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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

AMY EVANS, individually and on behalf of all others similarly situated, Plaintiff, v. **DSW, INC.**, Defendant.	Case No. **CLASS ACTION COMPLAINT** **JURY TRIAL DEMANDED** 1. Violation of the "Unfair" Prong of the UCL 2. Violation of the "Fraudulent" Prong of the UCL; 3. Violation of the "Unlawful" Prong of the UCL; 4. Violation of the California False Advertising Law, California Business & Professions Code Section 17500, *et seq.*; 5. Violation of the Consumers Legal Remedies Act, Cal. Civil Code Section 1750, *et seq.*; 6. Unjust Enrichment

CLASS ACTION COMPLAINT

Plaintiff, AMY EVANS ("Plaintiff" or "Evans"), on behalf of herself and all others similarly situated, alleges the following based upon personal knowledge and the investigation of her counsel:

INTRODUCTION

1. This is a civil class action on behalf of a class of consumers (defined below) seeking restitution and injunctive and declaratory relief from Defendant, DSW, Inc., ("DSW"), arising from its deceptive and misleading labeling and marketing of exclusive merchandise sold only at DSW stores.

2. During the Class Period (defined below), DSW intentionally misrepresented product prices, on products manufactured by DSW and exclusively sold at DSW, by advertising phantom reductions from "Compare At" prices and highlighting a "YOU SAVE" amount. To illustrate, below is an example of the type of in-store price tags Plaintiff and Class members relied on:

3. Plaintiff understood the "Compare At" price to represent an original price or a price at which the products formerly sold.

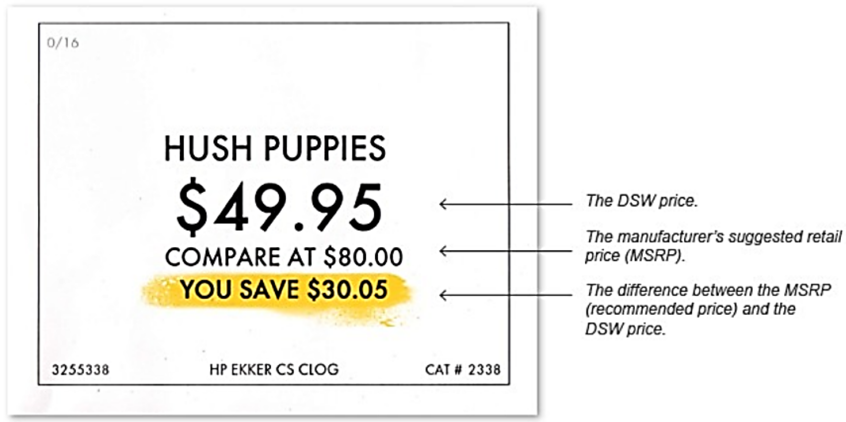
4. Plaintiff's understanding of "Compare At" was reasonable given DSW's former internal definition of "Compare At." On its website, and for a majority of the relevant time period, DSW defined the "Compare At" price as a manufacturer's suggested retail price:

What do "Compare At" and "You Save" mean? Back to top

At DSW, we're passionate about shoes–and how we sell them.

The "COMPARE AT" price refers to the manufacturer's suggested retail price (MSRP).

The "YOU SAVED" price is the money you save by shopping at DSW. It's the difference between what DSW customers pay and the "COMPARE AT" price that is recommended by the manufacturer.



See http://www.dsw.com/dsw_shoes/customer_service/index.jsp?content=cs_faq (visited December 1, 2015).

5. As the FTC has made clear, "[m]any members of the purchasing public believe that a manufacturer's list price, or suggested retail price, is the price at which an article is generally sold. Therefore, if a reduction from this price is advertised, many people will believe that they are being offered a genuine bargain." 16 C.F.R. § 233.3(a).

6. Very recently, DSW changed its website definition of the term "Compare At" to state that some advertised "Compare At" prices are **not** actually MSRPs, but might be "estimates" of prices for non-identical goods: "Our COMPARE AT price typically refers to the manufacturer's suggested retail price (MSRP), *but when an MSRP is not available, the COMPARE AT price is our estimate of other retailers' ticketed prices for the same or similar items*." *See* http://www.dsw.com/dsw_shoes/customer_service/index.jsp?content=cs_faq (visited May 26, 2016) (recently added language italicized).

DSW'S BUSINESS MODEL DURING THE CLASS PERIOD

7. DSW's business model is simple and well documented. As DSW explains in its Form 10-K for the period ending January 30, 2016, "from the day

[they] arrive in store," all products sold at DSW are advertised at a "discount" from higher "Compare At" reference prices:

> We have historically employed a consistent pricing strategy that provides customers with the same price on our merchandise from the day it arrives in store until it enters our planned clearance rotation. Our pricing strategy differentiates us from our competitors who usually price and promote merchandise at discounts available only for limited time periods. We find that customers appreciate shopping for value when it is most convenient for them, rather than waiting for a sale event.

