year.

SG&A as a percentage of sales for fiscal 2009 decreased by approximately 20 basis points compared to the prior year. This decrease was mainly driven by 40 basis points of leverage on store operating expenses partially offset by a 20 basis point increase in general and administrative expenses due in part to higher incentive costs versus the prior year.

For fiscal 2008, SG&A increased $98.5 million compared to the prior year, mainly due to increased store operating costs reflecting the opening of 66 net new stores during the year.

SG&A as a percentage of sales for fiscal 2008 grew by approximately 30 basis points over the prior year. This increase was mainly driven by a 20 basis point increase in store operating expenses and a 10 basis point increase in general and administrative costs as a percent of sales.

The largest component of SG&A is payroll. The total number of employees, including both full and part-time, as of fiscal year end 2009, 2008, and 2007 was approximately 45,600, 40,000, and 39,100, respectively.

Interest expense (income), net. In fiscal 2009, interest expense increased by $1.1 million primarily due to lower capitalization of construction interest. In fiscal 2009, interest income decreased by $6.7 million primarily due to lower investment yields as compared to the prior year. As a percentage of sales, net interest expense in fiscal 2009 decreased pre-tax earnings by approximately 10 basis points compared to the same period in the prior year. The table below shows interest expense and income for fiscal 2009, 2008, and 2007:

($ millions)	2009	2008	2007
Interest expense	$ 9.4	$ 8.3	$ 9.8
Interest income	(1.8)	(8.5)	(13.8)
Total interest expense (income), net	$ 7.6	$ (0.2)	$ (4.0)

Taxes on earnings. Our effective tax rate for fiscal 2009, 2008, and 2007 was approximately 38%, 38%, and 39%, respectively, which represents the applicable combined federal and state statutory rates reduced by the federal benefit of state taxes deductible on federal returns. The effective rate is affected by changes in law, location of new stores, level of earnings, and the resolution of tax positions with various taxing authorities. We anticipate that our effective tax rate for fiscal 2010 will be in the range of 38% to 39%.

Net earnings. Net earnings as a percentage of sales for fiscal 2009 were higher compared to fiscal 2008 primarily due to both lower cost of goods sold and lower SG&A expenses as a percentage of sales. Net earnings as a percentage of sales for fiscal 2008 were higher compared to fiscal 2007 primarily due to lower cost of goods sold as a percentage of sales, partially offset by higher SG&A expenses as a percentage of sales.

Earnings per share. Diluted earnings per share in fiscal 2009 was $3.54, compared to $2.33 in fiscal 2008. This 52% increase in diluted earnings per share is attributable to an approximate 45% increase in net earnings and a 5% reduction in weighted average diluted shares outstanding, largely due to the repurchase of common stock under our stock repurchase program. Diluted earnings per share in fiscal 2008 was $2.33, compared to $1.90 in fiscal 2007. This 23% increase in diluted earnings per share is attributable to an approximate 17% increase in net earnings and a 4% reduction in weighted average diluted shares outstanding, largely due to the repurchase of common stock under our stock repurchase program.

Financial Condition

Liquidity and Capital Resources

Our primary sources of funds for our business activities are cash flows from operations and short-term trade credit. Our primary ongoing cash requirements are for merchandise inventory purchases, payroll, capital expenditures in connection with opening new stores, and investments in distribution centers and information systems. We also use cash to repurchase stock under our stock repurchase program and to pay dividends.

($ millions)	2009	2008	2007
Cash flows provided by operating activities	$ 888.4	$ 583.4	$ 353.5
Cash flows used in investing activities	(136.8)	(218.7)	(244.7)
Cash flows used in financing activities	(304.6)	(300.9)	(218.6)
Net increase (decrease) in cash and cash equivalents	$ 447.0	$ 63.8	$ (109.8)

Operating Activities

Net cash provided by operating activities was $888.4 million, $583.4 million, and $353.5 million in fiscal 2009, 2008, and 2007, respectively. The primary sources of cash provided by operating activities in fiscal 2009, 2008, and 2007 were net earnings plus non-cash expenses for depreciation and amortization. Accounts payable leverage (defined as accounts payable divided by merchandise inventory) was 75% as of January 30, 2010 and 61% as of January 31, 2009. The increase in leverage was due to faster turns on lower inventory levels.

Our primary source of liquidity is the sale of our merchandise inventory. We regularly review the age and condition of our merchandise and are able to maintain current merchandise inventory in our stores through replenishment processes and liquidation of slower-moving merchandise through clearance markdowns.

Investing Activities

In fiscal 2009, 2008, and 2007, our capital expenditures were $158.5 million, $224.4 million, and $236.1 million, respectively. Our capital expenditures included fixtures and leasehold improvements to open new stores, implement information technology systems, build or expand distribution centers, and various other expenditures related to our stores, buying and corporate offices. In fiscal 2008 we also purchased land in South Carolina with the intention of building a new distribution center in the future. We opened 56, 77, and 98 new stores in fiscal 2009, 2008, and 2007, respectively, which included relocating one store in 2009 and one store in 2007.

We had purchases of investments of $2.9 million, $37.0 million, and $146.1 million in fiscal 2009, 2008, and 2007, respectively. We had sales of investments of $24.5 million, $42.5 million, and $137.1 million in fiscal 2009, 2008, and 2007, respectively.

We are forecasting approximately $215 million in capital requirements in 2010 to fund expenditures for fixtures and leasehold improvements to open both new Ross and dd's DISCOUNTS stores, for the relocation, or upgrade of existing stores, for investments in store and merchandising systems, buildings, equipment and systems, and for various buying and corporate office expenditures. We expect to fund these expenditures with available cash, cash flows from operations, and trade credit.

Our capital expenditures over the last three years are set forth in the table below:

($ millions)	2009	2008	2007
New stores	$ 55.4	$ 52.0	$ 110.1
Store renovations and improvements	44.3	47.3	32.3
Information systems	10.4	13.2	21.4
Distribution centers, corporate office, and other	48.4	111.9	72.3
Total capital expenditures	$ 158.5	$ 224.4	$ 236.1

Financing Activities

During fiscal 2009, 2008, and 2007, our liquidity and capital requirements were provided by available cash, cash flows from operations, and trade credit. Our buying offices, our corporate headquarters, one distribution center, one trailer parking lot, three warehouse facilities, and all but two of our store locations are leased and, except for certain leasehold improvements and equipment, do not represent capital investments. We own one distribution center in each of the following cities: Carlisle, Pennsylvania; Moreno Valley, California; and Fort Mill, South Carolina; and one warehouse facility in Fort Mill, South Carolina.

In January 2008, our Board of Directors approved a two-year $600 million stock repurchase program for fiscal 2008 and 2009. We repurchased 7.4 million and 9.3 million shares of common stock for aggregate purchase prices of approximately $300 million in both 2009 and 2008. In January 2010, our Board of Directors approved a two-year $750 million stock repurchase program for fiscal 2010 and 2011.

In January 2010, our Board of Directors declared a quarterly cash dividend payment of $.16 per common share, payable on March 31, 2010. Our Board of Directors declared quarterly cash dividends of $.11 per common share in January, May, August, and November 2009, and cash dividends of $.095 per common share in January, May, August, and November 2008.

Short-term trade credit represents a significant source of financing for merchandise inventory. Trade credit arises from customary payment terms and trade practices with our vendors. We regularly review the adequacy of credit available to us from all sources and expect to be able to maintain adequate trade, bank, and other credit lines to meet our capital and liquidity requirements, including lease payment obligations in 2010.

We estimate that cash flows from operations, bank credit lines, and trade credit are adequate to meet operating cash needs, fund our planned capital investments, repurchase common stock, and make quarterly dividend payments for at least the next twelve months.

Contractual Obligations

The table below presents our significant contractual obligations as of January 30, 2010:

($000)	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	Total1
Senior Notes	$ -	$ -	$ -	$ 150,000	$ 150,000
Interest payment obligations	9,667	19,335	19,335	50,195	98,532
Capital leases	291	45	-	-	336
Operating leases:					
Rent obligations	333,077	660,350	502,136	500,278	1,995,841
Synthetic leases	5,681	8,886	1,705	-	16,272
Other synthetic lease obligations	1,564	1,030	56,000	-	58,594
Purchase obligations	1,078,071	7,886	831	-	1,086,788
Total contractual obligations	$ 1,428,351	$ 697,532	$ 580,007	$ 700,473	$ 3,406,363

1 We have a $33.6 million liability for unrecognized tax benefits that is included in other long-term liabilities on our consolidated balance sheet. This liability is excluded from the schedule above as the timing of payments cannot be reasonably estimated.

Senior Notes. We have two series of unsecured senior notes outstanding with various institutional investors for $150 million. The Series A notes totaling $85 million are due in December 2018 and bear interest at a rate of 6.38%. The Series B notes totaling $65 million, are due in December 2021, and bear interest at a rate of 6.53%. Interest on these notes is included in Interest payment obligations in the table above. These notes are subject to prepayment penalties for early payment of principal.

Borrowings under these notes are subject to certain operating and financial covenants, including maintaining certain interest coverage and other financial ratios. As of January 30, 2010, we were in compliance with these covenants.

Capital leases. The obligations under capital leases relate to distribution center equipment and have terms of two to three years.

Off-Balance Sheet Arrangements

Operating leases. We lease our two buying offices, our corporate headquarters, one distribution center, one trailer parking lot, three warehouse facilities, and all but two of our store locations. Except for certain leasehold improvements and equipment, these leased locations do not represent long-term capital investments.

We have lease arrangements for certain equipment in our stores for our point-of-sale (“POS”) hardware and software systems. These leases are accounted for as operating leases for financial reporting purposes. The initial terms of these leases are either two or three years, and we typically have options to renew the leases for two to three one-year periods. Alternatively, we may purchase or return the equipment at the end of the initial or each renewal term. We have guaranteed the value of the equipment of $2.6 million, at the end of the respective initial lease terms, which is included in Other synthetic lease obligations in the table above.

We lease approximately 181,000 square feet of office space for our corporate headquarters in Pleasanton, California, under several facility leases. The terms for these leases expire between 2011 and 2015 and contain renewal provisions.

We lease approximately 197,000 and 26,000 square feet of office space for our New York City and Los Angeles buying offices, respectively. The lease terms for these facilities expire in 2021 and 2014, respectively and contain renewal provisions.

We lease a 1.3 million square foot distribution center in Perris, California. The land and building for this distribution center are financed under a $70 million ten-year synthetic lease that expires in July 2013. Rent expense on this center is payable monthly at a fixed annual rate of 5.8% on the lease balance of $70 million. At the end of the lease term, we have the option to either refinance the $70 million synthetic lease facility, purchase the distribution center at the amount of the then-outstanding lease obligation, or arrange a sale of the distribution center to a third party. If the distribution center is sold to a third party for less than $70 million, we have agreed under a residual value guarantee to pay the lessor any shortfall amount up to $56 million. The agreement includes a prepayment penalty for early payoff of the lease. Our contractual obligation of $56 million is included in Other synthetic lease obligations in the above table.

We have recognized a liability and corresponding asset for the inception date estimated fair value of the residual value guarantee in the amount of $8.3 million for the Perris, California distribution center and $0.9 million for the POS leases. These residual value guarantees are being amortized on a straight-line basis over the original terms of the leases. The current portion of the related asset and liability is recorded in prepaid expenses and accrued expenses, respectively, and the long-term portion of the related assets and liabilities is recorded in other long-term assets and other long-term liabilities, respectively, in the accompanying consolidated balance sheets.

We lease two warehouses in Carlisle, Pennsylvania with one lease expiring in 2013 and the other expiring in 2014. In January 2009, we exercised a three-year option for a 255,000 square foot warehouse in Fort Mill, South Carolina, extending the term to February 2013. In June 2008, we purchased a 423,000 square foot warehouse also in Fort Mill, South Carolina. All four of these properties are used to store our packaway inventory. We also lease a 10-acre parcel of land that has been developed for trailer parking adjacent to our Perris distribution center.

The synthetic lease facilities described above, as well as our revolving credit facility and senior notes, have covenant restrictions requiring us to maintain certain interest coverage and other financial ratios. In addition, the interest rates under the revolving credit facility may vary depending on actual interest coverage ratios achieved. As of January 30, 2010, we were in compliance with these covenants.

