

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

**FORM 10-Q**

(Mark one)

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

**For the quarterly period ended July 30, 2016**

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.)

**5130 Hacienda Drive, Dublin, California**

(Address of principal executive offices)

**94568-7579**

(Zip Code)

Registrant's telephone number, including area code

**(925) 965-4400**

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

N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares of Common Stock, with \$.01 par value, outstanding on August 17, 2016 was 396,579,811.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Statements of Earnings

| (\$000, except stores and per share data, unaudited) | Three Months Ended |                | Six Months Ended |                |
|--|--------------------|----------------|------------------|----------------|
|  | July 30, 2016      | August 1, 2015 | July 30, 2016    | August 1, 2015 |
| <b>Sales</b>   | \$ 3,180,917       | \$ 2,968,270   | \$ 6,269,912     | \$ 5,906,418   |
| <b>Costs and Expenses</b>                            |                    |                |                  |                |
| Cost of goods sold                                   | 2,251,845          | 2,119,480      | 4,428,050        | 4,186,935      |
| Selling, general and administrative                  | 469,511            | 435,226        | 906,435          | 844,524        |
| Interest expense, net                                | 4,213              | 1,652          | 8,577            | 3,655          |
| Total costs and expenses                             | 2,725,569          | 2,556,358      | 5,343,062        | 5,035,114      |
| Earnings before taxes                                | 455,348            | 411,912        | 926,850          | 871,304        |
| Provision for taxes on earnings                      | 173,442            | 153,273        | 354,310          | 330,460        |
| Net earnings   | \$ 281,906         | \$ 258,639     | \$ 572,540       | \$ 540,844     |
| <b>Earnings per share</b>                            |                    |                |                  |                |
| Basic  | \$ 0.72            | \$ 0.64        | \$ 1.45          | \$ 1.33        |
| Diluted  | \$ 0.71            | \$ 0.63        | \$ 1.44          | \$ 1.32        |
| <b>Weighted average shares outstanding (000)</b>     |                    |                |                  |                |
| Basic  | 393,568            | 404,760        | 394,684          | 406,211        |
| Diluted  | 395,930            | 407,693        | 397,381          | 409,562        |
| <b>Dividends</b>                                     |                    |                |                  |                |
| Cash dividends declared per share                    | \$ 0.1350          | \$ 0.1175      | \$ 0.2700        | \$ 0.2350      |
| Stores open at end of period                         | 1,501              | 1,424          | 1,501            | 1,424          |

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

**Condensed Consolidated Statements of Comprehensive Income**

| (\$000, unaudited)                                   | Three Months Ended |                | Six Months Ended |                |
|--|--------------------|----------------|------------------|----------------|
|  | July 30, 2016      | August 1, 2015 | July 30, 2016    | August 1, 2015 |
| Net earnings   | \$ 281,906         | \$ 258,639     | \$ 572,540       | \$ 540,844     |
| Other comprehensive (loss) income:                   |                    |                |                  |                |
| Change in unrealized loss on investments, net of tax | (11)               | (25)           | (23)             | (107)          |
| Comprehensive income                                 | \$ 281,895         | \$ 258,614     | \$ 572,517       | \$ 540,737     |

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

## Condensed Consolidated Balance Sheets

| (\$000, unaudited)                             | July 30, 2016 | January 30, 2016 | August 1, 2015 |
|--|---------------|------------------|----------------|
| <b>Assets</b>                                  |               |                  |                |
| <b>Current Assets</b>                          |               |                  |                |
| Cash and cash equivalents                      | \$ 927,718    | \$ 761,602       | \$ 630,288     |
| Short-term investments                         | 1,213         | 1,737            | 999            |
| Accounts receivable                            | 97,139        | 73,627           | 88,443         |
| Merchandise inventory                          | 1,560,209     | 1,419,104        | 1,509,752      |
| Prepaid expenses and other                     | 127,401       | 116,125          | 129,819        |
| Total current assets                           | 2,713,680     | 2,372,195        | 2,359,301      |
| <b>Property and Equipment</b>                  |               |                  |                |
| Land and buildings                             | 1,091,246     | 1,084,328        | 1,083,430      |
| Fixtures and equipment                         | 2,317,183     | 2,244,790        | 2,091,316      |
| Leasehold improvements                         | 953,700       | 920,392          | 889,893        |
| Construction-in-progress                       | 70,197        | 90,399           | 95,178         |
|  | 4,432,326     | 4,339,909        | 4,159,817      |
| Less accumulated depreciation and amortization | 2,121,845     | 1,997,003        | 1,870,339      |
| Property and equipment, net                    | 2,310,481     | 2,342,906        | 2,289,478      |
| Long-term investments                          | 1,325         | 1,331            | 2,613          |
| Other long-term assets                         | 168,748       | 152,687          | 162,180        |
| Total assets                                   | \$ 5,194,234  | \$ 4,869,119     | \$ 4,813,572   |
| <b>Liabilities and Stockholders' Equity</b>    |               |                  |                |
| <b>Current Liabilities</b>                     |               |                  |                |
| Accounts payable                               | \$ 1,125,836  | \$ 945,559       | \$ 1,044,875   |
| Accrued expenses and other                     | 397,150       | 376,522          | 405,629        |
| Accrued payroll and benefits                   | 228,195       | 280,766          | 225,153        |
| Total current liabilities                      | 1,751,181     | 1,602,847        | 1,675,657      |
| Long-term debt                                 | 396,259       | 396,025          | 395,793        |
| Other long-term liabilities                    | 296,867       | 268,168          | 287,406        |
| Deferred income taxes                          | 135,597       | 130,088          | 68,202         |
| Commitments and contingencies                  |               |                  |                |
| <b>Stockholders' Equity</b>                    |               |                  |                |
| Common stock                                   | 3,971         | 4,023            | 4,087          |
| Additional paid-in capital                     | 1,179,373     | 1,122,329        | 1,080,108      |
| Treasury stock                                 | (268,847)     | (229,525)        | (224,194)      |
| Accumulated other comprehensive income         | 159           | 182              | 223            |
| Retained earnings                              | 1,699,674     | 1,574,982        | 1,526,290      |
| Total stockholders' equity                     | 2,614,330     | 2,471,991        | 2,386,514      |
| Total liabilities and stockholders' equity     | \$ 5,194,234  | \$ 4,869,119     | \$ 4,813,572   |

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

## Condensed Consolidated Statements of Cash Flows

| (\$000, unaudited)  | Six Months Ended |                |
|---|------------------|----------------|
|   | July 30, 2016    | August 1, 2015 |
| <b>Cash Flows From Operating Activities</b>   |                  |                |
| Net earnings  | \$ 572,540       | \$ 540,844     |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                  |                |
| Depreciation and amortization   | 148,630          | 128,729        |
| Stock-based compensation  | 36,206           | 29,881         |
| Deferred income taxes   | 5,509            | (5,528)        |
| Tax benefit from equity issuance  | 22,682           | 37,431         |
| Excess tax benefit from stock-based compensation                                    | (22,682)         | (37,352)       |
| Change in assets and liabilities:   |                  |                |
| Merchandise inventory   | (141,105)        | (137,077)      |
| Other current assets  | (34,773)         | (38,097)       |
| Accounts payable  | 192,610          | 64,802         |
| Other current liabilities   | (13,108)         | 111            |
| Other long-term, net  | 13,045           | 6,627          |
| Net cash provided by operating activities   | 779,554          | 590,371        |
| <b>Cash Flows From Investing Activities</b>   |                  |                |
| Additions to property and equipment   | (147,426)        | (193,108)      |
| Increase in restricted cash and investments   | (143)            | (73)           |
| Purchases of investments  | —                | (718)          |
| Proceeds from investments   | 514              | 602            |
| Net cash used in investing activities   | (147,055)        | (193,297)      |
| <b>Cash Flows From Financing Activities</b>   |                  |                |
| Excess tax benefit from stock-based compensation                                    | 22,682           | 37,352         |
| Issuance of common stock related to stock plans                                     | 9,862            | 11,312         |
| Treasury stock purchased  | (39,328)         | (63,601)       |
| Repurchase of common stock  | (351,515)        | (351,515)      |
| Dividends paid  | (108,084)        | (96,942)       |
| Net cash used in financing activities   | (466,383)        | (463,394)      |
| Net increase (decrease) in cash and cash equivalents                                | 166,116          | (66,320)       |
| Cash and cash equivalents:  |                  |                |
| Beginning of period   | 761,602          | 696,608        |
| End of period   | \$ 927,718       | \$ 630,288     |
| <b>Supplemental Cash Flow Disclosures</b>   |                  |                |
| Interest paid   | \$ 9,053         | \$ 8,982       |
| Income taxes paid   | \$ 313,142       | \$ 322,294     |

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

## Notes to Condensed Consolidated Financial Statements

Three and Six Months Ended July 30, 2016 and August 1, 2015  
(Unaudited)

### Note A: Summary of Significant Accounting Policies

**Basis of presentation.** The accompanying unaudited interim condensed consolidated financial statements have been prepared from the records of Ross Stores, Inc. and subsidiaries (the "Company") without audit and, in the opinion of management, include all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the Company's financial position as of July 30, 2016 and August 1, 2015, the results of operations and comprehensive income for the three and six month periods ended July 30, 2016 and August 1, 2015, and cash flows for the six month periods ended July 30, 2016 and August 1, 2015. The Condensed Consolidated Balance Sheet as of January 30, 2016, presented herein, has been derived from the Company's audited consolidated financial statements for the fiscal year then ended.

Accounting policies followed by the Company are described in Note A to the audited consolidated financial statements for the fiscal year ended January 30, 2016. Certain information and disclosures normally included in the notes to annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted for purposes of these interim condensed consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including notes thereto, contained in the Company's Annual Report on Form 10-K for the year ended January 30, 2016.

The results of operations and comprehensive income for the three and six month periods ended July 30, 2016 and August 1, 2015 presented herein are not necessarily indicative of the results to be expected for the full fiscal year.

**Restricted cash, cash equivalents, and investments.** The Company has restricted cash, cash equivalents, and investments that serve as collateral for certain insurance obligations of the Company. These restricted funds are invested in bank deposits, money market mutual funds, U.S. Government and agency securities, and corporate securities and cannot be withdrawn from the Company's account without the prior written consent of the secured parties. The following table summarizes total restricted cash, cash equivalents, and investments which were included in Prepaid expenses and other and Other long-term assets in the Condensed Consolidated Balance Sheets as of July 30, 2016, January 30, 2016, and August 1, 2015:

| Restricted Assets (\$000)  | July 30, 2016 | January 30, 2016 | August 1, 2015 |
|----------------------------|---------------|------------------|----------------|
| Prepaid expenses and other | \$ 15,798     | \$ 15,770        | \$ 19,719      |
| Other long-term assets     | 56,010        | 55,913           | 56,125         |
| Total                      | \$ 71,808     | \$ 71,683        | \$ 75,844      |

The classification between current and long-term is based on the timing of expected payments of the insurance obligations.

**Property and equipment.** As of July 30, 2016 and August 1, 2015, the Company had \$4.6 million and \$10.0 million, respectively, of property and equipment purchased but not yet paid. These purchases are included in Property and Equipment, Accounts payable, and Accrued expenses and other in the accompanying Condensed Consolidated Balance Sheets.

**Cash Dividends.** Dividends included in the Condensed Consolidated Statements of Cash Flows reflect cash dividends paid during the periods shown. Dividends per share reported on the Condensed Consolidated Statements of Earnings reflect cash dividends declared during the periods shown.

The Company's Board of Directors declared a cash dividend of \$0.1350 per common share in March and May 2016 and \$0.1175 per common share in February, May, August, and November 2015, respectively.

In August 2016, the Company's Board of Directors declared a cash dividend of \$0.1350 per common share, payable on September 30, 2016.

**Litigation, claims, and assessments.** Like many retailers, the Company has been named in class action lawsuits, primarily in California, alleging violation of wage and hour laws and consumer protection laws. Class action litigation remains pending as of July 30, 2016.

The Company is also party to various other legal and regulatory proceedings arising in the normal course of business. Actions filed against the Company may include commercial, product and product safety, customer, intellectual property, and labor and employment-related claims, including lawsuits in which private plaintiffs or governmental agencies allege that the Company violated federal, state, and/or local laws. Actions against the Company are in various procedural stages. Many of these proceedings raise factual and legal issues and are subject to uncertainties.

In the opinion of management, the resolution of pending class action litigation and other currently pending legal and regulatory proceedings will not have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

**Recently issued accounting standards.** In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This ASU simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for the Company's annual and interim reporting periods beginning in fiscal 2017. The Company is currently assessing the impact adoption of this standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires balance sheet recognition for all leases with lease terms greater than one year, including a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for the Company's annual and interim reporting periods beginning in fiscal 2019. The Company is currently evaluating the effect adoption of this new guidance will have on its consolidated financial statements.

**Recently issued and adopted accounting standards.** In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which simplifies the presentation of deferred taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. The Company early adopted ASU 2015-17 retrospectively, as of January 30, 2016. As a result, \$10.7 million of its deferred tax assets previously presented in current assets have been reclassified to long-term deferred tax liabilities in the Condensed Consolidated Balance Sheet as of August 1, 2015. Adoption of this standard did not impact results of operations, retained earnings, or cash flows in the current or previous annual reporting periods.

**Note B: Fair Value Measurements**

The carrying value of cash and cash equivalents, short- and long-term investments, restricted cash and cash equivalents, restricted investments, accounts receivable, other long-term assets, accounts payable, and other long-term liabilities approximates their estimated fair value.

Accounting standards pertaining to fair value measurements establish a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The inputs used to measure fair value include: Level 1, observable inputs such as quoted prices in active markets; Level 2, inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, unobservable inputs in which little or no market data exists. This fair value hierarchy requires the Company to develop its own assumptions and maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Corporate, U.S. government and agency, and mortgage-backed securities are classified within Level 1 or Level 2 because these securities are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs.