See, e.g., DSW Form 10-K for the period ending January 30, 2016 ("DSW 10-K"), attached as Exhibit A, p. 9.

8. In short, every DSW product is always offered at a supposed "discount." That discount is off the supposed "Compare At" price.

9. However, the Compare At prices are not prices at which the DSW Exclusive Products, which are manufactured exclusively for DSW and sold exclusively at DSW, have ever been offered for sale or sold. They are instead deceptive reference prices designed and intended to increase DSW's sales at the expense of reasonable consumers.

BRANDS MANUFACTURED AND SOLD EXCLUSIVELY BY DSW

10. As part of its business model, DSW creates and trademarks brand names and then produces, markets, and exclusively sells products under those private brand names in DSW stores ("DSW Exclusive Products"):

> Through sourcing and product development, our buying team <u>produces</u> a differentiated, on-trend assortment with exclusive merchandise and <u>private brands</u> that effectively distorts our assortment to the most relevant categories. We strive to provide compelling everyday values to the customer by sourcing opportunistic buys and using our buying leverage and vendor relationships to secure product at favorable cost.

See DSW 10-K, p. 37 (emphasis added).

11. DSW Exclusive Products include all products sold under the following brand names, among many others, trademarked by DSW: Kelly & Katie, Lulu

Townsend, Poppie Jones, Audrey Brooke, and One Wink. *See* Composite Exhibit B, US Patent and Trademark Office trademark registries for Kelly & Katie, Audrey Brooke, and One Wink.

12. The price tags for DSW Exclusive Products include Compare At reference prices. However, the DSW Exclusive Products are ***never sold anywhere*** at the higher Compare At prices. In fact, DSW Exclusive Products are manufactured ***exclusively for DSW*** at DSW's direction. Those products are then marketed and sold ***exclusively by DSW*** and always sold at a supposed discount off of the Compare At prices. Thus, the "Compare At" prices are not and could not be, as DSW suggests, and Plaintiff believed, prices at which the items previously sold.

13. DSW Exclusive Products were never sold or intended to be sold at the "Compare At" prices. Indeed, DSW itself sets the prices for its DSW Exclusive Products knowing full well that the products will never be sold anywhere at the Compare At price; the only purpose of the Compare At price is to provide an artificially high price from which a phantom discount can be taken.

14. Evans reasonably believed that the Compare At prices she viewed, such as $75.00 and $55.00, were true former, original, or regular prices of the DSW Exclusive Products she purchased. Had she known that items she purchased were never sold or intended to be sold at the Compare At price (and that therefore the You Save amount was false), she would not have purchased the products or she would not have been willing to pay the amount she did.

DSW'S DECEPTIVE SCHEME

15. DSW intentionally led Plaintiff, and reasonable consumers like her, to believe that the "Compare At" price advertisements on DSW Exclusive Products represented authentic price information for the products she purchased. In reality, DSW Exclusive Products are manufactured exclusively for DSW, sold *exclusively* at DSW and are always sold for less than the advertised "Compare At" price.

16. Accordingly, DSW's "Compare At" prices are deceptive advertisements designed by DSW to represent a false reference price, facilitate sham markdowns, and increase sales.

17. DSW further advertises false price information and phantom markdowns by prominently representing a "YOU SAVED" amount on receipts consumers are given at the point of sale. The "YOU SAVED" amount is the difference between the advertised Compare At prices and the actual prices for consumers' product purchases:


DSW®
Designer shoes. Warehouse prices.

Sherman Oaks Galleria
15301 VENTURA BLVD STE U1
SHERMAN OAKS, CA 91403-5852

818-981-2377

T-00004582 C-0051
00029200/0003 SALE

888128084528 WOMENS DRESS
$ OFF TRANS DISC 203 0.00
YOUR PRICE 29.95

SUBTOTAL 29.95
CA TAX 9.000% 2.70
DSW Rewards # 400316110040
TOTAL 32.65
MASTERCARD 32.65
XXXXXXXXXXXX7191/XXXX/781916 1
EVANS/AMY
CHANGE DUE 0.00
****
* COMPARE AT SAVINGS 29.05 *
* YOU SAVED 29.05 *
****

4582292000030311 20160051
03/11/16 03:33 PM

THANKS FOR SHOPPING AT DSW. NOW SHOP 24/7
AT DSW.COM. QUESTIONS? CALL 866.DSW.SHOES

18. The "YOU SAVED" representation furthered Plaintiff's reasonable belief that the Compare At price portrayed true and accurate former price information.

19. In reality, consumers like Plaintiff do not "save" any money since the Compare At price is a sham. Indeed, "savings" on a product must be based on the actual amount it would cost to purchase the exact same product elsewhere, either currently or in the past.

20. For example, when Plaintiff bought a pair of Kelly & Katie sandals for $39.95, she did not "save" $35.05 as the price tag and receipt told her. The Kelly & Katie sandal she purchased is a DSW Exclusive Product that has never been sold anywhere else at any price, and has only ever been offered for sale at DSW at a price far lower than the "Compare At" price of $75.00.