Purchase obligations. As of January 30, 2010 we had purchase obligations of $1,087 million. These purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to store fixtures and supplies, and information technology service and maintenance contracts. Merchandise inventory purchase orders of $1,044 million represent purchase obligations of less than one year as of January 30, 2010.

Commercial Credit Facilities

The table below presents our significant available commercial credit facilities at January 30, 2010:

($000)	Amount of Commitment Expiration Per Period Less than 1 year	1 - 3 years	3 – 5 years	After 5 years	Total amount committed
Revolving credit facility	$ -	$ 600,000	$ -	$ -	$ 600,000
Total commercial commitments	$ -	$ 600,000	$ -	$ -	$ 600,000

For additional information relating to this credit facility, refer to Note D of Notes to the Consolidated Financial Statements.

Revolving credit facility. We have available a $600 million revolving credit facility with our banks, which contains a $300 million sublimit for issuance of standby letters of credit, of which $234.8 million was available at January 30, 2010. This credit facility which expires in July 2011 has a LIBOR-based interest rate plus an applicable margin (currently 45 basis points) and is payable upon maturity but not less than quarterly. Our borrowing ability under this credit facility is subject to our maintaining certain financial ratios. As of January 30, 2010 we had no borrowings outstanding under this facility and were in compliance with the covenants.

Standby letters of credit. We use standby letters of credit to collateralize certain obligations related to our self-insured workers' compensation and general liability claims. We had $65.2 million and $60.4 million in standby letters of credit outstanding at January 30, 2010 and January 31, 2009, respectively.

Trade letters of credit. We had $32.9 million and $16.7 million in trade letters of credit outstanding at January 30, 2010 and January 31, 2009, respectively.

Other

2008 Equity Incentive Plan. In May 2008, our stockholders approved the adoption of the Ross Stores, Inc. 2008 Equity Incentive Plan (the "2008 Plan") with an initial share reserve of 8.3 million shares of our common stock, of which 6.0 million shares can be issued as full value awards. The 2008 Plan provides for various types of incentive awards, which may potentially include the grant of stock options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, performance shares, performance units, and deferred compensation awards.

Critical Accounting Policies

The preparation of our consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and on various other factors that management believes to be reasonable. We believe the following critical accounting policies describe the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Merchandise inventory. Our merchandise inventory is stated at the lower of cost or market, with cost determined on a weighted average cost basis. We purchase manufacturer overruns and canceled orders both during and at the end of a season which are referred to as "packaway" inventory. Packaway inventory is purchased with the intent that it will be stored in our warehouses until a later date, which may even be the beginning of the same selling season in the following year. Packaway inventory accounted for approximately 38% of total inventories as of January 30, 2010 and January 31, 2009. Merchandise inventory includes acquisition, processing, and storage costs related to packaway inventory.

Included in the carrying value of our merchandise inventory is a provision for shortage. The shortage reserve is based on historical shortage rates as evaluated through our periodic physical merchandise inventory counts and cycle counts. If actual market conditions, markdowns, or shortage are less favorable than those projected by us, or if sales of the merchandise inventory are more difficult than anticipated, additional merchandise inventory write-downs may be required.

Long-lived assets. We record a long-lived asset impairment charge when events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable based on estimated future cash flows. An impairment loss would be recognized if analysis of the undiscounted cash flow of an asset group was less than the carrying value of the asset group. If our actual results differ materially from projected results, an impairment charge may be required in the future. In the course of performing our annual analysis, we determined that no long-lived asset impairment charge was required for fiscal 2009, 2008, or 2007.

Depreciation and amortization expense. Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful life of the asset, typically ranging from five to twelve years for equipment and 20 to 40 years for real property. The cost of leasehold improvements is amortized over the lesser of the useful life of the asset or the applicable lease term.

Lease accounting. When a lease contains “rent holidays” or requires fixed escalations of the minimum lease payments, we record rental expense on a straight-line basis over the term of the lease and the difference between the average rental amount charged to expense and the amount payable under the lease is recorded as deferred rent. We amortize deferred rent on a straight-line basis over the lease term commencing on the possession date. Tenant improvement allowances are included in other long-term liabilities and are amortized over the lease term. Tenant improvement allowances are included as a component of operating cash flows in the consolidated Statements of Cash Flows.

Self-insurance. We self insure certain of our workers’ compensation and general liability risks as well as certain coverages under our health plans. Our self-insurance liability is determined actuarially, based on claims filed and an estimate of claims incurred but not reported. Should a greater amount of claims occur compared to what is estimated or the costs of medical care increase beyond what was anticipated, our recorded reserves may not be sufficient and additional charges could be required.

Stock-based compensation. We recognize compensation expense based upon the grant date fair value of all stock-based awards, typically over the vesting period. We use historical data to estimate pre-vesting forfeitures and to recognize stock-based compensation expense. All stock-based compensation awards are expensed over the service or performance periods of the awards.

Income taxes. We account for our uncertain tax positions in accordance with Accounting Standards Codification (“ASC”) 740. We are required to make assumptions and judgments regarding our income tax exposures. Our policy is to recognize interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made.

The critical accounting policies noted above are not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by Generally Accepted Accounting Principles (“GAAP”), with no need for management’s judgment in their application. There are also areas in which management’s judgment in selecting one alternative accounting principle over another would not produce a materially different result. See our audited consolidated financial statements and notes thereto under Item 8 in this Annual Report on Form 10-K, which contain accounting policies and other disclosures required by GAAP.

Effects of inflation or deflation. We do not consider the effects of inflation or deflation to be material to our financial position and results of operations.

New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (“FASB”) issued ASC 810 (originally issued as SFAS No. 167, “Amendments to FASB Interpretation No. 46(R))”. Among other things, ASC 810 responds to concerns about the application of certain key provisions of FIN 46(R), including those regarding the transparency of the involvement with variable interest entities. ASC 810 is effective for fiscal years beginning after November 15, 2009. We do not believe the adoption of ASC 810 will have a material impact on our consolidated financial statements.

Forward-Looking Statements

Our Annual Report on Form 10-K for fiscal 2009, and information we provide in our Annual Report to Stockholders, press releases, telephonic reports, and other investor communications including on our corporate website, may contain a number of forward-looking statements regarding, without limitation, planned store growth, new markets, expected sales, projected earnings levels, capital expenditures, and other matters. These forward-looking statements reflect our then current beliefs, projections, and estimates with respect to future events and our projected financial performance, operations, and competitive position. The words “plan,” “expect,” “target,” “anticipate,” “estimate,” “believe,” “forecast,” “projected,” “g “looking ahead,” and similar expressions identify forward-looking statements.

Future economic and industry trends that could potentially impact revenue, profitability, and growth remain difficult to predict. As a result, our forward-looking statements are subject to risks and uncertainties which could cause our actual results to differ materially from those forward-looking statements and our previous expectations and projections. Refer to Item 1A in this Annual Report on Form 10-K for a more complete discussion of risk factors for Ross and dd’s DISCOUNTS. The factors underlying our forecasts are dynamic and subject to change. As a result, any forecasts or forward-looking statements speak only as of the date they are given and do not necessarily reflect our outlook at any other point in time. We do not undertake to update or revise these forward-looking statements.

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

We are exposed to market risks, which primarily include changes in interest rates. We do not engage in financial transactions for trading or speculative purposes.

We occasionally use forward contracts to hedge against fluctuations in foreign currency prices. We had no outstanding forward contracts as of January 30, 2010.

Interest that is payable on our revolving credit facility is based on variable interest rates and is, therefore, affected by changes in market interest rates. As of January 30, 2010, we had no borrowings outstanding under our revolving credit facility. In addition, lease payments under certain of our synthetic lease agreements are determined based on variable interest rates and are, therefore, affected by changes in market interest rates.

In addition, we issued notes to institutional investors in two series: Series A for $85 million accrues interest at 6.38% and Series B for $65 million accrues interest at 6.53%. The amount outstanding under these notes as of January 30, 2010 is $150 million.

Interest is receivable on our short- and long-term investments. Changes in interest rates may impact interest income recognized in the future, or the fair value of our investment portfolio.

A hypothetical 100 basis point increase or decrease in prevailing market interest rates would not have materially impacted our consolidated financial position, results of operations, cash flows, or the fair values of our short- and long-term investments as of and for the year ended January 30, 2010. We do not consider the potential losses in future earnings and cash flows from reasonably possible, near term changes in interest rates to be material.

$
(1,003.7
)

$
371.1

$
1,381.6

$
(894.5
)

$
487.1

The estimated future amortization expense of purchased intangible assets as of the end of the third quarter of fiscal 2016 was as follows:

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(Dollars in millions)	
2016 (Remaining)	$35.1
2017	128.4
2018	100.3
2019	59.8
2020	31.4
Thereafter	16.1
Total	$371.1

Goodwill

The changes in the carrying amount of goodwill by segment for the first three quarters of fiscal 2016 were as follows:

	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	Total
(Dollars in millions)					
Balance as of fiscal year end 2015	$ 1,140.1	$ 125.7	$ 820.7	$ 19.9	$ 2,106.4
Additions due to acquisitions and current year acquisitions' purchase price adjustments	9.0	—	—	—	9.0
Purchase price adjustments- prior years' acquisitions and others	(1.2)	0.1	0.1	—	(1.0)
Foreign currency translation adjustments	1.4	0.8	0.6	0.5	3.3
Divestitures	—	—	(6.6)	—	(6.6)
Balance as of the end of the third quarter of fiscal 2016	$ 1,149.3	$ 126.6	$ 814.8	$ 20.4	$ 2,111.1

In the first three quarters of 2016, the Company sold the Omega Group assets and Advanced Public Safety (APS) business. Both businesses provided software solutions for public safety agencies and were part of the Company's Mobile Solutions segment. The sales resulted in a $4.9 million gain in the first three quarters of fiscal 2016, and that was included in Other income, net on the Company's Condensed Consolidated Statements of Income.

NOTE 5. INVENTORIES

Inventories consisted of the following:

As of	Third Quarter of 2016	Fiscal Year End 2015
(Dollars in millions)		
Raw materials	$ 81.8	$ 107.5
Work-in-process	7.8	5.9
Finished goods	134.7	147.7
Total inventories	$ 224.3	$ 261.1

Finished goods included $15.3 million and $14.6 million of costs that were deferred in connection with deferred revenue arrangements as of the end of the third quarter of fiscal 2016 and fiscal year end 2015, respectively.

NOTE 6. SEGMENT INFORMATION

To achieve distribution, marketing, production and technology advantages, the Company manages its operations in the following four segments:

- Engineering and Construction: This segment primarily serves customers working in architecture, engineering, construction, geospatial and government. Within this segment our most substantial product portfolios are focused on civil engineering and construction, building construction, and geospatial.

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- Field Solutions: This segment provides solutions for the farming, government and consumer markets, with its products focused on agriculture and geographic information systems (GIS).

- Mobile Solutions: This segment provides solutions that enable end-users to monitor and manage their mobile work, mobile workers and mobile assets in the areas of transportation and logistics and field services management.

- Advanced Devices: The various operations that comprise this segment are aggregated on the basis that these operations do not exceed 10% of the Company's total revenue, operating income or assets. This segment is comprised of the Embedded Technologies, Timing, Applanix, Military and Advanced Systems and ThingMagic businesses.

The Company's chief operating decision maker (CODM), its Chief Executive Officer, evaluates each of its segment's performance and allocates resources based on segment operating income before income taxes and some corporate allocations. The Company and each of its segments employ consistent accounting policies. In each of its segments the Company sells many individual products. For this reason, it is impracticable to segregate and identify revenue for each of the individual products or group of products.

The following table presents revenue, operating income, depreciation expense and identifiable assets for the four segments. Operating income is revenue less cost of sales and operating expense, excluding general corporate expense, acquisition costs, amortization of purchased intangible assets, restructuring charges, stock-based compensation and executive transition costs. The identifiable assets that the CODM views by segment are accounts receivable, inventories and goodwill.