There were no transfers between Level 1 and Level 2 categories during the three and six month periods ended July 30, 2016. The fair value of the Company's financial instruments are as follows:

| (\$000)   | July 30, 2016 | January 30, 2016 | August 1, 2015 |
|---|---------------|------------------|----------------|
| <b>Cash and cash equivalents (Level 1)</b>            | \$ 927,718    | \$ 761,602       | \$ 630,288     |
| <b>Investments (Level 2)</b>                          | \$ 2,538      | \$ 3,068         | \$ 3,612       |
| <b>Restricted cash and cash equivalents (Level 1)</b> | \$ 68,101     | \$ 67,947        | \$ 72,076      |
| <b>Restricted investments (Level 1)</b>               | \$ 3,707      | \$ 3,736         | \$ 3,768       |

The underlying assets in the Company's non-qualified deferred compensation program as of July 30, 2016, January 30, 2016, and August 1, 2015 (included in Other long-term assets and in Other long-term liabilities) primarily consist of participant-directed money market, stable value, stock, and bond funds. The fair value measurement for funds with quoted market prices in active markets (Level 1) and for funds without quoted market prices in active markets (Level 2) are as follows:

| (\$000)      | July 30, 2016 | January 30, 2016 | August 1, 2015 |
|--------------|---------------|------------------|----------------|
| Level 1      | \$ 83,651     | \$ 73,633        | \$ 82,953      |
| Level 2      | 16,317        | 12,440           | 12,842         |
| <b>Total</b> | \$ 99,968     | \$ 86,073        | \$ 95,795      |

**Note C: Stock-Based Compensation**

**Stock-based compensation.** For the three and six month periods ended July 30, 2016 and August 1, 2015, the Company recognized stock-based compensation expense as follows:

| (\$000)                      | Three Months Ended |                | Six Months Ended |                |
|------------------------------|--------------------|----------------|------------------|----------------|
|                              | July 30, 2016      | August 1, 2015 | July 30, 2016    | August 1, 2015 |
| Restricted stock             | \$ 9,484           | \$ 9,395       | \$ 18,549        | \$ 17,969      |
| Performance awards           | 8,290              | 5,537          | 16,239           | 10,642         |
| Employee stock purchase plan | 716                | 662            | 1,418            | 1,270          |
| <b>Total</b>                 | \$ 18,490          | \$ 15,594      | \$ 36,206        | \$ 29,881      |



Total stock-based compensation recognized in the Company's Condensed Consolidated Statements of Earnings for the three and six month periods ended July 30, 2016 and August 1, 2015 is as follows:

| Statements of Earnings Classification (\$000) | Three Months Ended |                  | Six Months Ended |                  |
|---|--------------------|------------------|------------------|------------------|
|   | July 30, 2016      | August 1, 2015   | July 30, 2016    | August 1, 2015   |
| Cost of goods sold                            | \$ 8,278           | \$ 7,420         | \$ 16,108        | \$ 14,483        |
| Selling, general and administrative           | 10,212             | 8,174            | 20,098           | 15,398           |
| <b>Total</b>                                  | <b>\$ 18,490</b>   | <b>\$ 15,594</b> | <b>\$ 36,206</b> | <b>\$ 29,881</b> |

**Restricted stock.** The Company grants shares of restricted stock or restricted stock units to directors, officers, and key employees. The market value of shares of restricted stock and of the stock underlying restricted stock units at the date of grant is amortized to expense over the vesting period of generally three to five years.

During the three and six month periods ended July 30, 2016 and August 1, 2015, shares purchased by the Company for tax withholding totaled 45,063 and 682,060 and 33,705 and 1,206,903 respectively, and are considered treasury shares which are available for reissuance.

**Performance shares.** The Company has a performance share award program for senior executives. A performance share award represents a right to receive shares of restricted stock or restricted stock units on a specified settlement date based on the Company's attainment of a profitability-based performance goal during the performance period, which is the Company's fiscal year. If attained, the restricted stock or units then vest over a service period, generally two to three years from the date the performance award was granted. The release of shares related to restricted stock units earned are deferred generally for one year from the date earned.

As of July 30, 2016, shares related to unvested restricted stock and performance share awards totaled 5.4 million shares. A summary of restricted stock and performance share award activity for the six month period ended July 30, 2016 is presented below:

| (000, except per share data)     | Number of shares | Weighted average grant date fair value |
|----------------------------------|------------------|--|
| Unvested at January 30, 2016     | 6,104            | \$ 34.87                               |
| Awarded                          | 1,204            | 56.34                                  |
| Released                         | (1,770)          | 27.57                                  |
| Forfeited                        | (130)            | 35.89                                  |
| <b>Unvested at July 30, 2016</b> | <b>5,408</b>     | <b>\$ 42.31</b>                        |

The unamortized compensation expense at July 30, 2016 was \$118.9 million which is expected to be recognized over a weighted-average remaining period of 2.2 years. The unamortized compensation expense at August 1, 2015 was \$110.7 million, which was expected to be recognized over a weighted-average remaining period of 2.1 years.

**Employee stock purchase plan.** Under the Employee Stock Purchase Plan ("ESPP"), eligible employees participating in the quarterly offering period can choose to spend up to the lesser of 10% of their annual base earnings or the IRS annual share purchase limit of \$25,000 in aggregate market value to purchase the Company's common stock each year. The purchase price of the stock is 85% of the closing market price on the date of purchase. Purchases occur on the last trading day of each calendar quarter. The Company recognizes expense for ESPP purchase rights equal to the value of the 15% discount given on the purchase date.

**Stock option activity.** A summary of the stock option activity for the six month period ended July 30, 2016 is presented below:

| (\$000, except per share data)                  | Number of<br>shares | Weighted average<br>exercise price | Weighted average<br>remaining<br>contractual term | Aggregate<br>intrinsic value |
|---|---------------------|------------------------------------|---|------------------------------|
| Outstanding at January 30, 2016                 | 310,066             | \$ 7.34                            |   |                              |
| Granted   | —                   | —                                  |   |                              |
| Exercised                                       | (254,674)           | 7.17                               |   |                              |
| Forfeited                                       | —                   | —                                  |   |                              |
| <b>Outstanding at July 30, 2016, all vested</b> | <b>55,392</b>       | <b>\$ 8.12</b>                     | <b>0.74</b>                                       | <b>\$ 2,975</b>              |

No stock options were granted during the six month periods ended July 30, 2016 and August 1, 2015.

As of July 30, 2016, the 55,392 options outstanding and exercisable had a weighted average exercise price of \$8.12 and a weighted average remaining contractual life of 0.74 years. These options have an exercise price range of \$6.35 to \$8.19.

**Note D: Earnings Per Share**

The Company computes and reports both basic earnings per share ("EPS") and diluted EPS. Basic EPS is computed by dividing net earnings by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings by the sum of the weighted average number of common shares and dilutive common stock equivalents outstanding during the period. Diluted EPS reflects the total potential dilution that could occur from outstanding equity plan awards, including unexercised stock options, and unvested shares of both performance and non-performance based awards of restricted stock and restricted stock units.

For the three and six month periods ended July 30, 2016, approximately 200 and 100 weighted average shares, respectively, were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive for those periods presented.

For the three and six month periods ended August 1, 2015, approximately 2,100 and 2,900 weighted average shares, respectively, were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive for those periods presented.

The following is a reconciliation of the number of shares (denominator) used in the basic and diluted EPS computations:

| Shares in (000s)      | Three Months Ended |   |             | Six Months Ended |   |             |
|-----------------------|--------------------|---|-------------|------------------|---|-------------|
|                       | Basic EPS          | Effect of dilutive common stock equivalents | Diluted EPS | Basic EPS        | Effect of dilutive common stock equivalents | Diluted EPS |
| <b>July 30, 2016</b>  |                    |   |             |                  |   |             |
| Shares                | 393,568            | 2,362                                       | 395,930     | 394,684          | 2,697                                       | 397,381     |
| Amount                | \$ 0.72            | \$ (0.01)                                   | \$ 0.71     | \$ 1.45          | \$ (0.01)                                   | \$ 1.44     |
| <b>August 1, 2015</b> |                    |   |             |                  |   |             |
| Shares                | 404,760            | 2,933                                       | 407,693     | 406,211          | 3,351                                       | 409,562     |
| Amount                | \$ 0.64            | \$ (0.01)                                   | \$ 0.63     | \$ 1.33          | \$ (0.01)                                   | \$ 1.32     |

**Note E: Debt**

**Senior notes.** Unsecured senior debt, net of unamortized discounts and debt issuance costs, consisted of the following:

| (\$000)                              | July 30, 2016 | January 30, 2016 | August 1, 2015 |
|--------------------------------------|---------------|------------------|----------------|
| 6.38% Series A Senior Notes due 2018 | \$ 84,923     | \$ 84,906        | \$ 84,889      |
| 6.53% Series B Senior Notes due 2021 | 64,892        | 64,882           | 64,872         |
| 3.375% Senior Notes due 2024         | 246,444       | 246,237          | 246,032        |
| Total                                | \$ 396,259    | \$ 396,025       | \$ 395,793     |

As of July 30, 2016, the Company had outstanding unsecured 3.375% Senior Notes due September 2024 (the "2024 Notes") with an aggregate principal amount of \$250 million. Interest on the 2024 Notes is payable semi-annually.

As of July 30, 2016, the Company also had outstanding two other series of unsecured senior notes in the aggregate principal amount of \$150 million, held by various institutional investors. 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%. Borrowings under these senior notes are subject to certain financial covenants, including interest coverage and other financial ratios. As of July 30, 2016, the Company was in compliance with these covenants.

As of July 30, 2016, January 30, 2016, and August 1, 2015, total unamortized discount and debt issuance costs were \$3.7 million, \$4.0 million, and \$4.2 million, respectively, and were classified as a reduction of Long-term debt.

The 2024 Notes, Series A, and Series B senior notes are all subject to prepayment penalties for early payment of principal.

The aggregate fair value of the three outstanding senior note issuances was approximately \$442 million, \$423 million, and \$425 million as of July 30, 2016, January 30, 2016, and August 1, 2015, respectively. The fair value is estimated by obtaining comparable market quotes which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance.

Interest expense for the three and six month periods ended July 30, 2016 and August 1, 2015 consisted of the following:

| (\$000)                            | Three Months Ended |                | Six Months Ended |                |
|------------------------------------|--------------------|----------------|------------------|----------------|
|                                    | July 30, 2016      | August 1, 2015 | July 30, 2016    | August 1, 2015 |
| Interest expense on long-term debt | \$ 4,643           | \$ 4,642       | \$ 9,286         | \$ 9,284       |
| Other interest expense             | 230                | 303            | 553              | 644            |
| Capitalized interest               | (5)                | (3,193)        | (9)              | (6,002)        |
| Interest income                    | (655)              | (100)          | (1,253)          | (271)          |
| Interest expense, net              | \$ 4,213           | \$ 1,652       | \$ 8,577         | \$ 3,655       |

**Revolving credit facility.** In April 2016, the Company entered into a new \$600 million unsecured revolving credit facility. This credit facility, which replaced the Company's previous \$600 million unsecured revolving credit facility, expires in April 2021 and contains a \$300 million sublimit for issuance of standby letters of credit (subject to increase in proportion to any increase in the size of the credit facility). The facility also contains an option allowing the Company to increase the size of its credit facility by up to an additional \$200 million, with the agreement of the lenders. Interest on any borrowings under this facility is based on LIBOR plus an applicable margin (currently 100 basis points) and is payable quarterly and upon maturity. The revolving credit facility may be extended, at the Company's option, for up to two additional one year periods, subject to customary conditions. As of July 30, 2016, the Company had no borrowings or standby letters of credit outstanding under this facility and the \$600 million credit facility remains in place and available.

The revolving credit facility is subject to a financial leverage ratio covenant. As of July 30, 2016, the Company was in compliance with this covenant.

#### Note F: Taxes on Earnings

As of July 30, 2016, January 30, 2016, and August 1, 2015, the reserves for unrecognized tax benefits were \$105.4 million, \$94.2 million, and \$105.2 million inclusive of \$21.7 million, \$18.8 million, and \$20.8 million of related interest and penalties, respectively. The Company accounts for interest and penalties related to unrecognized tax benefits as a part of its provision for taxes on earnings. If recognized, \$52.3 million would impact the Company's effective tax rate. The difference between the total amount of unrecognized tax benefits and the amounts that would impact the effective tax rate relates to amounts attributable to deferred income tax assets and liabilities. These amounts are net of federal and state income taxes.

It is reasonably possible that certain federal and state tax matters may be concluded or statutes of limitations may lapse during the next twelve months. Accordingly, the total amount of unrecognized tax benefits may decrease, reducing the provision for taxes on earnings by up to \$5.0 million.

The Company is open to audit by the Internal Revenue Service under the statute of limitations for fiscal years 2012 through 2015. The Company's state income tax returns are generally open to audit under the various statutes of limitations for fiscal years 2011 through 2015. Certain federal and state tax returns are currently under audit by various tax authorities. The Company does not expect the results of these audits to have a material impact on the consolidated financial statements.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
Ross Stores, Inc.:

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of July 30, 2016 and August 1, 2015, and the related condensed consolidated statements of earnings and comprehensive income for the three month and six month periods ended July 30, 2016 and August 1, 2015 and of cash flows for the six month periods ended July 30, 2016 and August 1, 2015. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Ross Stores, Inc. and subsidiaries as of January 30, 2016, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 29, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 30, 2016, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/Deloitte & Touche LLP

San Francisco, California  
September 7, 2016

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

This section and other parts of this Form 10-Q contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed below under the caption "Forward-Looking Statements" and in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for 2015. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for 2015. All information is based on our fiscal calendar.

### Overview

Ross Stores, Inc. operates two brands of off-price retail apparel and home fashion stores – Ross Dress for Less® ("Ross") and dd's DISCOUNTS®. Ross is the largest off-price apparel and home fashion chain in the United States with 1,317 locations in 34 states, the District of Columbia and Guam as of July 30, 2016. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 60% off department and specialty store regular prices every day. We also operate 184 dd's DISCOUNTS stores in 14 states that feature a more moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 70% off moderate department and discount store regular prices every day.

### Results of Operations

The following table summarizes the financial results for the three and six month periods ended July 30, 2016 and August 1, 2015:

|  | Three Months Ended |                | Six Months Ended |                |
|--|--------------------|----------------|------------------|----------------|
|  | July 30, 2016      | August 1, 2015 | July 30, 2016    | August 1, 2015 |
| <b>Sales</b>   |                    |                |                  |                |
| Sales (millions)                                     | \$ 3,181           | \$ 2,968       | \$ 6,270         | \$ 5,906       |
| Sales growth   | 7.2%               | 8.7%           | 6.2%             | 9.2%           |
| Comparable store sales growth                        | 4%                 | 4%             | 3%               | 5%             |
| <b>Costs and expenses (as a percent of sales)</b>    |                    |                |                  |                |
| Cost of goods sold                                   | 70.8%              | 71.4%          | 70.6%            | 70.9%          |
| Selling, general and administrative                  | 14.8%              | 14.7%          | 14.5%            | 14.3%          |
| Interest expense, net                                | 0.1%               | 0.0%           | 0.1%             | 0.1%           |
| <b>Earnings before taxes (as a percent of sales)</b> |                    |                |                  |                |
|  | 14.3%              | 13.9%          | 14.8%            | 14.7%          |
| <b>Net earnings (as a percent of sales)</b>          |                    |                |                  |                |
|  | 8.9%               | 8.7%           | 9.1%             | 9.2%           |

**Stores.** 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.

| Store Count             | Three Months Ended |                | Six Months Ended |                |
|-------------------------|--------------------|----------------|------------------|----------------|
|                         | July 30, 2016      | August 1, 2015 | July 30, 2016    | August 1, 2015 |
| Beginning of the period | 1,473              | 1,399          | 1,446            | 1,362          |
| Opened in the period    | 31                 | 27             | 59               | 64             |
| Closed in the period    | (3)                | (2)            | (4)              | (2)            |
| End of the period       | 1,501              | 1,424          | 1,501            | 1,424          |

**Sales.** Sales for the three month period ended July 30, 2016 increased \$213 million, or 7.2%, compared to the three month period ended August 1, 2015, due to the opening of 77 net new stores between August 1, 2015 and July 30, 2016 and a 4% increase in "comparable" store sales (defined as stores that have been open for more than 14 complete months).

Sales for the six month period ended July 30, 2016 increased \$364 million, or 6.2%, compared to the six month period ended August 1, 2015, due to the opening of 77 net new stores between August 1, 2015 and July 30, 2016 and a 3% increase in comparable store sales.