21. DSW knows consumers are bargain-hunters, and it knows that consumers are excited by the prospect of a bargain. The juxtaposition of an artificial "Compare At" price and a lower actual price, and in some instances also a "You Save" price, on DSW Product price tags is intentionally designed to convey to the consumer that he or she is receiving a bargain or a "deal" on the product—on sales terms more preferential or more optimal to the consumer than those offered outside the context of the outlet store. But there is no bargain to be had. DSW includes the "Compare At" price on its DSW Products only to create the illusion of a bargain.

22. Because the products at issue here were never sold anywhere at the Compare At price, the advertised "Compare At" prices were *never the* prevailing market retail prices, and they most certainly were not the prevailing market retail prices within three months immediately preceding the publication of the advertised prices, as required by California law. *Business & Professions Code* § 17501, entitled "*Value determinations; Former price advertisements*," states:

> For the purpose of this article the worth or value of anything advertised is the prevailing market price, wholesale if the offer is at wholesale, retail if the offer at retail, at the time of publication of such advertisement in the locality wherein the advertisement is published.

> *No price shall be advertised as a former price of any advertised thing, unless the alleged former price was the prevailing market price as above defined within three months next immediately preceding the publication of the advertisement* or unless the date when the alleged former price did prevail is clearly, exactly and conspicuously stated in the advertisement.

(emphasis added).

23. The Federal Trade Commission ("FTC") explicitly describes this fictitious pricing scheme employed at DSW Outlets as deceptive:

> (a) Many members of the purchasing public believe that a manufacturer's list price, or suggested retail price, is the price at which an article is generally sold. Therefore, if a reduction from this price is advertised, many people will believe that they are being offered a genuine bargain. To the extent that list or suggested retail prices do not in fact correspond to prices at which a substantial number of sales of the article in question are made, the advertisement of a reduction may mislead the consumer. A former price is not necessarily fictitious merely because no sales at the advertised price were made. The advertiser should be especially careful, however, in such a case, that the price is one at which the product was openly and actively offered for sale, for a reasonably substantial period of time, in the recent, regular course of her business, honestly and in good faith – and, of course, not for the purpose of establishing a fictitious higher price on which a deceptive comparison might be based.
>
> (i) It bears repeating that the manufacturer, distributor or retailer must in every case act honestly and in good faith in advertising a list price, and not with the intention of establishing a basis, or creating an instrumentality, for a deceptive comparison in any local or other trade area. For instance, a manufacturer may not affix price tickets containing inflated prices as an accommodation to particular retailers who intend to use such prices as the basis for advertising fictitious price reductions.

16 C.F.R. § 233.3.

24. Further, to the extent DSW attempted to advertise comparable prices to similar, but not identical products they failed. In fact, DSW's only mention that

their “Compare At” pricing *may* be an “estimate of other retailers’ ticketed prices for the same or similar items” is found buried in their online Frequently Asked Questions, which was only recently updated in light of ongoing litigation.

25. The FTC also describes the proper way to perform comparable price advertising and explicitly states that DSW’s pricing scheme serves no legitimate purpose:

> (a) Another commonly used form of bargain advertising is to offer goods at prices lower than those being charged by others for the same merchandise in the advertiser’s trade area (the area in which he does business). This may be done either on a temporary or a permanent basis, but in either case the advertised higher price must be based upon fact, and not be fictitious or misleading. Whenever an advertiser represents that he is selling below the prices being charged in his area for a particular article, he should be reasonably certain that the higher price he advertises does not appreciably exceed the price at which substantial sales of the article are being made in the area—that is, a sufficient number of sales so that a consumer would consider a reduction from the price to represent a genuine bargain or saving. Expressed another way, if a number of the principal retail outlets in the area are regularly selling Brand X fountain pens at $10, it is not dishonest for retailer Doe to advertise: “Brand X Pens, Price Elsewhere $10, Our Price $7.50”.
>
> (c) A closely related form of bargain advertising is to offer a reduction from the prices being <u>charged either by the advertiser or by others in the advertiser’s trade area for other merchandise of like grade and quality—in other words, comparable or competing merchandise</u>—to that being advertised. <u>Such advertising can serve a useful and legitimate purpose when it is made clear to the consumer that a comparison is being made with other merchandise and the other merchandise is, in fact, of essentially similar quality and obtainable in the area.</u> The advertiser should, however, be reasonably certain, just as in the case of comparisons involving the same merchandise that the price advertised as being the price of comparable merchandise does not exceed the price at which such merchandise is being offered by representative retail outlets in the area. For example, retailer Doe advertises Brand X pen as having “Comparable

> Value $15.00". Unless a reasonable number of the principal outlets in the area are offering Brand Y, an essentially similar pen, for that price, this advertisement would be deceptive.