	Reporting Segments				
	Engineering and Construction	Field Solutions	Mobile Solutions	Advanced Devices	Total
(Dollars in millions)					
Third Quarter of Fiscal 2016					
Revenue	$332.4	$ 77.9	$ 138.5	$ 35.3	$584.1
Operating income	69.1	22.1	22.4	14.3	127.9
Depreciation expense	3.2	0.3	1.4	0.2	5.1
Third Quarter of Fiscal 2015					
Revenue	$326.4	$ 73.5	$ 131.6	$ 30.8	$562.3
Operating income	68.8	19.5	23.1	10.8	122.2
Depreciation expense	3.5	0.3	1.4	0.1	5.3
First Three Quarters of Fiscal 2016					
Segment revenue	$993.4	$ 271.0	$ 412.9	$ 99.4	$1,776.7
Operating income	175.0	81.5	60.2	36.1	352.8
Depreciation expense	10.4	0.9	4.1	0.5	15.9
First Three Quarters of Fiscal 2015					
Segment revenue	$964.2	$ 275.9	$ 388.1	$ 102.5	$1,730.7
Operating income	166.3	85.0	62.5	37.1	350.9
Depreciation expense	10.6	0.9	4.0	0.4	15.9
As of the Third Quarter of Fiscal 2016					
Accounts receivable	$214.1	$ 59.3	$ 71.7	$ 24.1	$369.2
Inventories	146.7	32.6	30.9	14.1	224.3
Goodwill	1,149.3	126.6	814.8	20.4	2,111.1
As of Fiscal Year End 2015					
Accounts receivable	$215.9	$ 57.1	$ 69.6	$ 19.3	$361.9
Inventories	178.0	36.0	30.4	16.7	261.1
Goodwill	1,140.1	125.7	820.7	19.9	2,106.4

A reconciliation of the Company's consolidated segment operating income to consolidated income before income taxes is as follows:

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	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(Dollars in millions)				
Consolidated segment operating income	$127.9	$122.2	$352.8	$350.9
Unallocated corporate expense (1)	(18.0)	(19.7)	(58.9)	(60.1)
Restructuring charges (2)	(4.0)	(3.0)	(11.0)	(9.8)
Stock-based compensation	(13.3)	(12.8)	(40.0)	(37.3)
Amortization of purchased intangible assets	(37.3)	(40.7)	(117.2)	(122.2)
Consolidated operating income	55.3	46.0	125.7	121.5
Non-operating income (expense), net:	(3.1)	(2.5)	(5.8)	2.0
Consolidated income before taxes	$52.2	$43.5	$119.9	$123.5

(1) Unallocated corporate expense includes general corporate expense, acquisition costs and executive transition costs.
(2) Restructuring charges primarily consist of severance and benefits, resulting from employee headcount reductions in connection with the Company's restructuring programs related to decisions to streamline processes and reduce the cost structure. As of the end of the third quarter of fiscal 2016, the Company's restructuring liability was $2.6 million, which was expected to be settled by the third quarter of fiscal 2017. Restructuring liabilities are reported within Other current liabilities on the Condensed Consolidated Balance Sheets.

NOTE 7. DEBT

Debt consisted of the following:

As of	Third Quarter of 2016	Fiscal Year End 2015
(Dollars in millions)		
Notes:		
Principal amount	$400.0	$ 400.0
Unamortized discount on Notes	(2.6)	(2.8)
Debt issuance costs	(2.5)	(2.7)
Credit Facilities:		
2014 Credit Facility	129.0	216.0
Uncommitted facilities	145.0	118.0
Promissory notes and other debt	0.9	1.2
Total debt	669.8	729.7
Less: Short-term debt	145.3	118.3
Long-term debt	$524.5	$ 611.4

Notes

In November 2014, the Company issued $400.0 million of Senior Notes (Notes) in a public offering registered with the Securities and Exchange Commission. The Notes mature on December 1, 2024 and accrue interest at a rate of 4.75% per annum, payable semiannually in arrears in cash on December 1 and June 1 of each year. The Notes are classified as long-term in the Condensed Consolidated Balance Sheet and are presented net of unamortized discount and debt issuance costs. The discount and debt issuance costs are being amortized to interest expense using the effective interest rate method over the term of the Notes.

In connection with the Notes offering, Trimble entered into an Indenture with U.S. Bank National Association, as trustee. Trimble may redeem the Notes at its option at any time, in accordance with the terms and conditions set forth in the Indenture. The Indenture contains no financial covenants. Further details regarding the terms of the Notes, including the redemption rights, and the Indenture, are provided in the Company’s fiscal 2015 Annual Report on Form 10-K.

Credit Facilities

2014 Credit Facility

In November 2014, the Company entered into a five-year credit agreement with a group of lenders, which provides for an unsecured revolving loan facility of $1.0 billion (2014 Credit Facility). Under the 2014 Credit Facility, the Company may borrow, repay and

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reborrow funds under the revolving loan facility until its maturity on November 24, 2019, at which time the revolving facility will terminate, and all outstanding loans, together with all accrued and unpaid interest, must be repaid. The interest rate on the non-current debt outstanding under the 2014 Credit Facility was 1.73% and 1.46% at the end of the third quarter of fiscal 2016 and fiscal year end 2015, respectively, and is payable on a quarterly basis. Amounts not borrowed under the revolving facility will be subject to a commitment fee.

The outstanding balance of $129.0 million as of the end of the third quarter of fiscal 2016 and $216.0 million at the end of fiscal 2015 are classified as long-term debt in the Condensed Consolidated Balance Sheet. Unamortized debt issuance costs associated with the 2014 Credit Facility are presented as assets in the Condensed Consolidated Balance sheet and are being amortized to interest expense using the effective interest rate method over the term of the 2014 Credit Facility.

In February 2016, the Company entered into an amendment to the 2014 Credit Facility to facilitate the Company's proposed reincorporation from California to Delaware and to effect other non-financial terms. In August 2016, the Company entered into a second amendment to revise a definition used in determining when a change of control of the Company may occur.

The Company was in compliance with all covenants pertaining to the 2014 Credit Facility at the end of the third quarter of fiscal 2016.

Uncommitted Facilities

The Company also has two $75 million revolving credit facilities which are uncommitted (Uncommitted Facilities). The Uncommitted Facilities may be called by the lenders at any time, have no covenants and no specified expiration date. The $145.0 million outstanding at the end of the third quarter of fiscal 2016 and the $118.0 million outstanding at the end of fiscal 2015 under the Uncommitted Facilities are classified as short-term debt in the Condensed Consolidated Balance Sheet. The weighted average interest rate on the Uncommitted Facilities was 1.40% at the end of the third quarter of fiscal 2016 and 1.37% the end of fiscal 2015.

Promissory Notes and Other Debt

At the end of the third quarter of fiscal 2016 and the year end of fiscal 2015, the Company had promissory notes and other notes payable totaling approximately $0.9 million and $1.2 million, respectively, of which $0.6 million and $0.9 million, respectively, were classified as long-term in the Condensed Consolidated Balance Sheet.

Debt Maturities

At the end of the third quarter of fiscal 2016, the Company's debt maturities based on outstanding principal were as follows (in millions):

Year Payable	
2016 (Remaining)	$145.1
2017	0.3
2018	0.2
2019	129.1
2020	0.2
Thereafter	400.0
Total	$674.9

NOTE 8. CASH EQUIVALENTS AND INVESTMENTS

In September 2016, the Company invested $94.9 million in available-for-sale securities. The Company did not have any investments as of its fiscal 2015 year end. The following table summarizes the Company’s available-for-sale securities as of the end of the third quarter of fiscal 2016.

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(Dollars in millions)	Third Quarter of Fiscal 2016 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. Treasury securities	$11.7	$ —	$ —	$11.7
Municipal debt securities	10.0	—	—	10.0
Corporate debt securities	15.8	—	—	15.8
Commercial paper	57.4	—	—	57.4
Total available-for-sale securities	$94.9	$ —	$ —	$94.9
Reported as:				
Cash and cash equivalents	$32.8	$ —	$ —	$32.8
Short-term investments	62.1	—	—	62.1
Total	$94.9	$ —	$ —	$94.9

The Company did not recognize any realized gains or losses on its available-for-sale securities during the third quarter of fiscal 2016, or any unrealized gains or losses on its investments as of the end of the third quarter of fiscal 2016 due to the short duration of time the investments were held.

The following table presents the contractual maturities of the Company's available-for-sale investments as of the end of the third quarter of fiscal 2016.

(Dollars in millions)	Third Quarter of Fiscal 2016 Amortized Cost
Due in less than 1 year	$ 65.0
Due in 1 to 5 years	19.9
Due in 5-10 years	2.0
Due after 10 years	8.0
Total	$ 94.9

The Company’s available-for-sale securities are liquid and maybe sold in the future to fund future operating needs. As a result, the Company recorded all of its available-for-sale securities, not classified as cash equivalents, in Short-term investments as of the end of the third quarter of fiscal 2016, regardless of the contractual maturity date of the securities.

NOTE 9. FAIR VALUE MEASUREMENTS

The Company determines fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Where available, fair value is based on observable market prices or parameters. Where observable prices or inputs are not available, valuation models are applied. Hierarchical levels, defined by the guidance on fair value measurements, are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, and are as follows:

Level I—Quoted prices in active markets for identical assets or liabilities.

Level II—Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
Level III—Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

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Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations.

	Fair Values as of the end of the Third Quarter of Fiscal 2016				Fair Values as of Fiscal Year End 2015			
(Dollars in millions)	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Assets								
Available-for-sale securities:								
U.S. Treasury securities (1)	$—	$ 11.7	$ —	$11.7	$—	$—	$ —	$—
Municipal debt securities (1)	—	10.0	—	10.0	—	—	—	—
Corporate debt securities (1)	—	15.8	—	15.8	—	—	—	—
Commercial paper (1)	—	57.4	—	57.4	—	—	—	—
Total available-for-sale securities	—	94.9	—	94.9	—	—	—	—
Deferred compensation plan assets (2)	22.5	—	—	22.5	21.1	—	—	21.1
Derivative assets (3)	—	0.2	—	0.2	—	2.9	—	2.9
Contingent consideration assets (4)	—	—	7.0	7.0	—	—	7.0	7.0
Total assets measured at fair value	$22.5	$ 95.1	$ 7.0	$124.6	$21.1	$2.9	$ 7.0	$31.0
Liabilities								
Deferred compensation plan liabilities (2)	$22.5	$ —	$ —	$22.5	$21.1	$—	$ —	$21.1
Derivative liabilities (3)	—	0.1	—	0.1	—	2.1	—	2.1
Contingent consideration liabilities (5)	—	—	4.5	4.5	—	—	6.6	6.6
Total liabilities measured at fair value	$22.5	$ 0.1	$ 4.5	$27.1	$21.1	$2.1	$ 6.6	$29.8

(1) The Company’s available-for sale securities are valued using readily available pricing sources for comparable instruments, or model-driven valuations using significant inputs derived from or corroborated by observable market data, including yield curves and credit ratings.

(2) The Company maintains a self-directed, non-qualified deferred compensation plan for certain executives and other highly compensated employees. The plan assets and liabilities are invested in actively traded mutual funds and individual stocks valued using observable quoted prices in active markets. Deferred compensation plan assets and liabilities are included in Other non-current assets and Other non-current liabilities, respectively, on the Company's Condensed Consolidated Balance Sheets.

(3) Derivative assets and liabilities primarily represent forward currency exchange contracts. The Company typically enters into these contracts to minimize the short-term impact of foreign currency exchange rates on certain trade and inter-company receivables and payables. Derivative assets and liabilities are included in Other current assets and Other current liabilities on the Company's Condensed Consolidated Balance Sheets.

(4) Contingent consideration assets represent arrangements for buyers to pay the Company for certain businesses that it has divested. The fair value is determined based on the Company's expectations of future receipts. The minimum amount to be received under these arrangements is $3.5 million. Contingent consideration assets are included in Other receivables and Other non-current assets on the Company's Condensed Consolidated Balance Sheets.

(5) Contingent consideration liabilities represent arrangements to pay the former owners of certain companies that Trimble acquired. The undiscounted maximum payment under the arrangements is $18.1 million at the end of the third quarter of fiscal 2016, based on estimated future revenues, gross margins or other milestones. Contingent consideration liabilities are included in Other current liabilities and Other non-current liabilities on the Company's Condensed Consolidated Balance Sheets.

Additional Fair Value Information

The following table provides additional fair value information relating to the Company’s financial instruments outstanding:

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As of	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Third Quarter of Fiscal 2016		Fiscal Year End 2015	
(Dollars in millions)				
Liabilities:				
Notes	$400.0	$407.0	$400.0	$399.9
2014 Credit Facility	129.0	129.0	216.0	216.0
Uncommitted facilities	145.0	145.0	118.0	118.0
Promissory notes and other debt	0.9	0.9	1.2	1.2

The fair value of the Notes was determined based on observable market prices in less active markets and is categorized accordingly as Level II in the fair value hierarchy. The fair value of the bank borrowings and promissory notes has been calculated using an estimate of the interest rate the Company would have had to pay on the issuance of notes with a similar maturity and discounting the cash flows at that rate, and is categorized as Level II in the fair value hierarchy. The fair values do not give an indication of the amount that the Company would currently have to pay to extinguish any of this debt.