Our sales mix for the three and six month periods ended July 30, 2016 and August 1, 2015 is shown below:

|   | Three Months Ended |                | Six Months Ended |                |
|---|--------------------|----------------|------------------|----------------|
|   | July 30, 2016      | August 1, 2015 | July 30, 2016    | August 1, 2015 |
| Ladies  | 29%                | 30%            | 29%              | 30%            |
| Home Accents and Bed and Bath                       | 24%                | 23%            | 24%              | 23%            |
| Shoes   | 13%                | 13%            | 14%              | 13%            |
| Men's   | 14%                | 14%            | 13%              | 13%            |
| Accessories, Lingerie, Fine Jewelry, and Fragrances | 12%                | 13%            | 12%              | 13%            |
| Children's  | 8%                 | 7%             | 8%               | 8%             |
| Total   | 100%               | 100%           | 100%             | 100%           |

We intend 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, diversify our merchandise mix, and more fully develop our systems to improve regional and local merchandise offerings. Although our strategies and store expansion program contributed to sales gains for the three and six month periods ended July 30, 2016, we cannot be sure that they will result in a continuation of sales growth or in an increase in net earnings.

**Cost of goods sold.** Cost of goods sold for the three and six month periods ended July 30, 2016 increased \$132 million and \$241 million compared to the same periods in the prior year, mainly due to increased sales from the opening of 77 net new stores and a 4% and 3% increase in comparable store sales, respectively.

Cost of goods sold as a percentage of sales for the three month period ended July 30, 2016 decreased approximately 60 basis points from the same period in the prior year, primarily due to a 45 basis point increase in merchandise margin and lower distribution and buying costs of 10 and five basis points, respectively.

Cost of goods sold as a percentage of sales for the six month period ended July 30, 2016 decreased approximately 25 basis points from the same period in the prior year, mainly due to merchandise margins that increased 35 basis points and 10 basis points in lower buying costs. These improvements were partially offset by a 20 basis point increase in distribution expenses from the impact of opening a new distribution center in the second quarter of the prior year and the timing of packaway-related costs.

We cannot be sure that the gross profit margins realized for the three and six month periods ended July 30, 2016 will continue in the future.

**Selling, general and administrative expenses.** For the three and six month periods ended July 30, 2016, selling, general and administrative expenses ("SG&A") increased \$34 million and \$62 million compared to the same periods in the prior year, mainly due to increased store operating costs reflecting the opening of 77 net new stores between August 1, 2015 and July 30, 2016.

Selling, general and administrative expenses as a percentage of sales for the three and six month periods ended July 30, 2016 increased 10 and 15 basis points, respectively, compared to the same periods in the prior year primarily due to increases in hourly wages.

**Interest expense, net.** Net interest expense as a percentage of sales for the three and six month periods ended July 30, 2016 increased compared to the same periods in the prior year primarily due to a reduction of capitalized interest.

Interest expense for the three and six month periods ended July 30, 2016 and August 1, 2015 consists of the following:

| (\$000)                            | Three Months Ended |                | Six Months Ended |                |
|------------------------------------|--------------------|----------------|------------------|----------------|
|                                    | July 30, 2016      | August 1, 2015 | July 30, 2016    | August 1, 2015 |
| Interest expense on long-term debt | \$ 4,643           | \$ 4,642       | \$ 9,286         | \$ 9,284       |
| Other interest expense             | 230                | 303            | 553              | 644            |
| Capitalized interest               | (5)                | (3,193)        | (9)              | (6,002)        |
| Interest income                    | (655)              | (100)          | (1,253)          | (271)          |
| Interest expense, net              | \$ 4,213           | \$ 1,652       | \$ 8,577         | \$ 3,655       |

**Taxes on earnings.** Our effective tax rate for the three month periods ended July 30, 2016 and August 1, 2015 was approximately 38% and 37%, respectively, and our effective tax rate for both the six month periods ended July 30, 2016 and August 1, 2015 was approximately 38%. The effective tax rate 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 impacted 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 2016 will be between 37% and 38%.

**Net earnings.** Net earnings as a percentage of sales for the three month period ended July 30, 2016 was higher compared to the same period in the prior year primarily due to lower cost of goods sold as a percentage of sales. Net earnings as a percentage of sales for the six month period ended July 30, 2016 was lower compared to the same period in the prior year due to higher taxes.

**Earnings per share.** Diluted earnings per share for the three and six month periods ended July 30, 2016 was \$0.71 and \$1.44, respectively, compared to \$0.63 and \$1.32, respectively, for the three and six month periods ended August 1, 2015. The increase in diluted earnings per share for both the three and six month periods ended July 30, 2016 is attributable to an increase in net earnings and a 3% reduction in weighted average diluted shares outstanding due to the 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, rent, taxes, and capital expenditures in connection with new and existing stores, and investments in distribution centers, information systems, and buying and corporate offices. We also use cash to repurchase stock under our stock repurchase program and to pay dividends.

| (\$000)  | Six Months Ended |                |
|--|------------------|----------------|
|  | July 30, 2016    | August 1, 2015 |
| Cash provided by operating activities                | \$ 779,554       | \$ 590,371     |
| Cash used in investing activities                    | (147,055)        | (193,297)      |
| Cash used in financing activities                    | (466,383)        | (463,394)      |
| Net increase (decrease) in cash and cash equivalents | \$ 166,116       | \$ (66,320)    |

### Operating Activities

Net cash provided by operating activities was \$779.6 million and \$590.4 million for the six month periods ended July 30, 2016 and August 1, 2015, respectively, and was primarily driven by net earnings excluding non-cash expenses for depreciation and amortization. Our primary source of operating cash flow 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.

The increase in cash flow from operating activities for the six month period ended July 30, 2016, compared to the same period in the prior year was primarily driven by the changes in packaway inventory levels and the timing of packaway receipts versus last year and higher earnings. Changes in packaway inventory levels and the timing of packaway receipts and related payments versus last year resulted in higher accounts payable leverage (defined as accounts payable divided by merchandise inventory) which was 72%, 67%, and 69% as of July 30, 2016, January 30, 2016, and August 1, 2015, respectively.

As a regular part of our business, packaway inventory levels will vary over time based on availability of compelling opportunities in the marketplace. Packaway merchandise is purchased with the intent that it will be stored in our warehouses until a later date. The timing of the release of packaway inventory to our stores is principally driven by the product mix and seasonality of the merchandise, and its relation to our store merchandise assortment plans. As such, the aging of packaway varies by merchandise category and seasonality of purchases, but typically packaway remains in storage less than six months. We expect to continue to take advantage of packaway inventory opportunities to deliver bargains to our customers.

Changes in packaway inventory levels impact our operating cash flow. As of July 30, 2016, packaway inventory was 47% of total inventory compared to 47% at the end of fiscal 2015. As of August 1, 2015, packaway inventory was 46% of total inventory compared to 45% at the end of fiscal 2014.

### Investing Activities

Net cash used in investing activities was \$147.1 million and \$193.3 million for the six month periods ended July 30, 2016 and August 1, 2015, respectively. The decrease in cash used for investing activities for the six month period ended July 30, 2016, compared to the six month period ended August 1, 2015 was primarily due to a reduction in our capital expenditures. The six month period ended August 1, 2015, included capital expenditures related to construction of a distribution center.

Our capital expenditures were \$147.4 million and \$193.1 million for the six month periods ended July 30, 2016 and August 1, 2015, respectively. Our capital expenditures include costs to build or expand distribution centers, open new stores and improve existing stores, and for various other expenditures related to our information technology systems, buying, and corporate offices.

We are currently forecasting approximately \$325 million in capital expenditures for fiscal year 2016 to fund costs for fixtures and leasehold improvements to open new Ross and dd's DISCOUNTS stores, the upgrade or relocation of existing stores, investments in information technology systems, and for various other expenditures related to our stores, distribution centers, buying and corporate offices. Our planned capital expenditures of \$325 million for fiscal year 2016 decreased from the amount

of our most recent forecast of \$425 million primarily due to the deferral of various distribution center projects. We expect to primarily fund capital expenditures with available cash and cash flows from operations.

### **Financing Activities**

Net cash used in financing activities was \$466.4 million and \$463.4 million for the six month periods ended July 30, 2016 and August 1, 2015, respectively. For the six month periods ended July 30, 2016 and August 1, 2015, our liquidity and capital requirements were provided by available cash and cash flows from operations.

We repurchased 6.2 million and 6.9 million shares of common stock for aggregate purchase prices of approximately \$351.5 million and \$351.5 million during the six month periods ended July 30, 2016, and August 1, 2015, respectively. We also acquired 0.7 million and 1.2 million shares of treasury stock from our employee stock equity compensation programs, for aggregate purchase prices of approximately \$39.3 million and \$63.6 million during the six month periods ended July 30, 2016 and August 1, 2015, respectively. In February 2015, our Board of Directors approved a two-year \$1.4 billion stock repurchase program for fiscal 2015 and 2016.

For the six month periods ended July 30, 2016 and August 1, 2015, we paid cash dividends of \$108.1 million and \$96.9 million, respectively.

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 credit, bank lines, and other credit sources to meet our capital and liquidity requirements, including lease payment obligations, in 2016.

In April 2016, we entered into a new \$600 million unsecured revolving credit facility. This credit facility, which replaced our previous \$600 million unsecured revolving credit facility, expires in April 2021 and contains a \$300 million sublimit for issuance of standby letters of credit (subject to increase in proportion to any increase in the size of the credit facility). The facility also contains an option allowing us to increase the size of our revolving credit facility by up to an additional \$200 million, with the agreement of the lenders. Interest on any borrowings under this facility is based on LIBOR plus an applicable margin (currently 100 basis points) and is payable quarterly and upon maturity. The revolving credit facility may be extended, at our option, for up to two additional one year periods, subject to customary conditions. As of July 30, 2016, we had no borrowings or standby letters of credit outstanding under this facility and the \$600 million credit facility remains in place and available.

The revolving credit facility is subject to a financial leverage ratio covenant. As of July 30, 2016, we were in compliance with this covenant.

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

## Contractual Obligations

The table below presents our significant contractual obligations as of July 30, 2016:

| (\$000)  | Less than one year | 1 - 3 years  | 3 - 5 years | After 5 years | Total <sup>1</sup> |
|--|--------------------|--------------|-------------|---------------|--------------------|
| Senior notes                                     | \$ —               | \$ 85,000    | \$ —        | \$ 315,000    | \$ 400,000         |
| Interest payment obligations                     | 18,105             | 33,499       | 25,364      | 31,653        | 108,621            |
| Operating leases (rent obligations)              | 469,925            | 891,241      | 582,769     | 499,785       | 2,443,720          |
| New York buying office ground lease <sup>2</sup> | 6,418              | 12,835       | 12,835      | 949,360       | 981,448            |
| Purchase obligations                             | 2,134,726          | 7,782        | 1,392       | —             | 2,143,900          |
| Total contractual obligations                    | \$ 2,629,174       | \$ 1,030,357 | \$ 622,360  | \$ 1,795,798  | \$ 6,077,689       |

<sup>1</sup>We have a \$105.4 million liability for unrecognized tax benefits that is included in Other long-term liabilities on our interim Condensed Consolidated Balance Sheet. This liability is excluded from the schedule above as the timing of payments cannot be reasonably estimated.

<sup>2</sup>Our New York buying office building is subject to a total 99-year ground lease.

**Senior notes.** As of July 30, 2016, we had outstanding unsecured 3.375% Senior Notes due September 2024 with an aggregate principal amount of \$250 million. Interest on the 2024 Notes is payable semi-annually.

As of July 30, 2016 we also had outstanding two other series of unsecured senior notes in the aggregate principal amount of \$150 million, held by various institutional investors. 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%. Borrowings under these senior notes are subject to certain financial covenants, including interest coverage and other financial ratios. As of July 30, 2016, we were in compliance with these covenants.

The 2024 Notes, Series A, and Series B senior notes are all subject to prepayment penalties for early payment of principal.

## Off-Balance Sheet Arrangements

**Operating leases.** We currently lease all but three of our store locations, three warehouse facilities, and a buying office. In addition, we have a ground lease related to our New York buying office. Except for certain leasehold improvements and equipment, these leased locations do not represent long-term capital investments.

Two of the warehouses are in Carlisle, Pennsylvania with leases expiring in 2017 and 2018. The third warehouse is in Fort Mill, South Carolina, with a lease expiring in 2019. The leases for the two Carlisle, Pennsylvania warehouses contain renewal provisions.

We currently lease approximately 68,000 square feet of office space for our Los Angeles buying office. The lease term for this facility expires in 2017 and contains renewal provisions.

**Purchase obligations.** As of July 30, 2016, we had purchase obligations of approximately \$2,144 million. These purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to construction projects, store fixtures and supplies, and information technology services, transportation, and maintenance contracts.

**Standby letters of credit and collateral trust.** We use standby letters of credit outside of our revolving credit facility in addition to a funded trust to collateralize our insurance obligations. As of July 30, 2016, January 30, 2016, and August 1, 2015, we had \$15.3 million, \$15.3 million, and \$19.5 million, respectively, in standby letters of credit outstanding and \$56.6 million, \$56.4 million and \$56.3 million, respectively, in a collateral trust. The standby letters of credit are collateralized by restricted cash and the collateral trust consists of restricted cash, cash equivalents, and investments.

**Trade letters of credit.** We had \$45.9 million, \$32.0 million, and \$51.4 million in trade letters of credit outstanding at July 30, 2016, January 30, 2016, and August 1, 2015, respectively.

**Dividends.** In August 2016, our Board of Directors declared a cash dividend of \$0.1350 per common share, payable on September 30, 2016.

**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.

### **Critical Accounting Policies**

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our condensed 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. Actual results may differ significantly from these estimates. During the second quarter of fiscal 2016, there have been no significant changes to the policies discussed in our Annual Report on Form 10-K for the year ended January 30, 2016.

**Recently issued accounting standards.** In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This ASU simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for our annual and interim reporting periods beginning in fiscal 2017. We are currently assessing the impact adoption of this standard will have on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires balance sheet recognition for all leases with lease terms greater than one year including a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for our annual and interim reporting periods beginning in fiscal 2019. We are currently evaluating the effect adoption of this new guidance will have on our consolidated financial statements.

**Recently issued and adopted accounting standards.** In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which simplifies the presentation of deferred taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. We early adopted ASU 2015-17 retrospectively, as of January 30, 2016. As a result, \$10.7 million of our deferred tax assets previously presented in current assets have been reclassified to long-term deferred tax liabilities in the Condensed Consolidated Balance Sheet as of August 1, 2015. Adoption of this standard did not impact results of operations, retained earnings, or cash flows in the current or previous annual reporting periods.

## Forward-Looking Statements

This report may contain a number of forward-looking statements regarding 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,” “guidance,” “looking ahead” and similar expressions identify forward-looking statements.