16 C.F.R. § 233.2 (emphasis added).

26. The DSW pricing scheme was prominently advertised on the price tags of all products available for sale at DSW stores in California. To illustrate, below is an example of the merchandise price tags that Plaintiff relied on:

27. Upon information and belief, thousands of California consumers were victims of DSW's deceptive, misleading and unlawful false pricing scheme and thousands more, including Plaintiff, will be deceived if the practices continue.

28. DSW fraudulently concealed from, and intentionally failed to disclose to, Plaintiff and others similarly situated, the truth about its "Compare At" prices and advertised price discounts from those supposedly higher comparable prices.

29. DSW's false representations of "Compare At" prices and false representations of savings, discounts and bargains are objectively material to a reasonable consumer.

30. Plaintiff relied upon such false representations of "Compare At" prices and discounts when purchasing shoes from DSW stores in California. Plaintiff would not have made her purchases, or would not have paid the amount she did, but for DSW's false representations of the "Compare At" price of the items they purchased, especially when juxtaposed with the supposedly discounted "OUR PRICE" at which DSW offered the items for sale.

31. Plaintiff and other consumers like her reasonably believed that the Compare At prices associated with the products she purchased from DSW referred to a price at which the products were formerly sold. Based on this reasonable belief about the meaning of the Compare At prices, Plaintiff reasonably believed she was getting a terrific bargain on her purchases. In reality, she was not getting a bargain at all.

32. Through its false and deceptive marketing, advertising and pricing scheme, DSW violated (and continues to violate) California law. Specifically, DSW violated (and continues to violate) California's *Business & Professions Code* § 17200, *et seq*. (the "UCL"), California's *Business and Professions Code* § 17500, *et seq*. (the "FAL"), the California Consumers' Legal Remedies Act, *Civil Code* § 1750, *et seq*. (the "CLRA"), and the Federal Trade Commission Act ("FTCA"), which prohibits "unfair or deceptive acts or practices in or affecting commerce" and specifically prohibits false advertisements. 15 U.S.C. §§ 52(a) and 15 U.S.C. § 45(a)(1).

33. Plaintiff, individually and on behalf of all others similarly situated, seeks injunctive and declaratory relief, restitution, reasonable costs and attorneys' fees, and other equitable remedies under the UCL, FAL and CLRA.

PARTIES

34. Plaintiff Amy Evans is an individual who is a citizen of Sherman Oaks, California. In reliance on Defendant's false and deceptive advertising, marketing and pricing schemes, Ms. Evans purchased five DSW Exclusive Products in March and April 2016. These purchases were made at the DSW store located in Sherman Oaks, California and online through DSW's website, wwww.dsw.com. As detailed herein, Plaintiff was induced to make these purchases in reliance on DSW's deceptive reference pricing scheme and was damaged as a result thereof.

35. Defendant DSW is a corporation duly organized and existing under the laws of the state of Ohio, with its principal place at 810 DSW Drive, Columbus, Ohio, 43219. Defendant operates 45 DSW locations in California.

JURISDICTION AND VENUE

36. This Court has original jurisdiction of this action under the Class Action Fairness Act of 2005. Pursuant to 28 U.S.C. §§ 1332(d)(2) and (6), this Court has original jurisdiction because the aggregate claims of the members of the putative Class exceed $5 million, exclusive of costs, and at least one of the members of the proposed Class is a citizen of a different state than DSW.

37. The Central District of California has personal jurisdiction over DSW because DSW is licensed and doing business in the State of California, authorized to do business in California and registered with the California Secretary of State, and has sufficient minimum contacts with California, having intentionally availed itself of the California market so as to render the exercise of jurisdiction over it by this District Court consistent with traditional notions of fair play and substantial justice.

38. Venue is proper in the United States District Court, Central District of California pursuant to 28 U.S.C. § 1391, because Plaintiff is a resident of Los Angeles County, California; Defendant operates stores in Sherman Oaks, California and because the events giving rise to the claims occurred in Sherman Oaks, California.

FACTUAL ALLEGATIONS

39. Traditionally, retail outlet stores were located in remote areas and typically maintained an inventory of defective and excess merchandise. Customers often flocked to these outlets in hopes of finding steep discounts and bargains. *See http://www.forbes.com/sites/investopedia/2012/12/29/7-tips-for-outlet-mall-shopping/* (last visited May 27, 2016).

40. However, in an effort to increase profits, major retailers such as DSW have, without notice to consumers, begun using outlet or warehouse stores to sell made-for-outlet goods that are never intended to be sold at non-outlet stores.

41. In California, such "outlet" stores are located in purpose-built malls touted as "outlets," or "premium outlets." The very term "outlet" conveys to reasonable consumers that at least some products are merchandise formerly offered for sale at full-price retail locations.

42. Instead, retailers like DSW create the illusion of traditional outlet and warehouse discounts and bargains by offering the made-for-outlet goods at prices reduced from fabricated, arbitrary, and false "Compare At" prices.