NOTE 10. PRODUCT WARRANTIES

The Company accrues for warranty costs as part of its cost of sales based on associated material product costs, technical support, labor costs, and costs incurred by third parties performing work on the Company's behalf. The Company's expected future costs are primarily estimated based upon historical trends in the volume of product returns within the warranty period and the costs to repair or replace the equipment. When products sold include warranty provisions, they are covered by a warranty for periods ranging generally from 1 year to 2 years.

While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of component suppliers, its warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage, or service delivery costs differ from the estimates, revisions to the estimated warranty accrual and related costs may be required.

Changes in the Company's product warranty liability during the first three quarters of fiscal 2016 are as follows:

(Dollars in millions)	
Balance as of fiscal year end 2015	$18.5
Accruals for warranties issued	13.5
Changes in estimates	0.5
Warranty settlements (in cash or in kind)	(14.4)
Balance as of the end of the third quarter of fiscal 2016	$18.1

NOTE 11. EARNINGS PER SHARE

Basic earnings per share is computed by dividing Net income attributable to Trimble Navigation Limited by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing Net income attributable to Trimble Navigation Limited by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, shares to be purchased under the Company's employee stock purchase plan and restricted stock units. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities.

The following table shows the computation of basic and diluted earnings per share:

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	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(In millions, except per share amounts)				
Numerator:				
Net income attributable to Trimble Navigation Limited	$39.2	$37.1	$94.7	$97.1
Denominator:				
Weighted-average shares outstanding	249.7	254.8	250.5	257.5
Effect of dilutive securities	3.5	2.4	3.2	2.8
Weighted-average dilutive shares outstanding	253.2	257.2	253.7	260.3
Basic earnings per share	$0.16	$0.15	$0.38	$0.38
Diluted earnings per share	$0.15	$0.14	$0.37	$0.37

For the third quarter of fiscal 2016 and 2015, the Company excluded 4.0 million and 8.8 million shares of outstanding stock options, respectively, from the calculation of diluted earnings per share because their effect would have been antidilutive. For the first three quarters of fiscal 2016 and 2015, the Company excluded 4.5 million and 5.8 million shares of outstanding stock options, respectively, from the calculation of diluted earnings per share because their effect would have been antidilutive.

NOTE 12. INCOME TAXES

For the third quarter of fiscal 2016, the Company’s effective income tax rate was 25%, as compared to 15% in the corresponding period in fiscal 2015. The lower tax rate in the third quarter of fiscal 2015 was primarily due to discrete tax benefits from U.S. research credits and U.S. production activities, and foreign net operating loss benefit. For the first three quarters of fiscal 2016, the Company's effective income tax rate, after discrete items, was 21% as compared to 22% in the corresponding period in fiscal 2015. The decrease in the tax rate for the first three quarters of fiscal 2016 was primarily due to a one time discrete tax benefit from the APS divestiture in the second quarter of fiscal 2016, partially offset by the differences in the geographic mix of pre-tax income and a tax benefit from a closure of a foreign tax audit in the first quarter of fiscal 2015.

Historically, the Company's effective tax rate has been lower than the U.S. federal statutory rate of 35% primarily due to favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions. The Company has not provided U.S. taxes for all of such earnings due to the indefinite reinvestment of some of those earnings outside the U.S.

The Company and its subsidiaries are subject to U.S. federal and state, and foreign income tax. The Company is currently in different stages of multiple year examinations by the Internal Revenue Service (IRS) as well as various state and foreign taxing authorities.

In the first quarter of fiscal 2015, the Company received a Notice of Proposed Adjustment from the IRS for the fiscal years 2010 and 2011. The proposed adjustments primarily relate to the valuations of intercompany transfers of acquired intellectual property. The assessments of tax, interest and penalties for the years in question total $67.0 million. The Company does not agree with the IRS position and filed a protest with the IRS Appeals Office in April 2015. The IRS appeals process commenced in March, 2016. While the Company and the IRS continue the appeals process, the Company has not changed its conclusions regarding its original filing positions. No payments have been made on the assessment, and the Company intends to continue to vigorously defend its position.

Based on the information currently available, the Company does not anticipate a significant increase or decrease to its unrecognized tax benefits within the next twelve months. The unrecognized tax benefits of $60.3 million and $52.7 million as of the end of the third quarter of fiscal 2016 and fiscal year end 2015, respectively, if recognized, would favorably affect the effective income tax rate in future periods. Unrecognized tax benefits are recorded in Other non-current liabilities and in the deferred tax accounts in the accompanying Condensed Consolidated Balance Sheets.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company's unrecognized tax benefit liabilities include interest and penalties as of the end of the third quarter of fiscal 2016 and fiscal year end 2015, of $8.6 million and $6.7 million, respectively, which were recorded in Other non-current liabilities in the accompanying Condensed Consolidated Balance Sheets.

NOTE 13. COMMITMENTS AND CONTINGENCIES
Leases and Other Commitments

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The estimated future minimum operating lease commitments as of the end of the third quarter of fiscal 2016 are as follows (in millions):

2016 (Remaining)	$8.5
2017	29.4
2018	21.8
2019	15.9
2020	11.7
Thereafter	32.7
Total	$120.0

As of the end of the third quarter of fiscal 2016, the Company had unconditional purchase obligations of approximately $146.8 million. These unconditional purchase obligations primarily represent open non-cancelable purchase orders for material purchases with the Company’s vendors. Purchase obligations exclude agreements that are cancelable without penalty.

Litigation

On September 2, 2011, Recreational Data Services, LLC filed a lawsuit in the Superior Court for the State of Alaska in Anchorage against Trimble Navigation Limited, Cabela’s Incorporated, AT&T Mobility and Alascom, Inc., alleging breach of contract, breach of fiduciary duty, interference with contract, promissory estoppel, fraud, and negligent misrepresentation. The case was tried in front of a jury in Alaska beginning on September 9, 2014. On September 26, 2014, the jury returned a verdict in favor of the plaintiff and awarded the plaintiff damages of $51.3 million. On January 29, 2015, the court granted our Motion for Judgment notwithstanding the Verdict, and on March 18, 2015, the Court awarded the Company a portion of its incurred attorneys’ fees and costs, and entered Final Judgment in the Company’s favor in the amount of $0.6 million. The Final Judgment also provides that the plaintiff take nothing on its claims. On April 17, 2015, the plaintiff filed a Notice of Appeal to the Alaska Supreme Court. The parties have completed all appellate briefing, and oral arguments were heard before the Alaska Supreme Court on February 24, 2016. A decision by the Alaska Supreme Court has not been made.

From time to time, the Company is also involved in litigation arising out of the ordinary course of our business. There are no other material legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of the Company's or its subsidiaries' property is subject.

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SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are subject to the “safe harbor” created by those sections. These statements include, among other things:

- the portion of our revenue coming from sales to international customers;
- seasonal fluctuations in our construction and agricultural equipment business revenues, geospatial and macroeconomic conditions and business conditions in the markets we serve;
- our plans to continue to invest in research and development at a rate consistent with our past, to develop and introduce new products, and to improve our competitive position, and to enter new markets;
- our belief that increases in recurring revenue from our software and solutions will provide us with enhanced business visibility over time;
- our potential exposure in connection with pending proceedings;
- our belief that our cash and cash equivalents, together with borrowings under our 2014 Credit Facility, will be sufficient to meet our anticipated operating cash needs, debt service, planned capital expenditures, and stock purchases under the stock repurchase program for at least the next twelve months;
- our expectation that planned capital expenditures will constitute a partial use of our cash resources; and
- fluctuations in interest rates.

The forward-looking statements regarding future events and the future results of Trimble Inc. (formerly Trimble Navigation Limited) (“Trimble” or “the Company” or “we” or “our” or “us”) are based on current expectations, estimates, forecasts, and projections about the industries in which Trimble operates and the beliefs and assumptions of the management of Trimble. Discussions containing such forward-looking statements may be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “should,” “could,” “predicts,” “potential,” “continue,” “exp “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” and similar expressions. These forward-looking statements involve certain risks and uncertainties that could cause actual results, levels of activity, performance, achievements, and events to differ materially from those implied by such forward-looking statements, including but not limited to those discussed in “Risk Factors” below and elsewhere in this report, as well as in the Company’s Annual Report on Form 10-K for fiscal year 2015 and in other reports Trimble files with the Securities and Exchange Commission, each as it may be amended from time to time. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q. We reserve the right to update these forward-looking statements for any reason, including the occurrence of material events, but assume no duty to update these statements to reflect subsequent events.

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

The discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the U. S. The preparation of these financial statements requires us to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying notes. We base our estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on our best knowledge of current events and actions that may impact us in the future, actual results may be different from the estimates.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our Condensed Consolidated Financial Statements. The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Condensed Consolidated Financial Statements and accompanying Notes. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management’s best knowledge of current events and actions that may impact the company in the future, actual results may be different from the estimates. Management believes that there have been no significant changes during the third quarter of fiscal 2016 to the items that we disclosed as our critical accounting policies and estimates in the Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2015 Annual Report on Form 10-K.

RECENT ACCOUNTING PRONOUNCEMENTS

For a summary of recent accounting pronouncements applicable to our Consolidated Financial Statements, see Note 2 to our Condensed Consolidated Financial Statements in Item 1, which is incorporated herein by reference.

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EXECUTIVE LEVEL OVERVIEW

Trimble began operations in 1978 and incorporated in California in 1981. On October 1, 2016, Trimble Navigation Limited changed its name to Trimble Inc. and changed its state of incorporation from the State of California to the State of Delaware (the “Reincorporation”). The Reincorporation was previously approved by our shareholders at our 2016 annual meeting of shareholders.

Trimble is a leading provider of technology solutions that optimize the work processes of office and mobile field professionals around the world. Our comprehensive process solutions are used across a range of industries including agriculture, architecture, civil engineering, construction, government, natural resources, transportation and utilities. Representative Trimble customers include engineering and construction firms, contractors, surveying companies, farmers and agricultural companies, transportation and logistics companies, energy, mining and utility companies, and state, federal and municipal governments.

Trimble focuses on integrating its broad technological and application capabilities to create vertically-focused, system-level solutions that transform how work is done within the industries we serve. The integration of sensors, software, connectivity, and information in our portfolio gives us the unique ability to provide an information model specific to the customer’s workflow. For example, in construction, our strategy is centered on the concept of a "constructible model" which is at the center of our "Connected Construction Site" solutions which provide real-time, connected, and cohesive information environments for the design, build, and operational phases of projects. In agriculture, we continue to develop “Connected Farm” solutions to optimize operations across the agriculture workflow. In transportation and logistics, our “Connected Fleet” solutions provide transportation companies with tools to enhance fuel efficiency, safety, and transparency through connected vehicles and fleets across the enterprise.

Our growth strategy is centered on multiple elements:

- Focus on attractive markets with significant growth and profitability potential - We focus on large markets historically underserved by technology that offer significant potential for long-term revenue growth, profitability and market leadership. Our core industries such as construction, agriculture, and transportation markets are each multi-trillion dollar global industries which operate in increasingly demanding environments with technology adoption in the early phases relative to other industries. With the emergence of mobile computing capabilities, the increasing technological know-how of end users and the compelling return on investment to our customers, we believe many of our markets are ripe for substituting Trimble’s technology and solutions in place of traditional operating methods.
- Domain knowledge and technological innovation that benefit a diverse customer base - We have over time redefined our technological focus from hardware-driven point solutions to integrated work process solutions by developing domain expertise and heavily reinvesting in R&D and acquisitions. We have been spending an average of 13% to 15% of revenue over the past several years on R&D and currently have over 1,100 unique patents. We intend to continue to take advantage of our technology portfolio and deep domain knowledge to quickly and cost-effectively deliver specific, targeted solutions to each of the vertical markets we serve. We look for growth where the opportunity for technological change is high and which have a requirement for the integration of multiple technologies into complete vertical solutions.
- Increasing focus on software and services - Software and services are increasingly important elements of our solutions and are core to our growth strategy. Trimble has an open application programming interface (API) philosophy and open vendor environment which leads to increased adoption of our software offerings. Professional services constitute an additional growth channel that helps our customers integrate and optimize the use of our offerings in their environment. The increased recurring revenue from these solutions will provide us with enhanced business visibility over time.
- Geographic expansion with localization strategy - We view international expansion as an important element of our strategy and we continue to position ourselves in geographic markets that will serve as important sources of future growth. We currently have a physical presence in 43 countries and distribution channels in over 100 countries. In the third quarter of fiscal 2016, 50% of our sales were to customers located in countries outside of the U.S.
- Optimized distribution channels to best access our markets - We utilize vertically-focused distribution channels that leverage domain expertise to best serve the needs of individual markets domestically and abroad. These channels include independent dealers, joint ventures, original equipment manufacturers (OEM) sales, and distribution alliances

with key partners, such as CNH Global, Caterpillar, and Nikon, as well as direct sales to end-users, that provide us with broad market reach and localization capabilities to effectively serve our markets.