Future economic and industry trends that could potentially impact revenue, profitability, and growth are difficult to predict. 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. Such risks are not limited to but may include:

- Competitive pressures in the apparel and home-related merchandise retailing industry, which are high.
- Unexpected changes in the level of consumer spending on or preferences for apparel and home-related merchandise.
- Unseasonable weather that may affect shopping patterns and consumer demand for seasonal apparel and other merchandise.
- Impacts from the macro-economic environment, financial and credit markets, and geopolitical conditions that affect consumer confidence and consumer disposable income.
- In order to achieve our planned gross margins, we must effectively manage our inventories, markdowns, and inventory shortage.
- We depend on the market availability, quantity, and quality of attractive brand name merchandise at desirable discounts, and on the ability of our buyers to purchase merchandise to enable us to offer customers a wide assortment of merchandise at competitive prices.
- Data security breaches, including cyber-attacks on our transaction processing and computer information systems, which could result in theft or unauthorized disclosure of customer, credit card, employee, or other private and valuable information that we handle in the ordinary course of our business.
- Disruptions in our supply chain or in our information systems that could impact our ability to process sales and to deliver product to our stores in a timely and cost-effective manner.
- To achieve growth, we need to expand in existing markets and enter new geographic markets.
- We need to obtain acceptable new store sites with favorable consumer demographics to achieve our planned growth.
- Consumer problems or legal issues involving the quality, safety, or authenticity of products we sell.
- An adverse outcome in various legal, regulatory, or tax matters could increase our costs.
- Damage to our corporate reputation or brands could adversely affect our sales and operating results.
- Our inability to continually attract, train, and retain associates with the retail talent necessary to execute our off-price retail strategies.
- Our inability to effectively advertise and market our business.
- Risks associated with importing merchandise from other countries.
- A natural or man-made disaster in California or in another region where we have a concentration of stores, offices, or a distribution center could harm our business.
- We may experience volatility in revenues and earnings.
- To support our continuing operations, our new store and distribution center growth plans, and our stock repurchase program and quarterly dividends, we must maintain sufficient liquidity.

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 disclaim any obligation to update or revise these forward-looking statements.

## ITEM 3. 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 July 30, 2016.

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 July 30, 2016, we had no borrowings outstanding under our revolving credit facility.

We have two outstanding series of unsecured notes held by institutional investors: Series A Senior Notes due December 2018 for \$85 million accrues interest at 6.38% and Series B Senior Notes due December 2021 for \$65 million accrues interest at 6.53%. The amount outstanding under these notes as of July 30, 2016 was \$150 million. We also have outstanding unsecured 3.375% Senior Notes due September 2024 with an aggregate principal amount of \$250 million. Interest that is payable on our senior notes is based on fixed interest rates, and is therefore unaffected by changes in market interest rates.

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 a material impact on 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 three month period ended July 30, 2016. 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.

## ITEM 4. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our “disclosure controls and procedures” (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at that reasonable assurance level as of the end of the period covered by this report.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

#### **Quarterly Evaluation of Changes in Internal Control Over Financial Reporting**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the second fiscal quarter of 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our management concluded that there was no such change during the 2016 second fiscal quarter.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

The matters under the caption “Litigation, claims, and assessments” in Note A of Notes to Condensed Consolidated Financial Statements are incorporated herein by reference.

### **ITEM 1A. RISK FACTORS**

See Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 30, 2016 for a description of the risks and uncertainties associated with our business.

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

Information regarding shares of common stock we repurchased during the second quarter of fiscal 2016 is as follows:

| Period                          | Total number of shares (or units) purchased <sup>1</sup> | 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) <sup>2</sup> |
|---------------------------------|--|--|---|--|
| May<br>(5/01/2016 - 5/28/2016)  | 844,039  | \$55.40                                | 819,167   | \$478,800  |
| June<br>(5/29/2016 - 7/02/2016) | 1,362,447  | \$54.17                                | 1,342,471   | \$406,100  |
| July<br>(7/03/2016 - 7/30/2016) | 977,216  | \$58.93                                | 977,001   | \$348,500  |
| Total                           | <u>3,183,702</u>   | \$55.96                                | <u>3,138,639</u>  | \$348,500  |

<sup>1</sup>We acquired 45,063 shares of treasury stock during the quarter ended July 30, 2016. Treasury stock includes shares acquired 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.

<sup>2</sup>In February 2015 our Board of Directors approved a two-year \$1.4 billion stock repurchase program for fiscal 2015 and 2016.

## ITEM 6. EXHIBITS

Incorporated herein by reference to the list of exhibits contained in the Index to Exhibits within this Report.

**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.

**ROSS STORES, INC.**

\_\_\_\_\_  
(Registrant)

Date: September 7, 2016

By: /s/Michael J. Hartshorn

\_\_\_\_\_  
Michael J. Hartshorn

Group Senior Vice President, Chief Financial Officer, and  
Principal Accounting Officer



## INDEX TO EXHIBITS

| Exhibit<br>Number | Exhibit  |
|-------------------|--|
| 3.1               | Certificate of Incorporation of Ross Stores, Inc. as amended (Corrected First Restated Certificate of Incorporation, dated March 17, 1999, together with amendments thereto through Amendment of Certificate of Incorporation dated May 29, 2015) incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 1, 2015. |
| 3.2               | Ross Stores, Inc. Bylaws (as amended January 23, 2013; as corrected August 11, 2016).  |
| 10.1              | Second Amended and Restated Ross Stores, Inc. Incentive Compensation Plan.   |
| 10.2              | Third Amendment to the Employment Agreement effective May 18, 2016 between Michael Balmuth and Ross Stores, Inc.   |
| 15                | Letter re: Unaudited Interim Financial Information from Deloitte & Touche LLP dated September 7, 2016.   |
| 31.1              | Certification of Chief Executive Officer Pursuant to Sarbanes-Oxley Act Section 302(a).  |
| 31.2              | Certification of Chief Financial Officer Pursuant to Sarbanes-Oxley Act Section 302(a).  |
| 32.1              | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.   |
| 32.2              | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.   |
| 101.INS           | XBRL Instance Document   |
| 101.SCH           | XBRL Taxonomy Extension Schema   |
| 101.CAL           | XBRL Taxonomy Extension Calculation Linkbase   |
| 101.DEF           | XBRL Taxonomy Extension Definition Linkbase  |
| 101.LAB           | XBRL Taxonomy Extension Label Linkbase   |
| 101.PRE           | XBRL Taxonomy Extension Presentation Linkbase  |

**AMENDED AND RESTATED  
BYLAWS  
OF  
ROSS STORES, INC.  
A Delaware Corporation**

**As amended, January 23, 2013**

**[as corrected August 11, 2016]**

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**ROSS STORES, INC.  
A DELAWARE CORPORATION  
BYLAWS**

**ARTICLE I**

**STOCKHOLDERS**

Section 1. Annual Meeting. An annual meeting of the stockholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall each year fix, which date shall be within thirteen months subsequent to the later of the date of incorporation or the last annual meeting of stockholders.

Section 2. Special Meetings. Special meetings of the stockholders, for any purpose or purposes prescribed in the notice of the meeting, may be called only (1) by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption) or (2) by the holders of not less than ten percent (10%) of all of the shares entitled to cast votes at the meeting, and shall be held at such place, on such date, and at such time as the Board of Directors shall fix. Business transacted at special meetings shall be confined to the purpose or purposes stated in the Corporation's notice of the meeting or in any supplemental notice delivered by the Corporation in accordance with Article I, Section 3 of these Bylaws.

In order for stockholders to call a special meeting (a "stockholder-called special meeting"), a written request to the Board of Directors to fix the place, date and time of a special meeting (a "special meeting request") must be signed by the stockholders of the Corporation (or their duly authorized agents) holding ten percent (10%) of all of the shares entitled to cast votes at the meeting (the "requisite percent") and must be received by the Secretary of the Corporation at the principal executive offices of the Corporation by registered mail, return receipt requested. The special meeting request shall (i) set forth the name and address, as they appear on the Corporation's books, of each stockholder of the Corporation signing such request (or on whose behalf such request is signed) and the beneficial owners, if any, on whose behalf such request is made, (ii) comply with the requirements set forth in Article I, Section 7, Article I, Section 8, Article II, Section 11 and Article II, Section 12, as applicable, of these Bylaws, (iii) bear the date of signature of each such stockholder (or duly authorized agent) signing the special meeting request, (iv) state the purchase date of each share of stock beneficially owned and intended to be counted in determining whether the shares of the Corporation's stock held by the stockholders making such special meeting request satisfy the requisite percent, (v) include documentary evidence that the stockholders signing the special meeting request own the requisite percent as of the date of such special meeting request, provided, however, that if such stockholders are not the beneficial owners of the shares representing the requisite percent, then to be valid, the special meeting request shall also include documentary evidence that the



### EXHIBIT 3.2

beneficial owners on whose behalf the special meeting request is made own the requisite percent as of the date of such special meeting request, (vi) provide a representation by each stockholder signing the special meeting request that (A) the stockholder, as of the date of such special meeting request, is, and through the date such stockholder-called special meeting is held, continuously will be, a holder of record of the number of shares of stock of the Corporation that is attributed to such stockholder in its special meeting request and such stockholder intends to appear in person or by proxy at the stockholder-called special meeting, and (B) the beneficial owner(s) on whose behalf the stockholder is making such special meeting request, if any, as of the date of such special meeting request, beneficially owns and, through the date such stockholder-called special meeting is held, continuously will beneficially own, the number of shares of stock of the Corporation that is attributed to such beneficial owner(s) in the stockholder's special meeting request and such beneficial owner(s) intends to appear in person or by proxy at the stockholder-called special meeting, and (vii) include an agreement by each stockholder signing the special meeting request to notify the Corporation immediately in the case of any disposition before the date of the stockholder-called meeting of shares of stock of the Corporation owned of record or beneficially owned by such stockholder or beneficial owner, as applicable, and an acknowledgment that any such disposition shall be deemed a revocation of such special meeting request to the extent of such disposition, such that the number of shares disposed of shall not be included in determining whether the requisite percent has been reached.

In addition, the stockholders signing a special meeting request, the beneficial owners, if any, on whose behalf the special meeting request is being made, and the proposed nominees, if any, shall promptly provide any other information reasonably requested by the Corporation. Each such stockholder, beneficial owner and proposed nominee, if any, shall further update and supplement the special meeting request received by the Corporation pursuant to this Article I, Section 2 so that the information, statements, representations and agreements provided or required to be provided in such special meeting request shall be complete, true and correct as of the record date for determining stockholders entitled to vote at such stockholder-called special meeting and as of the date that is ten (10) business days prior to the stockholder-called meeting or any adjournment or postponement thereof, and such update and supplement shall be received by the Secretary of the Corporation at the principal executive offices of the Corporation by registered mail, return receipt requested not later than five (5) business days after the record date for determining stockholders entitled to vote at the meeting in the case of the update and supplement required to be made as of the record date, and not later than eight (8) business days prior to the date for the meeting or any adjournment or postponement thereof in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof.

In determining whether a special meeting of stockholders is being called by the record holders of shares representing in the aggregate at least the requisite percent, multiple special meeting requests received by the Secretary will be considered together only if each such special meeting request (x) identifies substantially the same purpose or purposes of the stockholder-called special meeting and substantially the same matter or matters proposed to be acted on at the stockholder-called special meeting (in each case as determined in good faith by the Board of Directors) and (y) has been dated and received by the Secretary within sixty (60) days of the

## EXHIBIT 3.2

earliest dated special meeting request. Any requesting stockholder may revoke its special meeting request at any time by written revocation received by the Secretary of the Corporation at the principal executive offices of the Corporation; provided, however, that if following such revocation (or any deemed revocation pursuant to clause (vii) above), the unrevoked valid special meeting requests represent in the aggregate less than the requisite percent, there shall be no requirement to hold a special meeting. The first date on which unrevoked valid special meeting requests constituting not less than the requisite percent shall have been received by the Corporation is referred to herein as the “request receipt date.”

In the event of the receipt, in the manner provided in the previous paragraph, by the Corporation of the requisite special meeting request or requests and/or any related revocation or revocations, the Corporation may engage nationally recognized independent inspectors for the purpose of promptly performing a ministerial review of the validity of the requests and revocations. For the purpose of permitting the inspectors to perform such review, no special meeting shall be called until such date as the independent inspectors certify to the Corporation that the requests delivered to the Corporation in accordance with this Article I, Section 2 represent at least the minimum number of shares held for the minimum amount of time to call such a stockholder-called special meeting. Nothing contained in this paragraph shall in any way be construed to suggest or imply that the Corporation or any stockholder shall not be entitled to contest the validity of any request or revocation thereof, whether before or after such certification by the independent inspectors, or take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

Business transacted at any stockholder-called special meeting shall be limited to the purpose(s) stated in the unrevoked valid special meeting request(s) signed by stockholders holding the requisite percent of the Corporation’s voting stock; provided, however, that nothing herein shall prohibit the Board of Directors from submitting matters to the stockholders at any stockholder-called special meeting.

Except as otherwise provided by law, in the case of a stockholder-called special meeting, the Chairman of the meeting shall have the power and duty (i) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws, and (ii) if any proposed nomination or business was not made or proposed in compliance with these Bylaws or the stated business to be brought before the special meeting is not a proper subject for stockholder action under applicable law, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted. Notwithstanding anything in this Article I, Section 2 to the contrary, a stockholder-called special meeting shall not be held if (i) the special meeting request does not comply with this Article I, Section 2; (ii) the special meeting request relates to an item of business that is not a proper subject for stockholder action under applicable law; (iii) the receipt request date is during the period commencing ninety (90) days prior to the first anniversary of the date of the immediately preceding annual meeting of stockholders and ending on the date of the next annual meeting; (iv) an annual or special meeting of stockholders that included a substantially similar item of business (“similar business”) (as determined in good

## EXHIBIT 3.2

faith by the Board of Directors) was held not more than ninety (90) days before the receipt request date; (v) the Board of Directors has called or calls for an annual or special meeting of stockholders to be held within ninety (90) days after the receipt request date, and the Board of Directors determines in good faith that the business to be conducted at such meeting includes similar business; or (vi) the special meeting request was made in a manner that involved a violation of the proxy rules of the Securities and Exchange Commission or other applicable law.

Section 3. Notice of Meetings. Written notice of the place, date, and time of all meetings of the stockholders, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting) and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given, by the Corporation, not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the Delaware General Corporation Law or the Certificate of Incorporation of the Corporation).

When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, written notice of the place, date, and time of the adjourned meeting shall be given in conformity herewith to each stockholder entitled to vote at the adjourned meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Except as otherwise required by law, any previously scheduled annual meeting of the stockholders, and any special meeting of the stockholders, may be postponed, rescheduled or cancelled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of stockholders.

## EXHIBIT 3.2

Section 4. Quorum. At any meeting of the stockholders, the holders of a majority of all of the shares of the stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law.

If a quorum shall fail to attend any meeting, the Chairman of the meeting or the holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

The Chairman of the meeting may adjourn any annual or special meeting from time to time, whether or not there is a quorum.

If a notice of any adjourned special meeting of stockholders is sent to all stockholders entitled to vote thereat, stating that it will be held with those present constituting a quorum, then except as otherwise required by law, those present at such adjourned meeting shall constitute a quorum, and all matters shall be determined by a majority of the votes cast at such meeting.

The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 5. Conduct of the Stockholders' Meeting. At every meeting of the stockholders, the Chief Executive Officer of the Corporation, or, in his absence, the Chairman of the Board, if there is a person holding such position, or if not, the President designated by the Chief Executive Officer, or in the absence of such designation, any President, shall act as Chairman. The Secretary of the Corporation or a person designated by the Chairman shall act as Secretary of the meeting. Unless otherwise approved by the Chairman, attendance at the Stockholders' Meeting is restricted to stockholders of record, persons authorized in accordance with Article I, Section 9 of these Bylaws to act by proxy, and officers of the Corporation.