43. Media reports indicate that outlet stores such as DSW Outlets are using false and fraudulent price comparison tactics. *See http://www.buzzfeed.com/sapna/customers-finally-aware-that-most-outlet-merchandise-is-now* (last visited May 27, 2015).

44. The intentional use of false and fraudulent price comparison tactics is increasingly deceiving consumers in the market. To illustrate, on January 30, 2014, four Members of Congress demanded an FTC investigation of misleading marketing practices by outlet stores across the United States. The four Members of Congress described a pricing scheme similar to the one implemented at DSW stores and stated, "[i]t is a common practice at outlet stores to advertise a retail price alongside the outlet store price—even on made-for-outlet merchandise that does not sell at regular retail locations. Since the item was never sold in the regular retail store or at the retail price, the retail price is impossible to substantiate. We believe this practice may be a violation of the FTC's Guides Against Deceptive Pricing (16 CFR 233)." *See http://www.whitehouse.senate.gov/news/release/sens-and-rep-to-ftc-outlet-stores-may-be-misleading-consumers* (last visited May 27, 2016).

45. This is precisely the practice used by DSW in its DSW stores.

PLAINTIFF'S PURCHASES

46. On March 11, 2016, Plaintiff entered the DSW store located in Sherman Oaks, California. She observed that merchandise was advertised with price tags that represented "Compare At" prices next to significantly reduced actual prices. Ms. Evans believed that the "Compare At" price listed on the tags represented original prices or a price at which the products were formerly sold. As a result of this reasonable belief, she thought the selling price reflected a significant savings over the price available for the same item outside the context of the outlet store. Plaintiff relied on the represented discount in deciding to purchase one pair of Kelly & Katie Chris Textured Sandals with a "Compare At" price of $59.00 and a lower actual price of $29.95. While at the store, Ms. Evans also tried on the Katie & Kelly Louise Wedge Pump, but the color she wished to purchase was not available in her size. At the register, Plaintiff placed an order for a pair of the Kelly & Katie Louise Wedge Pumps to be shipped to her in the color and size she wanted; the shoes were advertised with a "Compare At" price of $60.00 and a lower actual price of $39.95.

47. On March 27, 2016. Ms. Evans purchased online a pair of black Kelly & Katie Nadia Sandals and a pair of blush Kelly & Katie Talia Flat Sandals. The Nadia Sandals had a Compare At Price of $75.00 and a lower actual price of $39.95. The Talia Flat Sandals had a Compare At price of $55.00 and a lower actual price of $39.95.

48. On April 6, 2016, Ms. Evans purchased another pair of Kelly & Katie Talia Flat Sandals online, this time in black. Once again, the sandals had a Compare At price of $55.00 and a lower actual price of $39.95.

49. DSW never sold or intended to sell the items Ms. Evans purchased at the represented "Compare At" price. In fact, because the items were DSW Exclusive Products, they were never sold or intended to be sold anywhere at the Compare At price.

50. Plaintiff would not have purchased the products, or would not have paid the price she did, if she had known that the represented discounts were false. She will not purchase DSW Exclusive Products in the future unless or until DSW discontinues the use of false and misleading reference prices.

51. Plaintiff and class members' reliance on Defendant's false price comparison advertising was reasonable. In fact, empirical marketing studies provide an incentive for retailers to engage in this false and fraudulent behavior:

> [c]omparative price advertising offers consumers a basis for comparing the relative value of the product offering by suggesting a monetary worth of the product and any potential savings…[A] comparative price advertisement can be construed as deceptive if it makes any representation,… or involves any practice that may materially mislead a reasonable consumer.

Comparative Price Advertising: Informative or Deceptive?, Dhruv Grewal and Larry D. Compeau, *Journal of Public Policy & Marketing* , Vol. 11, No. 1, at 52 (Spring 1992). In short:

> [b]y creating an impression of savings, the presence of a higher reference price enhances subjects' perceived value and willingness to buy the product…Thus, if the reference price is not truthful, a consumer may be encouraged to purchase as a result of a false sense of value.

Id. at 55, 56.

52. Despite the "Compare At" scheme used at DSW stores, Plaintiff would purchase DSW Products in the future from DSW stores and/or other retail establishments, if product labels accurately reflect discounts and bargains. If the Court were to issue an injunction ordering DSW to comply with California's comparative price advertising laws, and prohibiting DSW's use of the deceptive practices discussed herein, Plaintiff would likely shop for DSW Exclusive Products again in the near future at DSW stores.

CLASS ALLEGATIONS

53. Plaintiff incorporates and realleges by reference each and every allegation contained in the preceding paragraphs as if set forth herein in full.

54. Plaintiff brings this action on behalf of herself and the members of the proposed Class. The proposed Class consists of:

> All California residents who, within the applicable statute of limitations preceding the filing of this action and going forward from the date of the Complaint, purchased a DSW Exclusive Product advertised with a Compare At price and a lower actual selling price from a DSW store.