- Strategic acquisitions - Organic growth continues to be our primary focus, while acquisitions serve to enhance our market position. We acquire businesses that bring technology, products, or distribution capabilities that augment our portfolio and allow us to penetrate existing markets more effectively, or to establish a market beachhead. Our level of success in targeting and effectively integrating acquisitions is an important aspect of our growth strategy.

Trimble's focus on these growth drivers has led over time to growth in revenue and profitability as well as an increasingly diversified business model. Software and services growth is driving increased recurring revenue, leading to improved visibility in some of our businesses. As our solutions have expanded, our go to market model has also evolved, with a balanced mix between direct, distribution and OEM customers, and an increasing number of enterprise level customer relationships.

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For the third quarter of 2016, revenue increased by $21.8 million as compared to the third quarter of 2015. By geography, performance in the third quarter was mixed. North America was slightly up, Europe was slightly down, Asia-Pacific and the rest of the world was up year over year. Within the quarter, we continued to experience a shift in revenue towards a more significant mix of software, recurring revenue, and services, driven both by organic growth and acquisitions.

During the first three quarters of fiscal 2016, we acquired three businesses, with total cash consideration of $13.6 million, all in our Engineering and Construction segment. The largest acquisition was a cloud-based software developer for the design of sustainable and high-performance buildings, based in London and New York. Our Condensed Consolidated Statements of Income include the operating results of the businesses from the dates of acquisition.

In addition, during the first three quarters of 2016, we sold the Omega Group assets and Advanced Public Safety (APS) business for total cash consideration of $12.0 million. Both divested businesses provide software solutions for public safety agencies and were part of our Mobile Solutions segment. Our Condensed Consolidated Statements of Income exclude the operating results of the businesses from the dates of divestiture.

Seasonality of Business

Construction purchases tend to occur in early spring, and U.S. governmental agencies tend to utilize funds available at the end of the government's fiscal year for additional purchases at the end of our third fiscal quarter in September of each year. Our agricultural equipment business revenues have historically been the highest in the first quarter, followed by the second quarter, reflecting buying in anticipation of the spring planting season in the Northern hemisphere. However, overall as a company, as a result of diversification of our business across segments and the increased impact of subscription revenues, we may experience less seasonality in the future. Changes in global macroeconomic conditions could also impact the level of seasonality we experience.

RESULTS OF OPERATIONS

Overview

The following table is a summary of revenue, gross margin and operating income for the periods indicated and should be read in conjunction with the narrative descriptions below.

	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(Dollars in millions)				
Revenue:				
Product	$384.9	$373.0	$1,185.5	$1,168.2
Service	105.6	103.9	316.9	310.5
Subscription	93.6	85.4	274.3	252.0
Total revenue	$584.1	$562.3	1,776.7	1,730.7
Gross margin	$309.0	$298.0	$925.2	$909.1
Gross margin %	52.9 %	53.0 %	52.1 %	52.5 %
Operating income	$55.3	$46.0	$125.7	$121.5
Operating income %	9.5 %	8.2 %	7.1 %	7.0 %

Revenue

In the third quarter of fiscal 2016, total revenue increased $21.8 million or 4% as compared to the third quarter of fiscal 2015. Product revenue increased $11.9 million or 3%, service revenue increased $1.7 million or 2%, and subscription revenue increased $8.2 million or 10%. In the first three quarters of fiscal 2016, total revenue increased $46.0 million or 3%, as compared to the first three quarters of fiscal 2015. Of this increase, product revenue increased $17.3 million or 1%, service revenue increased $6.4 million or 2%, and subscription revenue increased $22.3 million or 9%. For the third quarter, the product, service and subscription increases were primarily due to organic growth in Engineering and Construction and Mobile Solutions and to a lesser extent, acquisition growth in Field Solutions. Advanced Devices also contributed to the product revenue for the quarter. For the first three quarters, product, service and subscription revenue increases were due to organic growth in Engineering and Construction and Mobile Solutions, partially offset by a decrease within Field Solutions and Advanced Devices for the first three quarters of the year. We consider organic growth to include all revenue except for revenue associated with acquisitions made within the last four quarters.

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On a segment basis, Engineering and Construction revenue for the third quarter of fiscal 2016 increased $6.0 million or 2%, Mobile Solutions increased $6.9 million or 5%, Field Solutions increased $4.4 million or 6%, and Advanced Devices increased $4.5 million or 15%, as compared to the third quarter of fiscal 2015. Engineering and Construction revenue for the first three quarters of fiscal 2016 increased $29.2 million or 3% and Mobile Solutions increased $24.8 million or 6%, partially offset by a decrease in Field Solutions of $4.9 million or 2% and Advanced Devices of $3.1 million or 3%, as compared to the corresponding period of fiscal 2015. For the third quarter, Engineering and Construction revenue increased primarily driven by civil engineering and construction organic growth, partially offset by declines in geospatial. Field Solutions revenue increased due to strong performance in agriculture, particularly in Latin America. Mobile Solutions revenue increased due to continued growth in the transportation and logistics market. Advanced Devices revenue increased for the third quarter due to strong OEM and end user demand. For the first three quarters, Engineering and Construction revenue increased driven by civil engineering and construction, partially offset by declines in geospatial. Field Solutions revenue was down for the first three quarters due to softness in agriculture markets in the first quarter. Mobile Solutions revenue increased due to continued growth in the transportation and logistics market. Advanced Devices revenue was down for the first three quarters due to decreased OEM and end user demand in the first quarter as compared to prior year first quarter sales.

Gross Margin

Gross margin varies due to a number of factors including product mix, pricing, distribution channel, production volumes and foreign currency translations.

Gross margin increased by $11.0 million and $16.1 million for the third quarter and first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. Gross margin as a percentage of total revenue was 52.9% and 52.1% for the third quarter and first three quarters of fiscal 2016, respectively, as compared to 53.0% and 52.5% for the corresponding periods in fiscal 2015. The slight decrease for the third quarter and first three quarters was primarily attributable to geospatial product mix within Engineering and Construction and transportation and logistics hardware and subscription product mix within Mobile Solutions, partially offset by product mix within Field Solutions.

Operating Income

Operating income increased by $9.3 million and $4.2 million for the third quarter and the first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. Operating income as a percentage of total revenue was 9.5% for the third quarter and 7.1% for the first three quarters of fiscal 2016, respectively, as compared to 8.2% and 7.0% for the corresponding periods in fiscal 2015.

The increases to operating income and operating income percentage for the third quarter were attributable to revenue increases across all segments and strong operating expense control as well as lower amortization of purchased intangible assets, partially offset by selected investments in growth opportunities in Engineering and Construction and Mobile Solutions. Operating income and operating income percentage for the first three quarters of fiscal 2016 was negatively impacted by a decrease in Field Solutions and Advanced Devices sales in the first quarter as compared to the prior year period.

Results by Segment

To achieve distribution, marketing, production, and technology advantages in our targeted markets, we manage our operations in the following four segments: Engineering and Construction, Field Solutions, Mobile Solutions, and Advanced Devices. Operating income is revenue less cost of sales and operating expense, excluding general corporate expense, acquisition/divestiture costs, amortization of purchased intangible assets, restructuring charges, stock-based compensation and executive transition costs.

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The following table is a summary of revenue and operating income by segment:

	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(Dollars in millions)				
Engineering and Construction				
Revenue	$332.4	$326.4	$993.4	$964.2
Segment revenue as a percent of total revenue	57 %	58 %	56 %	56 %
Operating income	$69.1	$68.8	$175.0	$166.3
Operating income as a percent of segment revenue	21 %	21 %	18 %	17 %
Field Solutions				
Revenue	$77.9	$73.5	$271.0	$275.9
Segment revenue as a percent of total revenue	13 %	13 %	15 %	16 %
Operating income	$22.1	$19.5	$81.5	$85.0
Operating income as a percent of segment revenue	28 %	27 %	30 %	31 %
Mobile Solutions				
Revenue	$138.5	$131.6	$412.9	$388.1
Segment revenue as a percent of total revenue	24 %	23 %	23 %	22 %
Operating income	$22.4	$23.1	$60.2	62.5
Operating income as a percent of segment revenue	16 %	18 %	15 %	16 %
Advanced Devices				
Revenue	$35.3	$30.8	$99.4	$102.5
Segment revenue as a percent of total revenue	6 %	6 %	6 %	6 %
Operating income	$14.3	$10.8	$36.1	$37.1
Operating income as a percent of segment revenue	41 %	35 %	36 %	36 %

A reconciliation of our consolidated segment operating income to consolidated income before taxes follows:

	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(Dollars in millions)				
Consolidated segment operating income	$127.9	$122.2	$352.8	$350.9
Unallocated corporate expense	(18.0)	(19.7)	(58.9)	(60.1)
Restructuring charges	(4.0)	(3.0)	(11.0)	(9.8)
Stock-based compensation	(13.3)	(12.8)	(40.0)	(37.3)
Amortization of purchased intangible assets	(37.3)	(40.7)	(117.2)	(122.2)
Consolidated operating income	55.3	46.0	125.7	121.5
Non-operating income (expense), net:	(3.1)	(2.5)	(5.8)	2.0
Consolidated income before taxes	$52.2	$43.5	$119.9	$123.5

Unallocated corporate expense includes general corporate expense, acquisition costs and executive transition costs.

Engineering and Construction

Engineering and Construction revenue increased by $6.0 million or 2% and $29.2 million or 3% for the third quarter and first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. Segment operating income was flat for the third quarter and increased $8.7 million or 5% for the first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015.

The revenue increase for the third quarter and first three quarters of fiscal 2016 was primarily due to civil engineering and construction driven by strong OEM sales, partially offset by declines in geospatial due to continued challenges in the North American market from the after effects of lower oil and gas prices which reduced product demand.

Operating income increased for the third quarter and first three quarters of fiscal 2016 primarily due to stronger results in civil engineering and construction

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and operating expense control across all businesses, partially offset by weaker geospatial results and growth related investments in the segment.

Field Solutions

Field Solutions revenue increased $4.4 million or 6% for the third quarter of fiscal 2016 and decreased by $4.9 million or 2% for the first three quarters of fiscal 2016, as compared to the corresponding periods in fiscal 2015. Segment operating income increased by $2.6 million or 13% for the third quarter and decreased by $3.5 million or 4% for the first three quarters of fiscal 2016, as compared to the corresponding periods in fiscal 2015.

Field Solutions revenue increased for the third quarter, due to strong performance in agriculture, particularly in Latin America as well as the impact of acquisitions, partially offset by a decline in GIS. Operating income was up for the third quarter due to stronger agriculture results including higher margin product mix and expense control across all businesses, partially offset by weaker GIS results. Field Solutions revenue and operating income decreased for the first three quarters primarily due to softness in the agriculture markets in the first quarter and continued weakness in GIS, partially offset by the impact of acquisitions.

Mobile Solutions

Mobile Solutions revenue increased by $6.9 million or 5% and $24.8 million or 6% for the third quarter and first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. Segment operating income was flat for the third quarter of fiscal 2016 and decreased by $2.3 million or 4% for first three quarters of fiscal 2016, as compared to the corresponding periods in fiscal 2015.

Mobile Solutions revenue increased for the third quarter and first three quarters of fiscal 2016 primarily due to continued organic growth in the transportation and logistics business, with strength expected throughout the year. Although revenue was up, operating income was down for third quarter and first three quarters of fiscal 2016 primarily due to the impact of lower margin product mix and growth related investments in the segment.