Section 6. Conduct of Business. The Chairman shall call the meeting to order, establish the agenda, and conduct the business of the meeting in accordance therewith or, at the Chairman's discretion, it may be conducted otherwise in accordance with the wishes of the stockholders in attendance. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the Chairman of the meeting of stockholders shall have the right and authority to convene and (for any or no reason) to recess the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such Chairman, are appropriate for the proper conduct of the meeting in an orderly manner, including, without limitation, rule on the precedence of, and procedure on, motions and other procedural matters, and exercise discretion with respect to such procedural matters with fairness and good faith toward all those entitled to take part. The Chairman may

## EXHIBIT 3.2

impose reasonable limits on the amount of time taken up at the meeting on discussion in general or on remarks by any one stockholder. Should any person in attendance become unruly or obstruct the meeting proceedings, the Chairman shall have the power to have such person removed from participation. Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at a stockholders' meeting except in accordance with the procedures set forth in this Article I, Section 6 and in Article I, Section 7 and Article I, Section 8, below. The Chairman of a stockholders' meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Article I, Section 6 and of Article I, Section 7 and Article I, Section 8, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Section 7. Notice of Stockholder Business. At an annual or special meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. For the avoidance of doubt, "business" as used in these Bylaws shall include nomination for election to the Board of Directors, unless otherwise specified.

(A) Annual Meetings of Stockholders. To be properly brought before an annual meeting, business must be (a) specified in the Corporation's notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) properly requested to be brought before the annual meeting by a stockholder in accordance with these Bylaws. For business to be properly requested to be brought before an annual meeting by a stockholder, a stockholder must (i) be a stockholder of record at the time of giving of notice of such annual meeting by or at the direction of the Board of Directors and at the time of the annual meeting, (ii) be entitled to vote at such annual meeting and (iii) comply with the procedures set forth in these Bylaws as to such business.

For business to be properly requested to be brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof and timely updates and supplements thereof, in writing to the Secretary of the Corporation and such business must otherwise be a proper matter for stockholder action.

To be timely, a stockholder proposal to be presented at an annual meeting shall be received at the Corporation's principal executive offices not less than a hundred and twenty (120) days in advance of the date that the Corporation's proxy statement was released to stockholders in connection with the previous year's annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days before or more than sixty (60) days after the date of the previous year's meeting, notice by the stockholder to be timely must be received not earlier than the close of business on the hundred and twentieth (120<sup>th</sup>) day prior to the date of such annual meeting and not later than the close of business on the later of the ninetieth (90<sup>th</sup>) day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than a hundred (100) days prior to the date of such annual meeting, the tenth (10<sup>th</sup>) day following the day on which public announcement of the date of such meeting is first

## EXHIBIT 3.2

made by the Corporation. In no event shall any adjournment or postponement of an annual meeting, or the public announcement thereof, commence a new time period for the giving of a stockholder's notice as described above.

Notwithstanding anything in the immediately preceding paragraph to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased by the Board of Directors, and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least a hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Article I, Section 7 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth (10<sup>th</sup>) day following the day on which such public announcement is first made by the Corporation.

In addition, to be considered timely, a stockholder's notice shall further be updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be complete, true and correct as of the record date for determining stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for determining stockholders entitled to vote at the meeting in the case of the update and supplement required to be made as of the record date, and not later than eight (8) business days prior to the date for the meeting or any adjournment or postponement thereof in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof.

(B) Special Meetings of Stockholders. To be properly brought before a special meeting, subject to Article II, Section 11, business must be (a) specified in the Corporation's notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors or pursuant to an unrevoked valid special meeting request in accordance with Article I, Section 2, or (b) otherwise properly brought before the special meeting, by or at the direction of the Board of Directors.

(C) General. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the Chairman of any annual or special meeting shall have the power to determine whether any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with these Bylaws and, if any proposed business is not in compliance with these Bylaws, to declare that no action shall be taken on such proposal and such proposal shall be disregarded.

For purposes of these By-laws, "public announcement" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the

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Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the “Exchange Act”).

The annual meeting and special meeting procedures set forth in this Article I, Section 7(A) and (B) shall be the exclusive means for a stockholder to make business proposals (other Rule 14a-8 under the Exchange Act and included in the Corporation’s notice of meeting).

Section 8. Disclosure Requirements. To be in proper form, a stockholder’s notice to the Secretary of the Corporation must include the following.

As to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made, a stockholder’s notice must set forth: (i) the name and address of such stockholder, as they appear on the Corporation’s books, of such beneficial owner, if any, and of their respective affiliates or associates or others acting in concert therewith, (ii) (A) the class or series and number of shares of the Corporation which are, directly or indirectly, owned beneficially and of record by such stockholder, such beneficial owner and their respective affiliates or associates or others acting in concert therewith, (B) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, or any derivative or synthetic arrangement having the characteristics of a long position in any class or series of shares of the Corporation, or any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any class or series of shares of the Corporation, including due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any class or series of shares of the Corporation, whether or not such instrument, contract or right shall be subject to settlement in the underlying class or series of shares of the Corporation, through the delivery of cash or other property, or otherwise, and without regard to whether the stockholder of record, the beneficial owner, if any, or any affiliates or associates or others acting in concert therewith, may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right, or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation (any of the foregoing, a “Derivative Instrument”) directly or indirectly owned beneficially by such stockholder, the beneficial owner, if any, or any affiliates or associates or others acting in concert therewith, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder has a right to vote any class or series of shares of the Corporation, (D) any agreement, arrangement, understanding, relationship or otherwise, including any repurchase or similar so-called “stock borrowing” agreement or arrangement, involving such stockholder, directly or indirectly, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any class or series of the shares of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such stockholder with respect to any class or series of the shares of the Corporation, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of any class or series of the shares of the

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Corporation (any of the foregoing, a “Short Interest”), (E) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder that are separated or separable from the underlying shares of the Corporation, (F) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner of such general or limited partnership, (G) any performance-related fees (other than an asset-based fee) that such stockholder is entitled to, based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, including without limitation any such interests held by members of such stockholder’s immediate family sharing the same household, (H) any significant equity interests or any Derivative Instruments or Short Interests in any principal competitor of the Corporation held by such stockholder, and (I) any direct or indirect interest of such stockholder in any contract with the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation (including, in any such case, any employment agreement, collective bargaining agreement or consulting agreement), and (iii) any other information relating to such stockholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement and form or proxy or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act.

In addition, if the notice relates to any business other than a nomination of a director or directors that the stockholder proposes to bring before the meeting, a stockholder’s notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, (b) any material interest of the stockholder and beneficial owner, if any, in such business, (c) the text of the proposal or business (including the text of any resolutions proposed for consideration and, in the event that such proposal or business includes a proposal to amend the by-laws of the Corporation, the text of the proposed amendment), and (d) a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such stockholder. Stockholder proposals shall be no more than five hundred (500) words in length.

No proposal shall be put before the stockholders:

- (a) which is not a proper subject for action by stockholders under Delaware law;
- (b) which is obstructive, frivolous, dilatory or repugnant to good taste;
- (c) which contains any false or misleading statements;
- (d) which relates to the redress of a personal claim or grievance against the Corporation or any other person, or if it is designated to result in a benefit or interest that is not shared by the stockholders at large;
- (e) which relates to operations which account for less than five percent of the Corporation’s total assets at the end of its most recent fiscal year, and for less than five percent of its net earnings and gross sales for its most recent fiscal year, and is not otherwise significantly related to the Corporation’s business;



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(f) which deals with a matter beyond the Corporation's power to effectuate;  
(g) which deals with a matter relating to conduct of the ordinary business operations of the Corporation;  
(h) which is counter to or substantially duplicative of a proposal to be submitted by the Corporation at the meeting;

(i) if the proposal deals with substantially the same subject matter as a prior proposal submitted to stockholders in the Corporation's proxy statement and a form of proxy related to any annual or special meeting of stockholders held within the preceding five calendar years, it may be omitted from the agenda of any meeting of stockholders held within three calendar years after the latest such submission, provided that:

(i) if the proposal was submitted at only one meeting during such preceding period, it received less than five percent of the total number of votes cast in regard thereto; or

(ii) if the proposal was submitted at only two meetings during such preceding period, it received at the time of its second submission less than eight percent of the total number of votes cast in regard thereto; or

(iii) if the prior proposal was submitted at three or more meetings during such preceding period, it received at the time of its latest submission less than ten percent of the total number of votes cast in regard thereto.

Notwithstanding the foregoing provisions of this Article I, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present proposed business (including nomination for election to the Board of Directors), such proposed business shall not be transacted and such nomination shall be disregarded, as the case may be, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this provision, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

Notwithstanding the provisions of these Bylaws, a stockholder shall also comply with all applicable requirements of the Exchange Act with respect to the matters set forth in these Bylaws; provided, however, that any references in these Bylaws to the Exchange Act are not intended to and shall not limit the separate and additional requirements set forth in these Bylaws with respect to nominations or proposals as to any other business (other than business properly brought under Rule 14a-8 under the Exchange Act). Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act. Subject to Rule 14a-8 under the Exchange Act, nothing in these Bylaws shall be construed to permit any stockholder, or give any stockholder the right, to include or have disseminated or described in the Corporation's proxy statement any business proposal.

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Section 9. Proxies and Voting. At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting. No stockholder may authorize more than one proxy for his or her shares. Each stockholder shall have one vote for every share of stock entitled to vote which is registered in his or her name on the record date for determining stockholders entitled to vote at the meeting, except as otherwise provided herein or required by law. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile transmission or other reproduction shall be a complete reproduction of the entire original writing or transmission.

All voting, but excepting for the election of directors and where otherwise required by law, may be by a voice vote; provided, however, that upon demand therefor by a stockholder entitled to vote or his or her proxy, a stock vote shall be taken. Every stock vote shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting. Every vote taken by ballots shall be counted by an inspector or inspectors appointed by the Chairman of the meeting, which inspector or inspectors may, but does not need to, include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives. The Corporation may, and to the extent required by law, shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting may, and to the extent required by law, shall, appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the Corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the Corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election. The inspectors shall have the duties prescribed by law.

In an election of directors that is not contested, only those nominees who receive a majority approval vote shall be elected. All other elections shall be determined by a plurality of the votes cast, and except as otherwise required by law or by an express provision of these

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Bylaws, all other matters shall be determined by a majority of the votes cast affirmatively or negatively; provided, however, that proposals relating to employee or director compensation or compensation plans may, in the discretion of the Board of Directors, require such greater affirmative vote as is specified in a resolution adopted by the Board of Directors. For purposes of this Section, the meaning of “majority approval vote” and “not contested” shall be as provided in Article II, Section 13 below.

Section 10. Stock List. A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in his or her name (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth (10<sup>th</sup>) day before the meeting date), shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held.

The stock list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any such stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

## ARTICLE II

### BOARD OF DIRECTORS

Section 1. Number and Term of Office. The number of directors shall initially be nine and, thereafter, shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption). Until the 2014 annual meeting of stockholders, the directors shall be divided into three classes, as nearly equal in number as reasonably possible, with the term of office of the first class to expire at the 2014 annual meeting of stockholders, the term of office of the second class to expire at the 2012 annual meeting of stockholders and the term of office of the third class to expire at the 2013 annual meeting of stockholders. At each annual meeting of stockholders beginning in 2012, directors shall be elected to succeed those directors whose terms expire, for a one-year term of office, to expire at the next annual meeting of stockholders after their election. Beginning with the 2014 annual meeting of stockholders, the entire Board of Directors shall be subject to election at each annual meeting of stockholders, for a one-year term of office, to expire at the next annual meeting of stockholders after their election, and the Board of Directors will no longer be divided into classes. All directors shall hold office until the expiration of the term for which elected and until their successors are elected, except in the case of the death, resignation or removal of any director. Any incumbent director who stands for reelection as a director and who does not receive a majority approval vote (as defined in Article II, Section 13 below) shall promptly tender an offer of resignation in accordance with Article II, Section 13 below.

Section 2. Vacancies and Newly Created Directorships. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, removal from office, disqualification or other cause may be filled only by a majority vote of the directors then in office, though less than a quorum, and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders (or, prior to the 2014 annual meeting of stockholders, for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires). No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 3. Removal. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any directors, or the entire Board of Directors, may be removed from office at any time, with or without cause, by the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

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Section 4. Regular Meetings. Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

Section 5. Special Meetings. Special meetings of the Board of Directors may be called by a majority of the directors then in office (rounded up to the nearest whole number) or by the Chief Executive Officer or the Chairman of the Board and shall be held at such place, on such date, and at such time as they or he or she shall fix. Notice of the place, date, and time of each such special meeting shall be given to each director by whom it is not waived by mailing written notice not fewer than five (5) days before the meeting or by telephone, electronic transmission, telexing, telecopying or personally delivering the same not fewer than twelve (12) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 6. Quorum. At any meeting of the Board of Directors, a whole number of directors equal to at least a majority of the total number of authorized directors shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof. The directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 7. Participation in Meetings by Conference Telephone. Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

Section 8. Conduct of Business. At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board may from time to time determine, and, if a quorum is present, all matters shall be determined by the vote of a majority of the directors present, except as otherwise provided herein or required by law. Action may be taken by the Board of Directors without a meeting if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 9. Powers. The Board of Directors may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, including, without limiting the generality of the foregoing, the unqualified power:

- (a) To declare dividends from time to time in accordance with law;
- (b) To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;

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(c) To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;

(d) To remove any officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;

(e) To confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers, employees and agents;

(f) To adopt from time to time such stock, option, stock purchase, bonus or other compensation plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine;

(g) To adopt from time to time such insurance, retirement, and other benefit plans for directors, officers, employees and agents of the Corporation and its subsidiaries as it may determine; and

(h) To adopt from time to time regulations, not inconsistent with these Bylaws, for the management of the Corporation's business and affairs.

Section 10. Compensation of Directors. Directors, as such, may receive, pursuant to resolution of the Board of Directors, fixed fees and other compensation for their services as directors, including, without limitation, their services as members of committees of the Board of Directors.

Section 11. Nomination of Director Candidates. Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of Directors may be made by the Board of Directors or a committee appointed for that purpose by the Board of Directors or by any stockholder who (i) is a stockholder of record at the time of giving of notice of such meeting and at the time of the meeting, (ii) is entitled to vote at the meeting, and (iii) complies with the procedures set forth in these Bylaws as to such nomination. However, any stockholder entitled to vote in the election of Directors generally may nominate one or more persons for election as Directors at a meeting only if timely and proper notice of such stockholder's intent to make such nomination or nominations (including the completed and signed questionnaire, representation and agreement required by Article II, Section 12 of these Bylaws), and timely updates and supplements thereof, have been given in writing to the Secretary of the Corporation in accordance with Article I, Section 7, Article I, Section 8 and Article II, Section 11 of these Bylaws.

In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to the date of such special meeting and not later than the close of business on the later of the 90th day prior to the date of such special meeting or, if the first public announcement of the date of such special meeting is less than 100 days prior to the date of such special meeting, the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall any adjournment or postponement of

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a special meeting of stockholders, or the public announcement thereof, commence a new time period for the giving of a stockholder's notice as described above.

In addition, to be considered timely, a stockholder's notice shall further be updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be complete, true and correct as of the record date for determining stockholders entitled to vote at the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for determining stockholders entitled to vote at the meeting in the case of the update and supplement required to be made as of the record date, and not later than eight (8) business days prior to the date for the meeting, any adjournment or postponement thereof in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof.