55. Excluded from the Classes are DSW, its parents, subsidiaries, affiliates, officers and directors, any entity in which DSW has a controlling interest, all customers who make a timely election to be excluded, governmental entities, and all judges assigned to hear any aspect of this litigation, as well as their immediate family members.

56. Plaintiff reserves the right to expand, limit, modify, or amend this class definition, including the addition of one or more subclasses, in connection with their motion for class certification, or any other time, based upon, *inter alia*, changing circumstances and/or new facts obtained during discovery.

57. The members of the Classes are so numerous that joinder is impractical. The Classes consists of thousands of members, the precise number which is within the knowledge of and can be ascertained only by resort to DSW's records.

58. There are numerous questions of law and fact common to the Classes which predominate over any questions affecting only individual members of the Class. Among the questions of law and fact common to the Class are:

(a) Whether, during the Class Period, DSW used false price representations and falsely advertised price discounts on its merchandise sold at DSW stores;

(b) Whether, during the Class Period, the Compare At prices advertised by DSW were the prevailing market prices for the DSW Exclusive

Products sold at DSW Outlets during the three month periods preceding the dissemination and/or publication of the advertised Compare At prices;

(c) Whether DSW's use of false or deceptive price advertising constituted false advertising under California Law;

(d) Whether DSW engaged in unfair, unlawful and/or fraudulent business practices under California law;

(e) Whether DSW misrepresented and/or failed to disclose material facts about its product pricing and discounts.

(f) Whether DSW has made false or misleading statements of fact concerning the reasons for, existence of, or amounts of price reductions;

(g) Whether DSW's conduct, as alleged herein, was intentional and knowing;

(h) Whether members of the Class are entitled to damages and/or restitution, and in what amount;

(i) Whether DSW is likely to continue using false, misleading or illegal price comparisons such that an injunction is necessary; and

(j) Whether Plaintiff and Class members are entitled to an award of reasonable attorneys' fees, pre-judgment interest, and costs of suit.

59. Plaintiff's claims are typical of the claims of the members of the Classes and, like all members of the Classes, purchased DSW Exclusive Products from a DSW store that falsely conveyed a "Compare At" representation and a fictitious discount. Accordingly, Plaintiff has no interests antagonistic to the interests of any other member of the Class.

60. Plaintiff is a representative who will fully and adequately assert and protect the interests of the Class, and has retained counsel that are experienced in prosecuting class actions. Accordingly, Plaintiff is an adequate representative and will fairly and adequately protect the interests of the Class.

61. A class action is superior to all other available methods for the fair and efficient adjudication of this lawsuit, because individual litigation of the claims of all members of the Class is economically unfeasible and procedurally impracticable. While the aggregate damages sustained by the Class are in the millions of dollars, the individual damages incurred by each member of the Class resulting from DSW's wrongful conduct are too small to warrant the expense of individual lawsuits. The likelihood of individual Class members prosecuting their own separate claims is remote, and, even if every member of the Class could afford individual litigation, the court system would be unduly burdened by individual litigation of such cases.

62. The prosecution of separate actions by members of the Class would create a risk of establishing inconsistent rulings and/or incompatible standards of conduct for DSW. For example, one court might enjoin DSW from performing the challenged acts, whereas another might not. Additionally, individual actions may be dispositive of the interests of the Class, although certain class members are not parties to such actions.

63. The conduct of DSW is generally applicable to the Class as a whole and Plaintiff seeks, *inter alia*, equitable remedies with respect to the Class as a whole. As such, the systematic policies and practices of DSW make declaratory relief appropriate.

COUNT I

(Violation of the "Unfair" Prong of the UCL)

64. Plaintiff incorporate and realleges by reference each and every allegation contained in the preceding paragraphs as if fully set forth herein.

65. The UCL defines unfair business competition to include any "unlawful, unfair or fraudulent" act or practice, as well as any "unfair, deceptive, untrue or misleading" advertising. Cal. Bus. & Pro. Code § 17200.

66. A business act or practice is "unfair" under the UCL if the reasons, justifications and motives of the alleged wrongdoer are outweighed by the gravity of the harm to the alleged victims.

67. DSW has violated the "unfair" prong of the UCL by representing a false and misleading "Compare At" and corresponding lower actual price representation for goods exclusively manufactured for sale at DSW stores. As a result, the inflated "Compare At" and corresponding selling price was nothing more than a false, misleading and deceptive illusion of a discount.

68. These acts and practices are unfair because they caused Plaintiff and reasonable consumers like her to falsely believe that DSW stores are offering value, discounts or bargains from the prevailing market worth of the products sold that did not, in fact, exist. As a result, purchasers, including Plaintiff, reasonably perceived that they were receiving products that regularly or were intended to be sold at substantially higher prices (and were, therefore, worth more) than what they paid. This perception has induced reasonable purchasers, including Plaintiff, to buy such products, which they otherwise would not have purchased or would have paid less for.