Advanced Devices

Advanced Devices revenue increased by $4.5 million or 15% for the third quarter of fiscal 2016 and decreased by $3.1 million or 3% for the first three quarters of fiscal 2016, as compared to the corresponding periods in fiscal 2015. Segment operating income increased by $3.5 million or 32% for the third quarter and decreased by $1.0 million or 3% for the first three quarters of fiscal 2016, as compared to the corresponding periods in fiscal 2015.

Advanced Devices revenue and operating income increased for the third quarter of fiscal 2016 primarily due to strong OEM and end user sales and operating expense control. Advanced Devices revenue and operating income decreased for the first three quarters of fiscal 2016 primarily due to weaker OEM and end user sales in the first quarter, as compared to the corresponding period in the prior year.

Research and Development, Sales and Marketing and General and Administrative Expense

Research and development (R&D), sales and marketing (S&M) and general and administrative (G&A) expense are summarized in the following table:

	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(Dollars in millions)				
Research and development	$86.9	$79.6	$266.6	$251.3
Percentage of revenue	15 %	14 %	15 %	15 %
Sales and marketing	$88.6	$89.1	$282.7	$281.8
Percentage of revenue	15 %	16 %	16 %	16 %
General and administrative	$59.2	$63.2	$193.1	$192.1
Percentage of revenue	10 %	11 %	11 %	11 %
Total	$234.7	$231.9	$742.4	$725.2
Percentage of revenue	40 %	41 %	42 %	42 %

Overall, R&D, S&M and G&A expense increased by approximately $2.8 and $17.2 million for the third quarter and first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015.

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Research and development expense increased by $7.3 million or 9% and $15.3 million or 6% for the third quarter and first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. Overall, research and development spending was 15% of revenue in both the third quarter and first three quarters of fiscal 2016, respectively, as compared to approximately 14% and 15% in the corresponding periods of fiscal 2015.
As compared to the prior year, the third quarter of fiscal 2016 research and development expense increased due to higher compensation expense, increased consulting costs, and an increase due to expense from acquisitions not applicable in the prior corresponding period, partially offset by a decrease due to favorable foreign exchange rates and other expenses.
As compared to the prior year, the first three quarters of fiscal 2016 research and development expense increased due to expense from acquisitions not applicable in the prior corresponding period, higher compensation expense, and increased consulting costs, partially offset by a decrease due to favorable foreign exchange rates and other expenses.

We believe that the development and introduction of new products are critical to our future success and we expect to continue active development of new products.

Sales and marketing expense was flat for both the third quarter and first three quarters of fiscal 2016, as compared to the corresponding periods in fiscal 2015. Overall, spending for sales and marketing was 15% and 16% of revenue in the third quarter and first three quarters of fiscal 2016, respectively, as compared to approximately 16% in both the corresponding periods of fiscal 2015.

As compared to the prior year, the third quarter of fiscal 2016 sales and marketing expense increased due to expense from acquisitions not applicable in the prior corresponding period, partially offset by a decrease in travel and other expenses.

As compared to the prior year, the first three quarters of fiscal 2016 sales and marketing expense increased due to expense from acquisitions not applicable in the prior corresponding period, partially offset by a decrease in travel and other expenses, and a decrease due to favorable foreign exchange rates.

General and administrative expense decreased by $4.0 million, or 6% for the third quarter of fiscal 2016 and increased by $1.0 million or 1% for the first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. Overall, general and administrative spending was 10% and 11% of revenue in the third quarter and first three quarters of fiscal 2016, respectively, as compared to approximately 11% in both the corresponding periods of fiscal 2015.

As compared to the prior year, the third quarter of fiscal 2016 general and administrative expense decreased due to lower tax and legal costs, lower travel and consulting expense, and a decrease due to favorable foreign exchange rates, partially offset by an increase due to expense from acquisitions not applicable in the prior corresponding period.

As compared to the prior year, the first three quarters of fiscal 2016 general and administrative expense increased due to expense from acquisitions not applicable in the prior corresponding period, partially offset by a decrease due to lower tax and legal costs.
Restructuring charges
Restructuring charges primarily consist of severance and benefits, resulting from employee headcount reductions in connection with our restructuring programs related to decisions to streamline processes and reduce the cost structure. As of the end of the third quarter of fiscal 2016, our restructuring liability was $2.6 million, which was expected to be settled by the third quarter of fiscal 2017. Restructuring liabilities are reported within Other current liabilities on the Condensed Consolidated Balance Sheets.
Amortization of Purchased Intangible Assets

Amortization of purchased intangible assets was $37.3 million in the third quarter of fiscal 2016, as compared to $40.7 million in the third quarter of fiscal 2015. Of the total $37.3 million in the third quarter of fiscal 2016, $15.5 million is presented as a separate line within Operating expense and $21.8 million is presented as a separate line within Cost of sales in our Condensed Consolidated Statements of Income. Of the total $40.7 million in the third quarter of fiscal 2015, $17.4 million is presented as a separate line within Operating expense and $23.3 million is presented as a separate line within Cost of sales in our Condensed Consolidated Statements of Income. Amortization in the third quarter and first three quarters of fiscal 2016 reflects acquisitions not included in the the corresponding periods of fiscal 2015 offset by the expiration of amortization for prior acquisitions. As of the end of the third quarter of fiscal 2016 future amortization of intangible assets is expected to be $35.1 million during the remainder of fiscal 2016, $128.4 million during 2017, $100.3 million during 2018, $59.8 million during 2019, $31.4 million during 2020 and $16.1 million thereafter.

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Non-operating Income (Expense), Net

The components of Non-operating income (expense), net, were as follows:

	Third Quarter of		First Three Quarters of	
	2016	2015	2016	2015
(Dollars in millions)				
Interest expense	$(6.6)	$(6.4)	$(19.8)	$(19.1)
Foreign currency transaction gain (loss), net	—	0.1	(1.6)	1.2
Income from equity method investments, net	5.2	4.7	13.9	14.1
Other income (expense), net	(1.7)	(0.9)	1.7	5.8
Total non-operating income (expense), net	$(3.1)	$(2.5)	$(5.8)	$2.0

Non-operating income (expense), net decreased $0.6 million and $7.8 million for the third quarter and first three quarters of fiscal 2016, respectively, as compared to the corresponding periods in fiscal 2015. The decrease for the third quarter was primarily due to losses recognized on divested businesses, partially offset by gains on deferred compensation plan. The decrease for the first three quarters related to gains recognized on divested businesses in the prior year, as well as changes in foreign currency transaction gains and losses.

Income Tax Provision

Our effective income tax rate, after discrete items, for the third quarter of fiscal 2016 was 25%, as compared to 15% in the corresponding period in fiscal 2015. The lower tax rate in the third quarter of fiscal 2015 was primarily due to discrete tax benefits from U.S. research credits and U.S. production activities, and foreign net operating loss benefit. For the first three quarters of fiscal 2016, our effective income tax rate, after discrete items, was 21% as compared to 22% in the corresponding period in fiscal 2015. The decrease in the tax rate for the first three quarters of fiscal 2016 was primarily due to a one time discrete tax benefit from the APS divestiture in the second quarter of fiscal 2016, partially offset by the differences in the geographic mix of pre-tax income and a tax benefit from a closure of a foreign tax audit in the first quarter of fiscal 2015.

Historically, our effective tax rate has been lower than the U.S. federal statutory rate of 35% primarily due to the favorable tax rates associated with certain earnings from operations in lower-tax jurisdictions. We have not provided U.S. taxes for such earnings due to the indefinite reinvestment of some of those earnings outside the U.S.

OFF-BALANCE SHEET FINANCINGS AND LIABILITIES

Other than lease commitments incurred in the normal course of business, we do not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets, or any obligation arising out of a material variable interest in an unconsolidated entity. We do not have any majority-owned subsidiaries that are not included in the Condensed Consolidated Financial Statements. Additionally, we do not have any interest in, or relationship with, any special purpose entities.

In the normal course of business to facilitate sales of our products, we indemnify other parties, including customers, lessors and parties to other transactions with us, with respect to certain matters. We have agreed to hold the other party harmless against losses arising from a breach of representations or covenants, or out of intellectual property infringement or other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. From time to time, in connection with divesting some of our businesses or assets, we may also indemnify purchasers for certain matters in the normal course of business, such as breaches of representations, covenants or excluded liabilities. In addition, we have entered into indemnification agreements with our officers and directors, and our bylaws contain similar indemnification obligations to our agents.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, payments made by us under these agreements were not material and no liabilities have been recorded for these obligations on the Condensed Consolidated Balance Sheets as of the end of the third quarter of fiscal 2016 and fiscal year end 2015.

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LIQUIDITY AND CAPITAL RESOURCES

As of	Third Quarter of 2016	Fiscal Year End 2015
(In millions)		
Cash and cash equivalents	$213.5	$ 116.0
Short-term investments	62.1	—
Total cash, cash equivalents, and investments	275.6	116.0
As a percentage of total assets	7.4 %	3.2 %
Principal balance of outstanding debt	674.9	735.2

	First Three Quarters of 2016	2015
(In millions)		
Cash provided by operating activities	$282.0	$ 276.4
Cash used in investing activities	(78.6)	(113.4)
Cash used in financing activities	(107.5)	(177.0)
Effect of exchange rate changes on cash and cash equivalents	1.6	(10.4)
Net increase (decrease) in cash and cash equivalents	$97.5	$ (24.4)

Cash and Cash Equivalents and Short-Term Investments

As of the end of the third quarter of fiscal 2016, cash, cash equivalents, and short-term investments totaled 275.6 million as compared to 116.0 million as of fiscal year end 2015. We had a principal balance of outstanding debt of $674.9 million as of the end of the third quarter of fiscal 2016, as compared to $735.2 million as of fiscal year end 2015.

Our ability to continue to generate cash from operations will depend in large part on profitability, the rate of collections of accounts receivable, our inventory turns and our ability to manage other areas of working capital.

Our cash, cash equivalents and short-term investments are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions considered to be of reputable credit and to present little credit risk. Our investment policy requires the portfolio to include only securities with high credit quality and a weighted average maturity not to exceed 6 months, with the main objective of preserving capital and maintaining liquidity. We maintain an investment portfolio of various holdings, types, and maturities. We classify our investments as short-term investments based on their nature and their availability for use in current operations. We believe that our cash and cash equivalents, short-term investments, and borrowings under our 2014 Credit Facility as described below under the heading “Debt”, will be sufficient to meet our anticipated operating cash needs, debt service, planned capital expenditures, acquisitions and stock repurchases under the stock repurchase program for at least the next twelve months.

We anticipate that planned capital expenditures primarily for enhancements of our ERP system, computer equipment, software, manufacturing tools and test equipment and leasehold improvements associated with business expansion, will constitute a partial use of our cash resources. Decisions related to how much cash is used for investing are influenced by the expected amount of cash to be provided by operations.

Operating Activities

Cash provided by operating activities was $282.0 million for the first three quarters of fiscal 2016, as compared to $276.4 million for the first three quarters of fiscal 2015. The increase of $5.6 million was primarily driven by a decrease in working capital requirements.

Investing Activities

Cash used in investing activities was $78.6 million for the first three quarters of fiscal 2016, as compared to $113.4 million for the first three quarters of fiscal 2015. The decrease of $34.8 million was primarily due to reduced spending for business acquisitions and capital expenditures, partially offset by purchases of available-for-sale investments.

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Financing Activities

Cash used in financing activities was $107.5 million for the first three quarters of fiscal 2016, as compared to $177.0 million for the first three quarters of fiscal 2015. The decrease of cash used in financing activities of $69.5 million was primarily due to a decrease in stock repurchases and payments on debt and revolving credit lines.

Accounts Receivable and Inventory Metrics

As of	Third Quarter of 2016	Fiscal Year End 2015
Accounts receivable days sales outstanding	58	59
Inventory turns per year	4.6	4.0

Accounts receivable days sales outstanding were down at 58 days as of the end of the third quarter of fiscal 2016, as compared to 59 days as of the end of fiscal 2015. Accounts receivable days sales outstanding are calculated based on ending accounts receivable, net, divided by revenue for the corresponding fiscal quarter, times a quarterly average of 91 days. Our inventory turns were 4.6 as of the end of the third quarter of fiscal 2016 and 4.0 as of the end of fiscal 2015. Our inventory turnover is calculated based on total cost of sales for the most recent twelve months divided by average ending inventory, net, for this same twelve month period.