In addition to the requirements set forth in Article I, Section 7 and Article I, Section 8 of these Bylaws, to be in proper form, each such notice shall set forth: (a) all information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; (b) the written consent of each nominee to be named in the proxy statement as a nominee and to serve as a director of the Corporation if so elected; and (c) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the stockholder intending to make the nomination and the beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder intending to make the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant. In addition, each such notice shall also include completed and signed questionnaire, representation and agreement required by Article II, Section 12 of these Bylaws. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

In the event that a person is validly designated as a nominee in accordance with this Article II, Section 11 and shall thereafter become unable or unwilling to stand for election to the Board of Directors, the Board of Directors may designate a substitute nominee upon delivery, not fewer than five (5) days prior to the date of the meeting for the election of such nominee,

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of a written notice to the Secretary setting forth such information regarding such substitute nominee as would have been required to be delivered to the Secretary pursuant to this Article II, Section 11 had such substitute nominee been initially proposed as a nominee. Such notice shall include a signed consent to serve as a Director of the Corporation, if elected, of each such substitute nominee.

If the Chairman of a meeting where stockholders are to vote for the election of Directors determines that a nomination of any candidate for election as a Director at such meeting was not made in accordance with the applicable provisions of this Article II, Section 11, such nomination shall be void; provided, however, that nothing in this Article II, Section 11 shall be deemed to limit any voting rights upon the occurrence of dividend arrearages provided to holders of Preferred Stock pursuant to the Preferred Stock designation for any series of Preferred Stock.

Section 12. Submission of Questionnaire, Representation and Agreement. To be eligible to be a nominee for election or reelection as a director of the Corporation, a person must deliver (in accordance with the time periods prescribed for delivery of notice under these Bylaws) to the Secretary at the principal executive offices of the Corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request), and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (a) is not and will not become a party to (i) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (ii) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (b) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed therein, and (c) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply, with all applicable corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation publicly disclosed from time to time.



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Section 13. Majority Approval Vote in Director Elections; Required Offer of Resignation. Any incumbent director who was a nominee at a stockholder meeting and who did not receive a majority approval vote, shall tender to the Board of Directors his or her offer of resignation for consideration by the Board of Directors. Such offer of resignation shall be tendered within 14 days following the certification of the stockholder vote for the respective election of directors. For purposes of this Section, (i) “majority approval vote” means that the number of votes cast by stockholders “for” a nominee for director exceeds the sum of the number of votes cast “against” or to “withhold approval” for such nominee, in an election that is not contested, and (ii) an election is “not contested” if the number of nominees is not greater than the number of directors to be elected at the particular stockholder meeting.

Within 60 days following certification of the stockholder vote, the Nominating and Corporate Governance Committee (or such other committee of the Board of Directors as is otherwise designated by the Board of Directors) shall recommend to the Board of Directors whether to accept or reject the resignation, or whether other action should be taken with respect to such offer of resignation, in regard to any incumbent directors who failed to receive a majority approval vote in an election that was not contested. In determining whether or not to recommend that the Board of Directors accept any offer of resignation, the reviewing committee shall be entitled to consider all factors believed relevant by such committee’s members, including such factors and guidelines, if any, as may be set forth in the Corporation’s Corporate Governance Guidelines or other relevant policies that are then in effect.

The Board of Directors shall act on the recommendation of the Nominating and Corporate Governance Committee (or other committee) within 90 days following certification of the stockholder vote. In determining whether or not to accept any resignation offer, or whether other action should be taken with respect to such offer of resignation, the Board of Directors shall consider the factors considered by the recommending committee, and any additional information and factors that the Board of Directors believes to be relevant. The Board of Directors shall, within five business days after reaching its decision, publicly disclose the decision, including, if applicable, the reasons for not accepting an offer of resignation.

Any incumbent director who fails to receive the requisite majority approval vote in an election that is not contested will remain an active member of the Board of Directors during the period while their offer of resignation is under consideration. However, any director whose offer of resignation is under consideration for potential acceptance pursuant to this Section shall not participate in the Nominating and Corporate Governance Committee (or other committee) discussions and recommendation on that subject, or in the Board of Directors action regarding whether to accept such director’s offer of resignation. If every member of the Nominating and Corporate Governance Committee fails to receive a majority approval vote at the same stockholder meeting, the Board of Directors shall appoint a committee of independent directors who did receive a majority approval vote at that meeting to consider the resignation offers and make recommendations to the Board of Directors. If no independent directors are eligible to serve on such a review committee, then the Board of Directors shall act on the resignation offers in such manner as the Board of Directors determines to be appropriate.

The Nominating and Corporate Governance Committee is authorized to adopt and establish such policies, guidelines, factors for consideration, and director qualification requirements as it determines to be appropriate in order to implement this Section, which may be included in the Corporate Governance Guidelines or elsewhere, and may include, if the committee so determines, the submission by all nominees of irrevocable, contingent resignations.

### ARTICLE III

#### COMMITTEES

Section 1. Committees of the Board of Directors. The Board of Directors, pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption), may from time to time designate committees of the Board, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board and shall, for those committees and any others provided for herein, elect a director or directors to serve as the member or members, designating, if it desires, other directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. Any committee so designated may exercise the power and authority of the Board of Directors to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law if the resolution which designates the committee or a supplemental resolution of the Board of Directors shall so provide. In the absence or disqualification of any member of any committee and any alternate member in his place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 2. Conduct of Business. Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; a majority of the authorized members shall constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee. The Board shall have power at any time to fill vacancies in, to change the membership of, or to dissolve, any committee. Nothing herein shall be deemed to prevent the Board from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board.

## ARTICLE IV

### OFFICERS

Section 1. Generally. The officers of the Corporation shall consist of a Chief Executive Officer, one or more Presidents, a Secretary, and a Chief Financial Officer and/or a Treasurer. At the discretion of the Board of Directors, the Corporation shall have a Chairman of the Board, one or more Assistant Treasurers, and one or more Assistant Secretaries. The Corporation may also have such other officers as the Board of Directors may appoint, and such other officers as the Chief Executive Officer may appoint in accordance with the provisions of Article IV, Section 10. The Board of Directors shall consider the election of officers at its first meeting after every annual meeting of stockholders. Each officer shall hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any number of offices may be held by the same person.

Section 2. Chairman of the Board. The Chairman of the Board, if there is a person holding that position, shall, if present, preside at all meetings of the Board of Directors, and exercise and perform such other powers and duties as may be from time to time assigned to him or her by the Board of Directors or prescribed by these Bylaws.

Section 3. Chief Executive Officer. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there is a person holding that position, the Chief Executive Officer of the Corporation shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the Corporation. He shall preside at all meetings of the stockholders and, in the absence of the Chairman of the Board, or if there be none, at all meetings of the Board of Directors. He or she shall have the general powers and duties of management usually vested in the office of chief executive officer of a Corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

Section 4. Presidents. Each President shall have such powers and duties as may be delegated to him or her by the Board of Directors. One President shall be designated by the Board to perform the duties and exercise the powers of the Chief Executive Officer in the event of the Chief Executive Officer's absence or disability.

Section 5. Chief Financial Officer. The Chief Financial Officer shall keep and maintain or cause to be kept and maintained, adequate and correct books and records of account of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He shall disburse all funds of the Corporation as may be ordered by the Board of Directors, shall render to the Chief Executive Officer and Directors, whenever they request it, an account of all of his transactions as Chief Financial Officer and of the financial condition of

## EXHIBIT 3.2

the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these Bylaws.

Section 6. Secretary. The Secretary shall keep, or cause to be kept, a book of minutes in written form of the proceedings of the Board of Directors, committees of the Board, and stockholders. Such minutes shall include all waivers of notice, consents to the holding of meetings, or approvals of the minutes of meetings executed pursuant to these Bylaws or the General Delaware Corporation Law. The Secretary shall keep, or cause to be kept at the principal executive office or at the office of the Corporation's transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of shares held by each.

The Secretary shall give or cause to be given, notice of all meetings of the stockholders and of the Board of Directors as required by these Bylaws or by law to be given, and shall keep the seal of the Corporation, if one be adopted, in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 7. Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

Section 8. Removal, Resignation and Vacancies. Any officer of the Corporation may be removed at any time, with or without cause, by the affirmative vote of a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption). Any officer appointed by the Chief Executive Officer may be removed by him with or without cause. Any officer may resign at any time, upon written notice to the Corporation, without prejudice of the rights, if any, of the Corporation under any contract to which such officer is a party. A newly created office and a vacancy in any office because of death, resignation, or removal may be filled by the Board of Directors. Any vacancy in an office appointed by the Chief Executive Officer because of death, resignation, or removal may be filled by the Chairman of the Board or the Chief Executive Officer.

Section 9. Compensation. The compensation of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such compensation by reason of the fact that he is also a director of the Corporation.

## EXHIBIT 3.2

Section 10. Subordinate Officers. The Chief Executive Officer may appoint such vice presidents and other subordinate officers as the business of the Corporation may require, each of whom shall have such duties and such tenure as the Chief Executive Officer decides. Officers appointed by the Chief Executive Officer under this Article IV, Section 10 shall not be considered corporate level or executive officers.

Section 11. Action With Respect to Securities of Other Corporations. Unless otherwise directed by the Board of Directors, the Chief Executive Officer or any officer of the Corporation authorized by the Chief Executive Officer shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

## ARTICLE V

### STOCK

Section 1. Certificates of Stock. The shares of stock of the Corporation shall be represented by certificates; provided, however, that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of the Corporation's stock shall be uncertificated shares; provided, further, that any such resolution shall not apply to shares of stock represented by a certificate until such certificate is surrendered to the Corporation. Each holder of stock of the Corporation that is represented by a certificate shall be entitled to a certificate signed by, or in the name of the Corporation by, the Chief Executive Officer or a President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, certifying the number of shares owned by him or her. Any of or all the signatures on the certificate may be facsimile.

Section 2. Transfers of Stock. Stock of the Corporation shall be transferable in the manner prescribed by law, requirements established by the stock exchanges on which the Corporation's stock is listed and in the Bylaws. Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Article V, Section 4 of these Bylaws, an outstanding certificate for the number of shares involved shall be surrendered by the holder thereof in person or by such holder's attorney duly authorized in writing, for cancellation before a new certificate is issued therefor, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require. Transfers of uncertificated shares of stock shall be made only upon receipt of proper transfer instructions from the registered holder of the shares or by such holder's attorney duly authorized in writing, and upon compliance with appropriate procedures for transferring shares in uncertificated form. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

## EXHIBIT 3.2

Section 3. Record Date. In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders, the Board of Directors may fix in advance a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than sixty (60) days nor less than ten (10) days preceding the date of such meeting of stockholders. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the business day next preceding the day on which notice is given. If the Board of Directors fails to provide proper notice of a meeting of stockholders but notice is waived, the record date for determining stockholders entitled to notice of and to vote at such meeting shall be at the close of business on the business day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend, or any other distribution or allotment of any rights, or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall not be more than sixty (60) days prior to such action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the business day on which the Board of Directors adopts the resolution relating thereto.

Section 4. Lost, Stolen or Destroyed Certificates. In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

Section 5. Record Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

**EXHIBIT 3.2**

Section 6. Regulations. The issue, transfer, conversion and registration of certificates of stock (or uncertificated stock) shall be governed by such other regulations as the Board of Directors may establish.

**ARTICLE VI**

**NOTICES**

Section 1. Notices. Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, director, officer, employee or agent shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by prepaid telegram or mailgram. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice shall be deemed to be given shall be the time such notice is received by such stockholder, director, officer, employee or agent, or by any person accepting such notice on behalf of such person, if hand delivered, or dispatched, if delivered through the mails or by telegram or mailgram.

Notwithstanding anything to the contrary set forth in these Bylaws, any notice to stockholders given by the Corporation hereunder shall be effective if given by a form of electronic transmission in the manner provided in Section 232 of the Delaware General Corporation Law (except to the extent prohibited by Section 232(e) of the Delaware General Corporation Law). Notice given by a form of electronic transmission in accordance with these Bylaws shall be deemed given at the times provided in the Delaware General Corporation Law. Such further notice shall be given as may be required by law.

Section 2. Waivers. A written waiver of any notice, signed by a stockholder or director, officer, employee or agent entitled to notice, or a waiver by electronic transmission by such person, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such stockholder, director, officer, employee or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

## ARTICLE VII

### MISCELLANEOUS

Section 1. Facsimile Signatures. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

Section 2. Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary or Assistant Treasurer.

Section 3. Reliance Upon Books, Reports and Records. Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation, including reports made to the Corporation by any of its officers, by an independent certified public accountant, or by an appraiser selected with reasonable care.

Section 4. Fiscal Year. The fiscal year of the Corporation shall be as fixed by the Board of Directors.

Section 5. Time Periods. In applying any provision of these Bylaws which require that an act be done or not done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

Section 6. Resignations. Any director or any officer, whether elected or appointed, may resign at any time by giving written notice of such resignation to the Chairman of the Board, the Chief Executive Officer, or the Secretary, without prejudice to the rights, if any, of the Corporation under any contract to which such officer is a party. No formal action shall be required of the Board of Directors or the stockholders to make any such resignation effective immediately; *provided, however*, that a resignation may by its terms be made subject to delayed effectiveness or to a formal action to determine whether to accept the resignation, including in the case of any offer of resignation by a director in accordance with Article II, Sections 1 and 13 above.

Section 7. Severability. If any provision or provisions of these Bylaws shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of these Bylaws (including, without limitation, each portion of any paragraph of these Bylaws containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of these Bylaws (including, without limitation, each such portion of any paragraph of these



Bylaws containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

## ARTICLE VIII

### INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (“proceeding”), by reason of the fact that he or she or a person of whom he or she is the legal representative, is or was, at any time during which this Bylaw is in effect (whether or not such person continues to serve in such capacity at the time any indemnification or advancement of expenses pursuant hereto is sought or at the time any Proceeding relating thereto exists or is brought), a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be (and shall be deemed to have a contractual right to be) indemnified and held harmless by the Corporation to the fullest extent authorized by Delaware Law, as the same exists or may hereafter be amended, (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes or penalties, amounts paid or to be paid in settlement and amounts expended in seeking indemnification granted to such person under applicable law, these Bylaws or any agreement with the Corporation) incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in Article VIII, Section 2, the Corporation shall indemnify any such person seeking indemnity in connection with an action, suit or proceeding (or part thereof) initiated by such person only if such action, suit or proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. All of the rights conferred in this Article VIII to indemnification, advancement of expenses and otherwise, shall be contract rights and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the Corporation within twenty (20) days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time. Such rights described in the preceding sentence shall vest at the commencement of such director’s or officer’s service to or at the request of the Corporation and (x) any amendment or modification of this Article VIII that in any way diminishes or adversely affects any such rights shall be prospective only and shall not in any way diminish or adversely affect any such rights with respect to any actual or alleged state of facts, occurrence, action or omission occurring prior to

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the time of such amendment or modification, or proceeding previously or thereafter brought or threatened based in whole or in part upon any such actual or alleged state of facts, occurrence, action or omission, and (y) all of such rights shall continue as to any such director or officer who has ceased to be a director or officer of the Corporation or ceased to serve at the Corporation's request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, as described herein, and shall inure to the benefit of such director or officer's heirs, executors and administrators. Notwithstanding any of the foregoing, if the Delaware General Corporation Law then so requires, the payment of such expenses incurred by a director or officer of the Corporation in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of such proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it should be determined ultimately that such director or officer is not entitled to be indemnified under this Section or otherwise.