69. The gravity of the harm to members of the Class resulting from these unfair acts and practices outweighs any conceivable reasons, justifications and/or motives of DSW for engaging in such deceptive acts and practices. By committing the acts and practices alleged above, DSW engages in unfair business practices within the meaning of California Business & Professions Code § 17200, *et seq*.

70. Through its unfair acts and practices, DSW has improperly obtained money from Plaintiff and the Class. As such, Plaintiff requests that this court cause DSW to restore this money to Plaintiff and all Class members, and to enjoin DSW from continuing to violate the UCL as discussed herein and/or from violating the UCL in the future. Otherwise, Plaintiff and the Classes may be irreparably harmed and/or denied an effective and complete remedy if such an order is not granted.

COUNT II

(Violation of the "Fraudulent" Prong of the UCL)

71. Plaintiff incorporate and realleges by reference each and every allegation contained in the preceding paragraphs as if fully set forth herein.

72. The UCL defines unfair business competition to include any "unlawful, unfair or fraudulent" act or practice, as well as any "unfair, deceptive, untrue or misleading" advertising. Cal. Bus. & Pro. Code § 17200.

73. A business act or practice is "fraudulent" under the UCL if it is likely to deceive members of the consuming public.

74. DSW's labels and advertising materials concerning false and misleading "Compare At" prices are fraudulent within the meaning of the UCL because they deceived Plaintiff and reasonable consumers like her into believing that DSW was offering value, discounts or bargains at DSW stores from the prevailing market value or worth of the products sold that did not, in fact, exist.

75. As a result of DSW's illusory discounts, purchasers, including Plaintiff, reasonably perceived that they were receiving products that were worth more than what they paid. This perception induced reasonable purchasers, including Plaintiff, to buy such products from DSW stores, which they otherwise would not have purchased or would have paid less for.

76. DSW's acts and practices as described herein have deceived Plaintiff and are highly likely to deceive reasonable members of the consuming public. Specifically, in deciding to purchase merchandise from a DSW store, Plaintiff relied on DSW's misleading and deceptive representations regarding its "Compare At" prices. The illusory discounts reflected on DSW's price tags played a substantial role in Plaintiff's decision to purchase the DSW products she bought, and Plaintiff would not have purchased those items or would not have been willing to pay the amount she did for the shoes in the absence of DSW's

misrepresentations. Accordingly, Plaintiff suffered monetary loss as a direct result of DSW's pricing practices described herein.

77. As a result of the conduct described above, DSW has been unjustly enriched at the expense of Plaintiff and members of the proposed Class. Specifically, DSW has been unjustly enriched by obtaining revenues and profits that it would not otherwise have obtained absent its false, misleading and deceptive conduct.

78. Through its fraudulent acts and practices, DSW has improperly obtained money from Plaintiff and the Class. As such, Plaintiff requests that this court cause DSW to restore this money to Plaintiff and all Class members, and to enjoin DSW from continuing to violate the UCL as discussed herein and/or from violating the UCL in the future. Otherwise, Plaintiff and the Classes may be irreparably harmed and/or denied an effective and complete remedy if such an order is not granted.

COUNT III

(Violation of the "Unlawful" Prong of the UCL)

79. Plaintiff incorporate and realleges by reference each and every allegation contained in the preceding paragraphs as if fully set forth herein.

80. The UCL defines unfair business competition to include any "unlawful, unfair or fraudulent" act or practice, as well as any "unfair, deceptive, untrue or misleading" advertising. Cal. Bus. & Pro. Code § 17200.

81. A business act or practice is "unlawful" under the UCL if it violates any other law or regulation.

82. DSW's misconduct described herein violates three statutes: California Business & Professions Code § 17500 *et seq.*; the Consumers Legal Remedies Act, Cal. Civil Code § 1750 *et seq.*; and the Federal Trade Commission Act, 15 U.S.C. § 45(a)(1) and 15 U.S.C. § 52(a). Each of these violations, described in detail below,

is independently sufficient to support Plaintiff's claim under the unlawful prong of the UCL.

83. California statutory and regulatory law expressly prohibits false former pricing schemes. *Business & Professions Code* § 17501, entitled "*Value determinations; Former price advertisements*," states:

> For the purpose of this article the worth or value of anything advertised is the prevailing market price, wholesale if the offer is at wholesale, retail if the offer at retail, at the time of publication of such advertisement in the locality wherein the advertisement is published.
>
> *No price shall be advertised as a former price of any advertised thing, unless the alleged former price was the prevailing market price as above defined within three months next immediately preceding the publication of the advertisement* or unless the date when the alleged former price did prevail is clearly, exactly and conspicuously stated in the advertisement. [Emphasis added.]

Id.

84. The Consumers Legal Remedies Act, Cal. Civ. Code § 1770, subsection (a)(9), prohibits a business from "[a]dvertising goods or services with intent not to sell them as advertised," and subsection (a)(13) prohibits a business from "[m]aking false or misleading statements of fact concerning reasons for, existence of, or amounts of price reductions."