Debt

Notes

In November 2014, we issued $400.0 million of Senior Notes (Notes) in a public offering registered with the Securities and Exchange Commission. The Notes mature on December 1, 2024 and accrue interest at a rate of 4.75% per annum, payable semiannually in arrears in cash on December 1 and June 1 of each year. In connection with the Notes offering, we entered into an Indenture with U.S. Bank National Association, as trustee. We may redeem the Notes at our option at any time, in accordance with the terms and conditions set forth in the Indenture. Further details regarding the terms of the Notes, including the redemption rights, and the Indenture, are provided in the Company’s Annual Report on Form 10-K for fiscal 2015.

2014 Credit Facility

In November 2014, we entered into a five-year credit agreement with a group of lenders, which provides for an unsecured revolving loan facility of $1.0 billion (2014 Credit Facility). Under the 2014 Credit Facility, we may borrow, repay and reborrow funds under the revolving loan facility until its maturity on November 24, 2019, at which time the revolving facility will terminate, and all outstanding loans, together with all accrued and unpaid interest, must be repaid. The interest rate on the non-current debt outstanding under the 2014 Credit Facility was 1.73% and 1.46% at the end of the third quarter of fiscal 2016 and fiscal year end 2015, respectively, and is payable on a quarterly basis. Amounts not borrowed under the revolving facility will be subject to a commitment fee. In February 2016, we entered into an amendment to the 2014 Credit Facility to facilitate our proposed reincorporation from California to Delaware and to effect other non-financial terms. In August 2016, we entered into a second amendment to revise a definition used in determining when a change of control of the Company may occur. We were in compliance with all covenants pertaining to the 2014 Credit Facility at the end of the third quarter of fiscal 2016.

Uncommitted Facilities

We also have two $75 million revolving credit facilities which are uncommitted (Uncommitted Facilities). The Uncommitted Facilities may be called by the lenders at any time, have no covenants and no specified expiration date. The $145.0 million outstanding at the end of the third quarter of fiscal 2016 and the $118.0 million outstanding at the end of fiscal 2015 under the Uncommitted Facilities are considered short-term. The weighted average interest rate on the Uncommitted Facilities was 1.40% at the end of the third quarter of fiscal 2016 and 1.37% the end of fiscal 2015.

Promissory Notes and Other Debt

At the end of the third quarter of fiscal 2016 and the end of fiscal 2015, we had promissory notes and other notes payable totaling approximately $0.9 million and $1.2 million, respectively, of which $0.6 million and $0.9 million, respectively, were classified as long-term in the Condensed Consolidated Balance Sheet.

For additional discussion of our debt, see Note 7 of Notes to Condensed Consolidated Financial Statements.

Repatriation of Foreign Earnings and Income Taxes

As of the third quarter of fiscal 2016, $195.1 million of cash and cash equivalents was held by our foreign subsidiaries, of which $5.8 million was borrowed from the U.S. under intercompany financing arrangements. If these loaned funds are needed for our operations in the U.S., we would not be required to accrue and pay U.S. federal and state taxes to repatriate the loaned funds. To the

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extent of other repatriation of cash held by foreign entities, we generally would be required to pay U.S. federal and state taxes. While a significant portion of our foreign earnings continue to be permanently reinvested in our foreign subsidiaries, it is anticipated this reinvestment will not impede cash needs at the parent company level. However, if we were to make significant acquisitions or stock repurchases, we may be required to increase our outstanding indebtedness, which could result in increased borrowing costs. In our determination of which foreign earnings are permanently reinvested, we consider numerous factors, including the financial requirements of the U.S. parent company, the financial requirements of the foreign subsidiaries, and the tax consequences of remitting the foreign earnings back to the U.S. There are no other material impediments to our ability to access sources of liquidity and our resulting ability to meet short and long-term liquidity needs, other than in the event we are not in compliance with the covenants under our 2014 Credit Facility or the potential tax costs of remitting foreign earnings back to the U.S.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

Our non-GAAP measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures. The non-GAAP financial measures included in the tables below as well as detailed explanations to the adjustments to comparable GAAP measures, are set forth below:

Non-GAAP gross margin

We believe our investors benefit by understanding our non-GAAP gross margin as a way of understanding how product mix, pricing decisions and manufacturing costs influence our business. Non-GAAP gross margin excludes restructuring costs, amortization of purchased intangible assets and stock-based compensation from GAAP gross margin. We believe that these exclusions offer investors additional information that may be useful to view trends in our gross margin performance.

Non-GAAP operating expenses

We believe this measure is important to investors evaluating our non-GAAP spending in relation to revenue. Non-GAAP operating expenses exclude restructuring costs, amortization of purchased intangible assets, stock-based compensation, acquisition/divestiture costs associated with external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, and integration costs, and executive transition costs from GAAP operating expenses. We believe that these exclusions offer investors supplemental information to facilitate comparison of our operating expenses to our prior results.

Non-GAAP operating income

We believe our investors benefit by understanding our non-GAAP operating income trends which are driven by revenue, gross margin, and spending. Non-GAAP operating income excludes restructuring costs, amortization of purchased intangible assets, stock-based compensation, acquisition/divestiture costs associated with external and incremental costs resulting directly from merger and acquisition activities such as legal, due diligence, and integration costs, and executive transition costs. We believe that these exclusions offer an alternative means for our investors to evaluate current operating performance compared to results of other periods.

Non-GAAP non-operating expense, net

We believe this measure helps investors evaluate our non-operating income trends. Non-GAAP non-operating expense, net excludes acquisition and divestiture gains/losses associated with unusual acquisition related items such as intangible asset impairment charges and gains or losses related to the acquisition or sale of certain businesses and investments. Non-GAAP non-operating expense, net also excludes the write-off of debt issuance cost associated with terminated and/or modified credit facilities and costs associated with the issuance of new credit facilities and Senior Notes that were not capitalized as debt issuance costs. We believe that these exclusions provide investors with a supplemental view of our ongoing financial results.

Non-GAAP income tax provision

We believe that providing investors with the non-GAAP income tax provision is beneficial because it provides for consistent treatment of the excluded items in our non-GAAP presentation.

Non-GAAP net income

This measure provides a supplemental view of net income trends which are driven by non-GAAP income before taxes and our non-GAAP tax rate. Non-GAAP net income excludes restructuring costs, amortization of purchased intangible assets, stock-based compensation, acquisition and divestiture costs, executive transition costs, write-off of debt issuance cost and non-GAAP tax adjustments from GAAP net income. We believe our investors benefit from understanding these exclusions and from an alternative view of our net income performance as compared to our past net income performance.

Non-GAAP diluted net income per share

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We believe our investors benefit by understanding our non-GAAP operating performance as reflected in a per share calculation as a way of measuring non-GAAP operating performance by ownership in the company. Non-GAAP diluted net income per share excludes restructuring costs, amortization of purchased intangible assets, stock-based compensation, acquisition and divestiture costs, executive transition costs, a write-off of debt issuance costs and non-GAAP tax adjustments from GAAP diluted net income per share. We believe that these exclusions offer investors a useful view of our diluted net income per share as compared to our past diluted net income per share.

These non-GAAP measures can be used to evaluate our historical and prospective financial performance, as well as our performance relative to competitors. We believe some of our investors track our ""core operating performance"" as a means of evaluating our performance in the ordinary, ongoing, and customary course of our operations. Core operating performance excludes items that are non-cash, not expected to recur or not reflective of ongoing financial results. Management also believes that looking at our core operating performance provides a supplemental way to provide consistency in period to period comparisons. Accordingly, management excludes from non-GAAP those items relating to restructuring, amortization of purchased intangible assets, stock based compensation, acquisition and divestiture items, executive transition costs, write-off of debt issuance costs and non-GAAP tax adjustments. For detailed explanations of the adjustments made to comparable GAAP measures, see items (A) - (H) below.

(In millions, except per share amounts)		Third Quarter				First Three Quarters of			
		2016		2015		2016		2015	
		Dollar Amount	% of Revenue	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue	Dollar Amount	% of Revenue
GROSS MARGIN:									
GAAP gross margin:		$309.0	52.9 %	$298.0	53.0 %	$925.2	52.1 %	$909.1	52.5 %
Restructuring charges	(A)	0.5	0.1 %	0.3	0.1 %	1.2	0.1 %	0.8	— %
Amortization of purchased intangible assets	(B)	21.8	3.7 %	23.3	4.1 %	69.9	3.9 %	68.8	4.0 %
Stock-based compensation	(C)	0.9	0.2 %	1.0	0.2 %	2.8	0.1 %	2.9	0.2 %
Non-GAAP gross margin:		$332.2	56.9 %	$322.6	57.4 %	$999.1	56.2 %	$981.6	56.7 %
OPERATING EXPENSES:									
GAAP operating expenses:		$253.7	43.4 %	$252.0	44.8 %	$799.5	45.0 %	$787.6	45.5 %
Restructuring charges	(A)	(3.5)	(0.6)%	(2.7)	(0.5)%	(9.8)	(0.5)%	(9.0)	(0.5)%
Amortization of purchased intangible assets	(B)	(15.5)	(2.7)%	(17.4)	(3.1)%	(47.3)	(2.7)%	(53.4)	(3.1)%
Stock-based compensation	(C)	(12.4)	(2.1)%	(11.8)	(2.1)%	(37.2)	(2.1)%	(34.4)	(2.0)%
Acquisition / divestiture items	(D)	(0.9)	(0.1)%	(2.4)	(0.4)%	(3.4)	(0.2)%	(8.0)	(0.4)%
Executive transition costs	(E)	—	— %	—	— %	(1.0)	(0.1)%	—	— %
Non-GAAP operating expenses:		$221.4	37.9 %	$217.7	38.7 %	$700.8	39.4 %	$682.8	39.5 %
OPERATING INCOME:									
GAAP operating income:		$55.3	9.5 %	$46.0	8.2 %	$125.7	7.1 %	$121.5	7.0 %
Restructuring charges	(A)	4.0	0.7 %	3.0	0.5 %	11.0	0.6 %	9.8	0.6 %
Amortization of purchased intangible assets	(B)	37.3	6.4 %	40.7	7.2 %	117.2	6.6 %	122.2	7.1 %
Stock-based compensation	(C)	13.3	2.3 %	12.8	2.3 %	40.0	2.2 %	37.3	2.1 %
Acquisition / divestiture items	(D)	0.9	0.1 %	2.4	0.5 %	3.4	0.2 %	8.0	0.5 %
Executive transition costs	(E)	—	— %	—	— %	1.0	0.1 %	—	— %
Non-GAAP operating income:		$110.8	19.0 %	$104.9	18.7 %	$298.3	16.8 %	$298.8	17.3 %
NON-OPERATING INCOME (EXPENSE), NET:									
GAAP non-operating income (expense), net:		$(3.1)		$(2.5)		$(5.8)		$2.0	

Acquisition / divestiture items	(D)2.8	(0.2)	0.1	(5.8)
Non-GAAP non-operating expense, net:	$(0.3)	$(2.7)	$(5.7)	$(3.8)

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			GAAP and Non-GAAP Tax Rate % (H)		GAAP and Non-GAAP Tax Rate % (H)		GAAP and Non-GAAP Tax Rate % (H)		GAAP and Non-GAAP Tax Rate % (H)
INCOME TAX PROVISION:									
GAAP income tax provision:		$13.0	25 %	$6.5	15 %	$25.4	21 %	$26.7	22 %
Non-GAAP items tax effected:	(F)	14.6		8.8		36.3		37.8	
Difference in GAAP and Non-GAAP tax rate	(G)	(1.1)		9.2		8.5		6.3	
Non-GAAP income tax provision:		$26.5	24 %	$24.5	24 %	$70.2	24 %	$70.8	24 %
NET INCOME:									
GAAP net income attributable to Trimble Navigation Limited		$39.2		$37.1		$94.7		$97.1	
Restructuring charges	(A)	4.0		3.0		11.0		9.8	
Amortization of purchased intangible assets	(B)	37.3		40.7		117.2		122.2	
Stock-based compensation	(C)	13.3		12.8		40.0		37.3	
Acquisition / divestiture items	(D)	3.7		2.2		3.5		2.2	
Executive transition costs	(E)	—		—		1.0		—	
Non-GAAP tax adjustments	(F) + (G)	(13.5)		(18.0)		(44.8)		(44.1)	
Non-GAAP net income attributable to Trimble Navigation Limited		$84.0		$77.8		$222.6		$224.5	
DILUTED EARNINGS PER SHARE:									
GAAP diluted earnings per share attributable to Trimble Navigation Limited		$0.15		$0.14		$0.37		$0.37	
Restructuring charges	(A)	0.02		0.01		0.05		0.04	
Amortization of purchased intangible assets	(B)	0.15		0.16		0.46		0.47	
Stock-based compensation	(C)	0.05		0.05		0.16		0.14	
Acquisition / divestiture items	(D)	0.01		0.01		0.02		0.01	
Executive transition costs	(E)	—		—		—		—	
Non-GAAP tax adjustments	(F) + (G)	(0.05)		(0.07)		(0.18)		(0.17)	
Non-GAAP diluted earnings per share attributable to Trimble Navigation Limited		$0.33		$0.30		$0.88		$0.86	

A. Restructuring costs. Included in our GAAP presentation of cost of sales and operating expenses, restructuring costs recorded are primarily for employee compensation resulting from reductions in employee headcount in connection with our company restructurings. We exclude restructuring costs from our non-GAAP measures because we believe they do not reflect expected future operating expenses, they are not indicative of our core operating performance, and they are not meaningful in comparisons to our past operating performance. We have incurred restructuring expense in each of the periods presented. However the amount incurred can vary significantly based on whether a restructuring has occurred in the period and the timing of headcount reductions.