Section 2. Right of Claimant to Bring Suit. If a claim for indemnification or advancement of expenses under Article VIII, Section 1 is not paid in full by the Corporation within twenty (20) days (including with respect to the advancement of expenses) after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if such suit is not frivolous or brought in bad faith, the claimant shall be entitled to be paid also the expense of prosecuting such claim to the fullest extent permitted by law. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to this Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

**EXHIBIT 3.2**

Section 3. Non-Exclusivity of Rights. The rights conferred on any person in Article VIII, Section 1 and Article VIII, Section 2 shall not be exclusive of any other right which such persons may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 4. Indemnification Contracts. The Board of Directors is authorized to enter into a contract with any director, officer, employee or agent of the Corporation, or any person serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing for indemnification rights equivalent to or, if the Board of Directors so determines, greater than, those provided for in this Article VIII.

Section 5. Insurance. The Corporation shall maintain insurance to the extent reasonably available, at its expense, to protect itself and any such director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 6. Procedures for Indemnification. To obtain indemnification under this Article VIII, a claimant shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this Article VIII, Section 6, a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (a) if requested by the claimant, by independent legal counsel (as hereinafter defined), or (b) if no request is made by the claimant for a determination by independent legal counsel, (i) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (ii) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (iii) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by independent legal counsel in a written opinion to the Board, a copy of which shall be delivered to the claimant or (iv) if so directed by the Board, by the stockholders of the Corporation. In the event the determination of entitlement to indemnification is to be made by independent legal counsel at the request of the claimant, the independent legal counsel shall be selected by the Board of Directors unless there shall have occurred within two (2) years prior to the date of the commencement of the action, suit or proceeding for which indemnification is claimed a Change of Control (as hereinafter defined), in which case the independent legal counsel shall be selected by the claimant unless the claimant shall request that such selection be made by the Board of Directors. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within ten (10) days after such determination.

**EXHIBIT 3.2**

Section 7. Effect of Amendment. Any amendment, repeal or modification of any provision of this Article VIII by the stockholders and the directors of the Corporation shall not adversely affect any right or protection of a director, officer, employee or agent of the Corporation hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

Section 8. Effect and Validity. If a determination shall have been made pursuant to Article VIII, Section 6 that the claimant is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to Article VIII, Section 2. The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to Article VIII, Section 2 that the procedures and presumptions of this Article VIII are not valid, binding and enforceable and shall stipulate in such proceeding that the Corporation is bound by all the provisions of this Article VIII.

Section 9. Definitions. For purposes of this Article VIII:

(a) “Change of Control” means:

(i) the acquisition by any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (“Exchange Act” is defined in Article I, Section 8)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of either (A) the then outstanding shares of common stock of the Corporation (the “Outstanding Common Stock”) or (B) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the “Outstanding Voting Securities”); provided, however, that for purposes of this subsection 9(a), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from the Corporation, (2) any acquisition by the Corporation, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation or (4) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (a)(iii) of this Article VIII, Section 9; or

(ii) Individuals who, as of the date hereof, constitute the Board of Directors (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors; or

(iii) Consummation by the Corporation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation or the acquisition of assets of another entity (a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individual and entities who were the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially

**EXHIBIT 3.2**

own, directly or indirectly, more than fifty percent (50%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the Corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, twenty percent (20%) or more of, respectively, the then outstanding shares of common stock of the Corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the Board of Directors of the Corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or

(iv) Approval by the stockholders of the Corporation of a complete liquidation or dissolution of the Corporation.

(b) "Disinterested Director" means a director of the Corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(c) "independent legal counsel" means a law firm, a member of a law firm, or an independent practitioner that is experienced in matters of corporation law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Corporation or the claimant in an action to determine the claimant's rights under this Article VIII.

**ARTICLE IX**

**AMENDMENTS**

The Board of Directors is expressly empowered to adopt, amend or repeal Bylaws of the Corporation. Any adoption, amendment or repeal of Bylaws of the Corporation by the Board of Directors shall require the approval of a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any resolution providing for adoption, amendment or repeal is presented to the Board). The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation. In addition to any vote of the holders of any class or series of stock of this Corporation required by law or by these Bylaws, the affirmative vote of the holders of at least 66 2/3 percent of the combined voting power of the outstanding shares of stock of all classes and series of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provisions of the Bylaws of the Corporation.

**CERTIFICATE OF SECRETARY**

I hereby certify:

That I am the duly elected and acting Corporate Secretary of Ross Stores, Inc., a Delaware Corporation; and

That attached hereto is a true and complete copy of the Bylaws of said corporation, comprising 35 pages, as amended and restated by the Board of Directors of the corporation on August 17, 2011, and as further amended by the Board of Directors of the corporation on November 16, 2011 and January 23, 2013; such Bylaws have not been modified or rescinded and remain in full force and effect.

IN WITNESS WHEREOF, I hereunder subscribed my name and affixed the seal of said Corporation this 11th day of August, 2016.

/s/ J. Call

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John Call

Corporate Secretary

**SECOND AMENDED AND RESTATED  
ROSS STORES, INC.  
INCENTIVE COMPENSATION PLAN**

(As Amended Effective May 18, 2016)

1. **ESTABLISHMENT, PURPOSE, TERM OF PLAN.**

1.1 **Establishment.** The Amended and Restated Ross Stores, Inc. Incentive Compensation Plan was amended and restated in its entirety as the Second Amended and Restated Ross Stores, Inc. Incentive Compensation Plan (the "**Plan**") effective as of May 18, 2006, the date of its approval by the stockholders of the Company, and is hereby further amended effective as of May 18, 2016, the date of its reapproval by the stockholders of the Company (the "**Effective Date**").

1.2 **Purpose.** The purposes of the Plan is to advance the interests of the Company and its stockholders by providing an incentive to management and other key employees of the Company to meet or exceed pre-established, corporate and individual performance goals.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee.

2. **DEFINITIONS AND CONSTRUCTION.**

2.1 **Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "**Affiliate**" means (i) an entity that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) an entity that is controlled by the Company directly or indirectly through one or more intermediary entities. For this purpose, the term "control" (including the term "controlled by") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the relevant entity, whether through the ownership of voting securities, by contract or otherwise.

(b) "**Award**" means an incentive award granted under the Plan.

(c) "**Award Formula**" means, for any Award, a formula or table established by the Committee which provides the basis for computing the value of the Award at one or more threshold levels of attainment of the applicable Performance Goal(s) as of the end of the applicable Performance Period.

(d) "**Board**" means the Board of Directors of the Company.

(e) "**Code**" means the Internal Revenue Code of 1986, as amended, and any applicable regulations or administrative guidelines promulgated thereunder.



EXHIBIT 10.1

(f) “**Change in Control**” means the occurrence of any of the following:

(i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)), other than (1) a trustee or other fiduciary holding stock of the Company under an employee benefit plan of a Participating Company or (2) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, becomes the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of stock of the Company representing more than fifty percent (50%) of the total combined voting power of the Company’s then-outstanding voting stock; or

(ii) an Ownership Change Event or a series of related Ownership Change Events (collectively, a “**Transaction**”) wherein the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting stock of the Company or, in the event of a sale of assets, of the corporation or corporations to which the assets of the Company were transferred (the “**Transferee Corporation(s)**”).

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting stock of one or more corporations which, as a result of the Transaction, own the Company or the Transferee Corporation(s), as the case may be, either directly or through one or more subsidiary corporations. The Board shall have the right to determine whether multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.

(g) “**Committee**” means the Compensation Committee or other committee of one or more members of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. If no committee of the Board has been appointed to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(h) “**Company**” means Ross Stores, Inc., a Delaware corporation, or any successor corporation thereto.

(i) “**Covered Employee**” means any Employee who is or may become a “covered employee” as defined in Section 162(m), or any successor statute, and who is designated, either as an individual Employee or a member of a class of Employees, by the Committee no later than the earlier of (i) the date ninety (90) days after the beginning of the applicable Performance Period, or (ii) the date on which twenty-five percent (25%) of the Performance Period has elapsed, as a “Covered Employee” under this Plan for such applicable Performance Period.

**EXHIBIT 10.1**

(j) “**Employee**” means any person treated as an employee (including an officer or a member of the Board who is also treated as an employee) in the records of a Participating Company.

(k) “**Executive Officer**” mean a person who, on the last day of a Fiscal Year, is then serving as the Chief Executive Officer, the President, an Executive Vice President or a Senior Vice President of the Company.

(l) “**Fiscal Year**” means a fiscal year of the Company.

(m) “**Outside Director**” means a member of the Board who (i) is not a current employee of the Company or a member of an affiliated group of corporations within the meaning of Section 162(m) (together with the Company, the “**Affiliated Group**”); (ii) is not a former employee of the Affiliated Group who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year; (iii) has not been an officer of the Affiliated Group; and (iv) does not receive remuneration within the meaning of Section 162(m) from the Affiliated Group, either directly or indirectly, in any capacity other than as a member of the Board.

(n) “**Ownership Change Event**” means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(o) “**Participant**” means any eligible person who has been granted one or more Awards.

(p) “**Participating Company**” means the Company or any Affiliate.

(q) “**Performance-Based Compensation**” means compensation under an Award that satisfies the requirements of Section 162(m) for certain performance-based compensation paid to Covered Employees.

(r) “**Performance Goal**” means a performance goal established by the Committee pursuant to Section 5.1.

(s) “**Performance Measure**” means a measure of business or financial performance described in Section 5.2.

(t) “**Performance Period**” means a period established by the Committee pursuant to Section 5.1 at the end of which one or more Performance Goals are to be measured.

(u) “**Performance Targets**” mean levels of attainment with respect to one or more Performance Measures, as described in Section 5.2.

**EXHIBIT 10.1**

(v) “**Section 162(m)**” means Section 162(m) of the Code.

(w) “**Section 409A**” means Section Section 409A of the Code.

(x) “**Service**” means a Participant’s employment with a Participating Company in the capacity of an Employee. A Participant’s Service shall be deemed to have terminated if the Participant ceases to be an Employee, even if the Participant continues to render service to a Participating Company in a capacity other than as an Employee. A Participant’s Service shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. Subject to the foregoing, the Company, in its discretion, shall determine whether a Participant’s Service has terminated and the effective date of such termination.

(y) “**Short-Term Deferral Period**” means the period ending on the later of (i) the 15th day of the third month following the end of the Participant’s first taxable year in which the applicable Award is no longer subject to a substantial risk of forfeiture or (ii) the 15th day of the third month following the end of the Company’s first taxable year in which the applicable Award is no longer subject to a substantial risk of forfeiture. For this purpose, the term “substantial risk of forfeiture” shall have the meaning set forth in any applicable U.S. Treasury Regulations or other applicable guidance promulgated pursuant to Section 409A.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

3. **ADMINISTRATION.**

3.1 **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final and binding upon all persons having an interest in the Plan or such Award.

3.2 **Administration in Compliance with Section 162(m).** The Board shall establish a Committee of composed solely of two or more Outside Directors to administer the Plan with respect to any Award granted to a Covered Employee which might reasonably be anticipated to result in the payment of employee remuneration that would otherwise exceed the limit on employee remuneration deductible for income tax purposes pursuant to Section 162(m).

3.3 **Authority of Officers.** Any Executive Officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the Executive Officer has apparent authority with respect to such matter, right, obligation, determination or election. The Committee may, in its discretion, delegate to the Chief Executive Officer of the Company the authority to grant one or more Awards to any eligible

## EXHIBIT 10.1

Employee, other than a person who, at the time of such grant, is an Executive Officer and to otherwise exercise the powers of the Committee as set forth in Section 3.4 with respect to such Awards without further approval of the Committee, provided that each such Award shall conform to the provisions of the Plan and such other guidelines as shall be established from time to time by the Committee.

**3.4 Powers of the Committee.** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion:

- (a) to determine the persons to whom, and the time or times at which Awards shall be granted;
- (b) to determine the Award Formula, Performance Measure(s), Performance Targets, Performance Period, Performance Goal(s) and all other terms, conditions and restrictions applicable to each Award (which need not be identical) and the extent to which such Performance Goal(s) have been attained;
- (c) to amend, modify or adjust any Award or Award Formula or to waive any restrictions or conditions applicable to any Award;
- (d) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws of, or to accommodate the tax policy or custom of, foreign jurisdictions whose citizens may be granted Awards; and
- (e) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

**3.5 Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or officers or employees of the Company, members of the Board and any officers or employees of the Company to whom authority to act for the Board or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or

## EXHIBIT 10.1

proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

### 4. **ELIGIBILITY AND AWARD LIMITATION.**

4.1 **Persons Eligible for Awards.** Awards may be granted only to Employees who are managers or key employees of a Participating Company and who are designated as Participants by the Committee. No person whose Service commences or recommences after October 31 of any Fiscal Year shall be eligible to be granted an Award with respect to such Fiscal Year.

4.2 **Maximum Award.** No Participant may be granted an Award which would result in the Participant receiving in settlement of the Award for each Fiscal Year contained in the Performance Period for such Award an amount in excess of \$8,000,000.

### 5. **GRANT OF AWARDS.**

Subject to the provisions of the Plan, the Committee, at any time and from time to time, may grant Awards in such amounts and upon such conditions as it shall determine, subject to the following:

5.1 **Establishment of Performance Period, Performance Goals and Award Formula.** In granting each Award, the Committee shall establish in writing the applicable Performance Period, Award Formula and one or more Performance Goals which, when measured at the end of the Performance Period, shall determine on the basis of the Award Formula the final value of the Award to be paid to the Participant. The Committee may, in its discretion, establish different Award Formulas applicable to different classes, categories, positions or organizational levels of Participants or to individual Participants. In establishing the Performance Periods, Performance Goals and Award Formulas, the Committee shall take into account the recommendations of the Management Committee of the Company. Unless otherwise permitted in compliance with the requirements under Section 162(m) with respect to each Award intended to result in the payment of Performance-Based Compensation, the Committee shall establish the applicable Performance Period, Performance Goal(s) and Award Formula no later than the earlier of (a) the date ninety (90) days after the commencement of the Performance Period or (b) the date on which 25% of the Performance Period has elapsed, and, in any event, at a time when the outcome of the Performance Goal(s) remains substantially uncertain. Once established, the Performance Goal(s) and Award Formula applicable and Award granted to a Covered Employee shall not be changed.

5.2 **Measurement of Performance Goals.** The Committee shall establish Performance Goals on the basis of Performance Targets to be attained with respect to one or more Performance Measures, subject to the following:

(a) **Performance Measures.** Performance Measures shall have the same meanings as used in the Company's financial statements, or, if such terms are not used in the Company's financial statements, they shall have the meaning applied pursuant to generally

## EXHIBIT 10.1

accepted accounting principles, or as used generally in the Company's industry. Performance Measures shall be calculated with respect to the Company and each Affiliate consolidated therewith for financial reporting purposes or such division or other business unit as may be selected by the Committee. For purposes of the Plan, the Performance Measures applicable to an Award shall be calculated in accordance with generally accepted accounting principles, but prior to the accrual or payment of any performance award for the same Performance Period and excluding the effect (whether positive or negative) of any change in accounting standards or any unusual or infrequently occurring event or transaction, as determined by the Committee, occurring after the establishment of the Performance Goals applicable to the Award. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Measures in order to prevent the dilution or enlargement of the Participant's rights with respect to an Award. Performance Measures may be one or more of the following, as determined by the Committee:

- (i) revenue;
- (ii) sales;
- (iii) expenses;
- (iv) operating income;
- (v) gross margin;
- (vi) operating margin;
- (vii) earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization;
- (viii) pre-tax profit;
- (ix) net operating income;
- (x) net income;
- (xi) economic value added;
- (xii) free cash flow;
- (xiii) operating cash flow;
- (xiv) stock price;
- (xv) earnings per share;
- (xvi) return on stockholder equity;
- (xvii) return on capital;

**EXHIBIT 10.1**

- (xviii) return on assets;
- (xix) return on investment;
- (xx) employee retention;
- (xxi) market share;
- (xxii) customer satisfaction;
- (xxiii) completion of an identified special project; and
- (xxiv) completion of a joint venture or other corporate transaction.

(g) **Performance Targets.** Performance Targets may include a minimum, maximum, target level and intermediate levels of performance, with the final value of an Award determined under the applicable Award Formula by the level attained during the applicable Performance Period. A Performance Target may be stated as an absolute value or as a value determined relative to an index, budget or other standard selected by the Committee.

**5.3 Discretionary Adjustment of Award Formulas.** In its discretion, the Committee may, either at the time it grants an Award or at any time thereafter, provide for the adjustment of the Award Formula applicable to an Award granted to any Participant who is not an Executive Officer or otherwise a Covered Employee to reflect such Participant's individual performance in his or her position with a Participating Company or such other factors as the Committee may determine. However, once established in accordance with Section 5.1, the Committee shall have no discretion to alter an Award Formula applicable to any Award granted to an Executive Officer or Covered Employee.

**5.4 New or Promoted Employees.** Any Award granted by the Committee to an Employee who becomes eligible to participate in the Plan following the commencement of a Fiscal Year, whether as a result of hiring or promotion, shall provide for an Award Formula prorated on the basis the length of the Fiscal Year remaining from the date on which the Employee becomes eligible to participate. If a Participant previously granted an Award for a Fiscal Year is promoted to a position within a category of Participants for which the Committee has established a more favorable Award Formula, the more favorable Award Formula shall be applied on a pro rata basis to that portion of the Fiscal Year remaining from the date of the Employee's promotion, and the original Award Formula shall be applied on a pro rata basis to that portion of the Fiscal Year preceding the date of promotion. Notwithstanding the foregoing, no discretionary adjustment pursuant to Section 5.3 or Section 6.2 may be made to any Award held by a Participant who is promoted to a position of an Executive Officer or Covered Employee following the commencement of a Fiscal Year.

**5.5 Notice to Participants.** The Company shall notify each Participant of the terms of the Award granted to him or her, including the Performance Period, Performance Goal(s) and Award Formula.

6. **SETTLEMENT OF AWARDS.**

6.1 **Determination of Final Award Values.** As soon as practicable following the completion of the Performance Period applicable to each Award, the Committee shall certify in writing the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the Participant and to be paid upon its settlement in accordance with the applicable Award Formula. Except as provided in Section 6.2, the Committee shall have no discretion to increase the value of an Award payable upon its settlement in excess of the amount called for by the terms of the applicable Award Formula on the basis of the degree of attainment of the Performance Goals as certified by the Committee.

6.2 **Adjustment for Exceptional Individual Performance.** In the event that the Performance Goals are not attained under an Award having a Performance Period consisting of a Fiscal Year, as a result of which no amount would otherwise be payable on the basis of the Award Formula applicable to such Award, but the Company is profitable for such Fiscal Year in the judgment of the Committee, a Participant granted such Award who is not an Executive Officer or otherwise a Covered Employee and who has received an individual performance appraisal rating of “exceptional” shall be eligible, at the discretion of the Committee, to receive the amount of the final Award value that would have become payable to the Participant under the applicable Award Formula had 100% of the Performance Goals been attained and had the Participant received an individual performance appraisal rating of “good.”

6.3 **Effect of Leaves of Absence.** Unless otherwise required by law or Company policy, payment of the final value of an Award held by a Participant who has taken in excess of thirty (30) days of military leave, sick leave or other approved leaves of absence during any one or more Fiscal Years contained in the Performance Period applicable to the Award shall be prorated on the basis of the number of days of the Participant’s Service during the Performance Period on which the Participant was not on a leave of absence.

6.4 **Notice to Participants.** As soon as practicable following the Committee’s determination and certification in accordance with Section 6.1 with respect to an Award, the Company shall notify the Participant of the determination of the Committee.

6.5 **Payment in Settlement of Awards.** As soon as practicable following the Committee’s determination and certification in accordance with Section 6.1 with respect to an Award, but in any event within the Short-Term Deferral Period, payment shall be made to the Participant of the resulting final value, if any, of such Award (subject to applicable tax withholding); provided, however, that, except as otherwise provided by Section 8.1, a Participant shall not be eligible to receive a payment under the Award unless the Participant remains an active, full-time Employee on the payment date. For this purpose, a Participant on an approved leave of absence shall be deemed to be an active Employee. All such payments shall be made in cash or by check.

6.6 **Tax Withholding.** The Company shall have the right to deduct from any and all payments made under the Plan or otherwise all federal, state, local and foreign taxes, if any, required by law to be withheld by the Company with respect to any such payment.



7. **EFFECT OF TERMINATION OF SERVICE.**

Except as otherwise provided by Section 8.1, if a Participant's Service terminates for any reason or no reason prior to the date of payment of the final value of an Award held by the Participant, the Participant shall immediately forfeit the Award and shall be entitled to receive no payment therefor.

8. **CHANGE IN CONTROL.**

8.1 **Effect of Change in Control.** Unless otherwise provided by a contract of employment between the Participant and a Participating Company, in the event of the consummation of a Change in Control prior to the completion of the Performance Period applicable to the Participant's Award and provided that the Participant's Service has not terminated prior to the date of the Change in Control, the Award shall become payable, effective as of the date of the Change in Control, in the amount that would constitute the final value of the Award determined in accordance with the Award Formula had 100% of the Performance Goals for the Performance Period been attained and had the Participant (if not an Executive Officer) received an individual performance rating of "good;" provided, however, that such amount shall be prorated on the basis of the number of days of the Participant's Service during the Performance Period prior to the date of the Change in Control. Subject to Section 8.2, payment pursuant to this Section 8.1 (subject to applicable tax withholding) shall be made in cash or by check within thirty (30) days following the date of the Change in Control regardless of whether or not the Participant's Service has terminated on or after the date of the Change in Control.

8.2 **Federal Excise Tax Under Section 4999 of the Code.**

(a) **Excess Parachute Payment.** In the event that any payment pursuant to an Award and any other payment or benefit received or to be received by the Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such payment or benefit as an excess parachute payment under Section 280G of the Code, the Participant may elect, in his or her sole discretion, to reduce the amount of any payment called for under the Award in order to avoid such characterization.

(b) **Determination by Independent Accountants.** To aid the Participant in making any election called for under Section 8.2(a), upon the occurrence of any event that might reasonably be anticipated to give rise to a payment under Section 8.1 (an "*Event*"), the Company shall promptly request a determination in writing by independent public accountants selected by the Company (the "*Accountants*"). Unless the Company and the Participant otherwise agree in writing, the Accountants shall determine and report to the Company and the Participant within twenty (20) days of the date of the Event the amount of such payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make their required determination. The

## EXHIBIT 10.1

Company shall bear all fees and expenses the Accountants may reasonably charge in connection with their services contemplated by this Section 8.2(b).

### 9. AMENDMENT OR TERMINATION OF THE PLAN.

The Plan, as set forth in this document, represents the general guidelines the Company presently intends to utilize to determine what Awards, if any, will be granted and paid. If, however, at the sole discretion of the Committee, the Company's best interest is served by applying different guidelines to certain individuals, or to individuals under special or unusual circumstances, it reserves the right to do so by notice to such individuals at any time, or from time to time. To the extent that such applications are contrary to any provisions of the Plan, the Plan will be deemed amended to such extent. The Committee may terminate or amend the Plan at any time; provided, however, that in amending the Plan the Committee shall take into account whether the approval of the Company's stockholders of such amendment may be required in order to continue to qualify amounts paid pursuant to the Plan as Performance-Based Compensation.

### 10. MISCELLANEOUS PROVISIONS.

10.1 **Nontransferability of Awards.** Prior to settlement in accordance with the provisions of the Plan, no Awards may be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except by will or by the laws of descent and distribution. All rights with respect to an Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant.

10.2 **Rights as Employee.** No person, even though eligible pursuant to Section 4, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee or interfere with or limit in any way the right of the Company to terminate the Participant's Service at any time.

10.3 **Beneficiary Designation.** Each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant's death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation shall be subject to the consent of the Participant's spouse. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant's death, the Company will pay any remaining unpaid benefits to the Participant's legal representative.

10.4 **Unfunded Obligation.** Any amounts payable to Participants pursuant to the Plan shall be unfunded obligations for all purposes, including, without limitation, Title I of

**EXHIBIT 10.1**

the Employee Retirement Income Security Act of 1974. The Company shall not be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or the Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of the Company. The Participants shall have no claim against the Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan.

**10.5 Applicable Law.** The Plan shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California.

**10.6 Treatment of Awards Outstanding on Effective Date.** Notwithstanding any other provision of the Plan to the contrary, each Award granted under a prior version of the Plan and remaining outstanding on the Effective Date shall, following the Effective Date, be treated as having been granted under and governed by the terms and conditions of the Plan as in effect on the date of grant of such Award. For purposes of the preceding sentence, such prior versions of the Plan include the Ross Stores, Inc. Incentive Compensation Plan adopted on May 30, 1996, the Amended and Restated Ross Stores, Inc. Incentive Compensation Plan adopted on March 16, 2000, and the Second Amended and Restated Ross Stores, Inc. Incentive Compensation Plan adopted on May 18, 2006 and reapproved by the stockholders on May 18, 2011.

**10.7 Compliance with Section 409A.** The provisions of the Plan are intended to comply with the requirements of Section 409A, and the Plan shall be so construed. Notwithstanding any other provision of the Plan to the contrary, the Committee may, in its sole and absolute discretion and without the consent of any Participant, amend the Plan to take effect retroactively or otherwise as it deems necessary or advisable for the purpose of conforming the Plan to the requirements of Section 409A. The payment of any and all Awards granted under a prior version of the Plan after October 3, 2004 shall conform to the applicable payment provisions of the Plan and not to the provisions of such prior version of the Plan.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the Second Amended and Restated Ross Stores, Inc. Incentive Compensation Plan as duly adopted by the Compensation Committee on March 16, 2006 and amended effective as of May 18, 2016.

/s/J. Call

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Secretary

## PLAN HISTORY

|                |  |
|----------------|--|
| March 14, 1988 | Board adopts Incentive Compensation Plan (“Initial Plan”)  |
| May 30, 1996   | Stockholders approve Initial Plan.   |
| March 16, 2000 | Board amends and restates Initial Plan as the Amended and Restated Incentive Compensation Plan (“Amended and Restated Plan”).  |
| May 31, 2001   | Stockholders reapprove Amended and Restated Plan for purposes of complying with the frequency of disclosure requirement under Treas. Reg. 1.162-27(3)(4)(vi).  |
| March 16, 2006 | Compensation Committee amends and restates the Amended and Restated Plan as the Second Amended and Restated Ross Stores, Inc. Incentive Compensation Plan (“Second Amended and Restated Plan”).  |
| May 18, 2006   | Stockholders approve Second Amended and Restated Plan, including for purposes of complying with the frequency of disclosure requirement under Treas. Reg. 1.162-27(3)(4)(vi).  |
| May 18, 2011   | Stockholders reapprove Second Amended and Restated Plan, including for purposes of complying with the frequency of disclosure requirement under Treas. Reg. 1.162-27(3)(4)(vi).  |
| May 18, 2016   | Stockholders reapprove Second Amended and Restated Plan, including for purposes of complying with the frequency of disclosure requirement under Treas. Reg. 1.162-27(3)(4)(vi), including an increase in the maximum award from \$4 million to \$8 million for each fiscal year in a performance period. |

IMPORTANT NOTE: IRC 162(m) 5 year reapproval of performance goals

Because the Committee may change the targets under performance goals, Section 162(m) requires stockholder reapproval of the material terms of performance goals no later than the annual meeting in the 5th year following the year in which the public company stockholders initially approved such material terms. See Treas. Reg. 1.162-27(e)(4)(vi).

**EXHIBIT 10.2**

**THIRD AMENDMENT TO THE EMPLOYMENT AGREEMENT**

THE THIRD AMENDMENT TO THE EMPLOYMENT AGREEMENT (the "Amendment") is made, effective as of May 18, 2016, by Ross Stores, Inc. (the "Company") and Michael Balmuth (the "Executive"). The Executive and the Company previously entered into an Employment Agreement, effective June 1, 2012 (attached hereto) and amended effective March 15, 2015 and January 1, 2016, and it is now the intention of the Executive and the Company to amend the Employment Agreement as set forth below. Accordingly, the Company and the Executive hereby agree as follows:

1. Paragraph 4(g) of the Employment Agreement is hereby amended by deleting the word "six" each time it occurs in such Paragraph 4(g) and inserting "24" in place thereof.

Except for the amendment as set forth above, the Employment Agreement and all of its terms remain in force and in effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year first written above.

ROSS STORES, INC.

EXECUTIVE

/s/G. Orban

/s/Michael Balmuth

George P. Orban

Michael Balmuth

Chairman of the Compensation Committee

6/21/16

6/15/16

Date

Date

Attachments omitted as duplicative; incorporated by reference to the following exhibits to reports previously filed by Ross Stores, Inc.:

- 1) Exhibit 10.1 to Form 10-Q for the quarter ended October 27, 2012
- 2) Exhibit 10.2 to Form 10-Q for the quarter ended August 1, 2015
- 3) Exhibit 10.49 to Form 10-K for the year ended January 30, 2016

**EXHIBIT 15**

September 7, 2016

Ross Stores, Inc.:

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Ross Stores, Inc. and subsidiaries for the periods ended July 30, 2016, and August 1, 2015, as indicated in our report dated September 7, 2016; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended July 30, 2016, is incorporated by reference in Registration Statements No. 33-61373, No. 333-06119, No. 333-34988, No. 333-51478, No. 333-56831, No. 333-115836, No. 333-151116, and 333-210465 on Form S-8, and No. 333-198738 on Form S-3.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statements prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

Yours truly,

/s/Deloitte & Touche LLP  
San Francisco, California

**EXHIBIT 31.1**

Ross Stores, Inc.  
Certification of Chief Executive Officer  
Pursuant to Sarbanes-Oxley Act Section 302(a)

I, Barbara Rentler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ross Stores, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 7, 2016

/s/Barbara Rentler

Barbara Rentler

Chief Executive Officer

## EXHIBIT 31.2

Ross Stores, Inc.  
Certification of Chief Financial Officer  
Pursuant to Sarbanes-Oxley Act Section 302(a)

I, Michael J. Hartshorn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ross Stores, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 7, 2016

/s/Michael J. Hartshorn

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Michael J. Hartshorn

Group Senior Vice President, Chief Financial Officer, and Principal Accounting Officer



**EXHIBIT 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

In connection with the Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended July 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barbara Rentler, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 7, 2016

/s/Barbara Rentler

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Barbara Rentler

Chief Executive Officer

**EXHIBIT 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

In connection with the Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended July 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Hartshorn, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 7, 2016

/s/Michael J. Hartshorn

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Michael J. Hartshorn

Group Senior Vice President, Chief Financial Officer, and Principal  
Accounting Officer