B. Amortization of purchased intangible assets. Included in our GAAP presentation of gross margin and operating expenses is amortization of purchased intangible assets. U.S. GAAP accounting requires that intangible assets are recorded at fair value and amortized over their useful lives. Consequently, the timing and size of our acquisitions will cause our operating results to vary from period to period, making a comparison to past performance difficult for investors. This accounting treatment may cause differences when comparing our results to companies that grow internally because the fair value assigned to the intangible assets acquired through acquisition may significantly exceed the equivalent expenses that a company may incur

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for similar efforts when performed internally. Furthermore, the useful life that we expense our intangible assets over may be substantially different from the time period that an internal growth company incurs and recognizes such expenses. We believe that by excluding the amortization of purchased intangible assets, which primarily represents technology and/or customer relationships already developed, it provides an alternative way for investors to compare our operations pre-acquisition to those post-acquisitions and to those of our competitors that have pursued internal growth strategies. However, we note that companies that grow internally will incur costs to develop intangible assets that will be expensed in the period incurred, which may make a direct comparison more difficult.

C. Stock-based compensation. Included in our GAAP presentation of cost of sales and operating expenses, stock-based compensation consists of expenses for employee stock options and awards and purchase rights under our employee stock purchase plan. We exclude stock-based compensation expense from our non-GAAP measures because some investors may view it as not reflective of our core operating performance as it is a non-cash expense. For the third quarter and the first three quarters of fiscal years 2016 and 2015, stock-based compensation was allocated as follows:

	Third Quarter		First Three Quarters of	
(Dollars in millions)	2016	2015	2016	2015
Cost of sales	$0.9	$1.0	$2.8	$2.9
Research and development	2.2	2.1	6.9	6.4
Sales and Marketing	2.1	2.2	6.3	6.7
General and administrative	8.1	7.5	24.0	21.3
	$13.3	$12.8	$40.0	$37.3

D. Acquisition / divestiture items. Included in our GAAP presentation of operating expenses, acquisition costs consist of external and incremental costs resulting directly from merger and acquisition and strategic investment activities such as legal, due diligence, and integration costs, as well as adjustments to the fair value of earn-out liabilities. Included in our GAAP presentation of non-operating income (expense), net, acquisition / divestiture items includes unusual acquisition, investment, or divestiture gains/losses. Although we do numerous acquisitions, the costs that have been excluded from the non-GAAP measures are costs specific to particular acquisitions. These are one-time costs that vary significantly in amount and timing and are not indicative of our core operating performance.

E. Executive transition costs. Included in our GAAP presentation of operating expenses are amounts paid to the Company's former CFO upon his departure under the terms of his executive severance agreement. We excluded these payments from our non-GAAP measures because they represent non-recurring expenses and are not indicative of our ongoing operating expenses. We further believe that excluding the executive transition costs from our non-GAAP results is useful to investors in that it allows for period-over-period comparability.

F. Non-GAAP items tax effected. This amount adjusts the provision for income taxes to reflect the effect of the non-GAAP items (A) - (F) on non-GAAP net income. We believe this information is useful to investors because it provides for consistent treatment of the excluded items in this non-GAAP presentation.

G. Difference in GAAP and Non-GAAP tax rate. This amount represents the difference between the GAAP and Non-GAAP tax rates applied to the Non-GAAP operating income plus the Non-GAAP non-operating income, net.

H. GAAP and non-GAAP tax rate %. These percentages are defined as GAAP income tax provision as a percentage of GAAP income before taxes and non-GAAP income tax provision as a percentage of non-GAAP income before taxes. We believe that investors benefit from a presentation of non-GAAP tax rate percentage as a way of facilitating a comparison to non-GAAP tax rates in prior periods.

Non-GAAP Operating Income

Non-GAAP operating income increased by $5.9 million or 6% for the third quarter of fiscal 2016 and was flat for the first three quarters of fiscal 2016, respectively, as compared to the corresponding period in fiscal 2015. Non-GAAP operating income as a percentage of total revenue was 19.0% and 16.8% for the third quarter and first three quarters of fiscal 2016, respectively, as compared to 18.7% and 17.3% for the corresponding periods in fiscal 2015.

Non-GAAP operating income increased for the third quarter of fiscal 2016, as compared to the prior year, primarily due to revenue increases across all segments and strong operating expense control, partially offset by selected investments in growth opportunities in Engineering and Construction and Mobile Solutions. Non-GAAP operating income for the first three quarters of fiscal 2016 was flat primarily due to product mix in both Engineering and Construction and Mobile Solutions, as well as investments in growth opportunities for both segments. In addition, operating income for the first three quarters of fiscal 2016 was negatively impacted by a decrease in Field Solutions high margin product sales and a decrease in Advanced Devices sales in the first quarter as compared to the prior year period.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risk related to changes in interest rates and foreign currency exchange rates. We use certain derivative financial instruments to manage these risks. We do not use derivative financial instruments for speculative purposes. All financial instruments are used in accordance with policies approved by our Board of Directors.

Market Interest Rate Risk

There have been no significant changes to our market interest rate risk assessment. Refer to our 2015 Annual Report on Form 10-K on page 52.

Foreign Currency Exchange Rate Risk

We operate in international markets, which expose us to market risk associated with foreign currency exchange rate fluctuations between the U.S. Dollar and various foreign currencies, the most significant of which is the Euro. Historically, the majority of our revenue contracts are denominated in U.S. Dollars, with the most significant exception being Europe, where we invoice primarily in Euros. Additionally, a portion of our expenses, primarily the cost to manufacture, cost of personnel to deliver technical support on our products and professional services, sales and sales support and research and development, are denominated in foreign currencies, primarily the Euro. Revenue resulting from selling in local currencies and costs incurred in local currencies are exposed to foreign currency exchange rate fluctuations which can affect our operating income. As exchange rates vary, operating income may differ from expectations. In the third quarter of fiscal 2016, the impacts by foreign currency exchange were immaterial on both revenue and operating income.

We enter into foreign currency forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on cash and certain trade and inter-company receivables and payables, primarily denominated in Swiss Franc, Euro, British pound and New Zealand and Canadian dollars. These contracts reduce the exposure to fluctuations in foreign currency exchange rate movements as the gains and losses associated with foreign currency balances are generally offset with the gains and losses on the forward contracts. These instruments are marked to market through earnings every period and generally range from one to two months in maturity. We do not enter into foreign currency forward contracts for trading purposes. We occasionally enter into foreign currency forward contracts to hedge the purchase price of some of our larger business acquisitions. Foreign currency forward contracts outstanding as of the end of the third quarter of fiscal 2016 and fiscal year end 2015 are summarized as follows (in millions):

	Third Quarter of Fiscal 2016		Fiscal Year End 2015	
	Nominal Amount	Fair Value	Nominal Amount	Fair Value
Forward contracts:				
Purchased	$ 106.9	$ 0.1	$ (86.5)	$ 1.3
Sold	$ 96.8	$ —	$ 88.1	$ (0.5)

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures.

The management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

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(b) Internal Control Over Financial Reporting.
There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On September 2, 2011, Recreational Data Services, LLC filed a lawsuit in the Superior Court for the State of Alaska in Anchorage against Trimble Navigation Limited, Cabela's Incorporated, AT&T Mobility and Alascom, Inc., alleging breach of contract, breach of fiduciary duty, interference with contract, promissory estoppel, fraud, and negligent misrepresentation. The case was tried in front of a jury in Alaska beginning on September 9, 2014. On September 26, 2014, the jury returned a verdict in favor of the plaintiff and awarded the plaintiff damages of $51.3 million. On January 29, 2015, the court granted our Motion for Judgment notwithstanding the Verdict, and on March 18, 2015, the Court awarded us a portion of its incurred attorneys' fees and costs, and entered judgment in our favor in the amount of $0.6 million. The judgment also provides that the plaintiff take nothing on its claims. On April 17, 2015, the plaintiff filed a Notice of Appeal to the Alaska Supreme Court. The parties have completed all appellate briefing, and oral arguments were heard before the Alaska Supreme Court on February 24, 2016. A decision by the Alaska Supreme Court has not been made.

From time to time, we are also involved in litigation arising out of the ordinary course of our business. There are no other material legal proceedings, other than ordinary routine litigation incidental to the business, to which we or any of our subsidiaries is a party or of which any of our or our subsidiaries' property is subject.

ITEM 1A. RISK FACTORS

A description of factors that could materially affect our business, financial condition, or operating results is included under "Risk and Uncertainties" in Item 1A of Part I of our 2015 Annual Report on Form 10-K and is incorporated herein by reference. There have been no material changes to the risk factor disclosure since our 2015 Annual Report on Form 10-K. The risk factors described in our Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial conditions and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None

(b) None

(c) The following table provides information relating to our purchases of equity securities for the third quarter of fiscal 2016.

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	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Program	
July 2, 2016 – August 5, 2016	413,973	$24.16	413,973	$147,698,817	(1)
August 6, 2016 – September 2, 2016	—		—	—	
September 3, 2016 – September 30, 2016	—		—	—	
Total	413,973		413,973		

(1) In August 2015, the Company’s Board of Directors approved a stock repurchase program (2015 Stock Repurchase Program), authorizing the Company to repurchase up to $400.0 million of Trimble’s common stock. The timing and amount of repurchase transactions will be determined by the Company’s management based on its evaluation of market conditions, share price, legal requirements and other factors. The program may be suspended, modified or discontinued at any time without public notice.

ITEM 4. MINE SAFETY DISCLOSURES
Not applicable.
ITEM 6. EXHIBITS
We have filed, or incorporated into the Report by reference, the exhibits listed on the accompanying Index to Exhibits immediately following the signature page of this Form 10-Q.

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SIGNATURES

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.

TRIMBLE INC.
(Registrant)

By: /s/ Robert G. Painter
Robert G. Painter
Chief Financial Officer
(Authorized Officer and Principal
Financial Officer)
DATE: November 7, 2016

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EXHIBIT INDEX

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3.1	Certificate of Incorporation of the Company. (1)
3.2	Bylaws of the Company. (2)
4.1	Specimen copy of certificate for shares of Common Stock of the Company. (3)
10.1	Second Amendment dated as of August 9, 2016 to the Five-Year Credit Agreement dated November 24, 2014 among the Company, the subsidiary borrowers from time to time party thereto, the lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent. (4)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 7, 2016. (4)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 7, 2016. (4)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 7, 2016. (4)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 7, 2016. (4)
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

(1) Incorporated by reference to exhibit number 3.1 to the registrant’s Current Report on Form 8-K filed October 3, 2016.

(2) Incorporated by reference to exhibit number 3.2 to the registrant’s Current Report on Form 8-K filed October 3, 2016.

(3) Incorporated by reference to exhibit number 4.1 to the Company’s Current Report on Form 8-K, filed October 3, 2016.

(4) Furnished or filed herewith.