85. DSW violated and continues to violate *Business & Professions Code* § 17501, and *Civil Code* § 1770, sections (a)(9) and (a)(13) by advertising false discounts from purported former prices that were, in fact, not the prevailing market prices within three months next preceding the publication and dissemination of advertisements containing the false former prices.

86. Further, the Federal Trade Commission Act prohibits "unfair or deceptive acts or practices in or affecting commerce" and specifically prohibits false advertisements. (15 U.S.C. § 45(a)(1) and 15 U.S.C. § 52(a)). The FTC has established Guidelines which prohibit false pricing schemes, similar to DSW's

Compare At/Selling Price scheme in material respects, as deceptive practices that would violate the FTCA:

> (a) Many members of the purchasing public believe that a manufacturer's list price, or suggested retail price, is the price at which an article is generally sold. Therefore, if a reduction from this price is advertised, many people will believe that they are being offered a genuine bargain. To the extent that list or suggested retail prices do not in fact correspond to prices at which a substantial number of sales of the article in question are made, the advertisement of a reduction may mislead the consumer. A former price is not necessarily fictitious merely because no sales at the advertised price were made. The advertiser should be especially careful, however, in such a case, that the price is one at which the product was openly and actively offered for sale, for a reasonably substantial period of time, in the recent, regular course of her business, honestly and in good faith – and, of course, not for the purpose of establishing a fictitious higher price on which a deceptive comparison might be based.
>
> (i) It bears repeating that the manufacturer, distributor or retailer must in every case act honestly and in good faith in advertising a list price, and not with the intention of establishing a basis, or creating an instrumentality, for a deceptive comparison in any local or other trade area. For instance, a manufacturer may not affix price tickets containing inflated prices as an accommodation to particular retailers who intend to use such prices as the basis for advertising fictitious price reductions.

16 C.F.R. § 233.3. Additionally, the FTC also describes the proper way to perform comparable price advertising and explicitly states that DSW's pricing scheme serves no legitimate purpose:

> (a) Another commonly used form of bargain advertising is to offer goods at prices lower than those being charged by others for the same merchandise in the advertiser's trade area (the area in which he does business). This may be done either on a temporary or a permanent basis, but in either case the advertised higher price must be based upon fact, and not be fictitious or misleading. Whenever an advertiser represents that he is selling below the prices being charged in his area for a particular article, he should be reasonably certain that the higher price he advertises does not

> appreciably exceed the price at which substantial sales of the article are being made in the area—that is, a sufficient number of sales so that a consumer would consider a reduction from the price to represent a genuine bargain or saving. Expressed another way, if a number of the principal retail outlets in the area are regularly selling Brand X fountain pens at $10, it is not dishonest for retailer Doe to advertise: "Brand X Pens, Price Elsewhere $10, Our Price $7.50".
>
> (c) A closely related form of bargain advertising is to offer a reduction from the prices being <u>charged either by the advertiser or by others in the advertiser's trade area for other merchandise of like grade and quality—in other words, comparable or competing merchandise</u>—to that being advertised. <u>Such advertising can serve a useful and legitimate purpose when it is made clear to the consumer that a comparison is being made with other merchandise and the other merchandise is, in fact, of essentially similar quality and obtainable in the area.</u> The advertiser should, however, be reasonably certain, just as in the case of comparisons involving the same merchandise that the price advertised as being the price of comparable merchandise does not exceed the price at which such merchandise is being offered by representative retail outlets in the area. For example, retailer Doe advertises Brand X pen as having "Comparable Value $15.00". Unless a reasonable number of the principal outlets in the area are offering Brand Y, an essentially similar pen, for that price, this advertisement would be deceptive

16 C.F.R. § 233.2 (emphasis added).

87. DSW's use of and reference to a materially false "Compare At" price in connection with its marketing and advertisements concerning the merchandise sold at DSW Outlets violated and continues to violate the FTCA, 15 U.S.C. § 45(a)(1) and 15 U.S.C. § 52(a), as well as FTC Guidelines published at 16 C.F.R. § 233.

88. As a result of the conduct described above, DSW has been unjustly enriched at the expense of Plaintiff and members of the proposed Class. Specifically, DSW has been unjustly enriched by obtaining revenues and profits

that it would not otherwise have obtained absent its false, misleading and deceptive conduct.

89. Through its unlawful acts and practices, DSW has improperly obtained money from Plaintiff and the Class. As such, Plaintiff requests that this court cause DSW to restore this money to Plaintiff and all Class members, and to enjoin DSW from continuing to violate the UCL as discussed herein and/or from violating the UCL in the future. Otherwise, Plaintiff and the Classes may be irreparably harmed and/or denied an effective and complete remedy if such an order is not granted.

COUNT IV

(Violation of the California False Advertising Law,

California Business & Professions Code Section 17500, *et seq.)*

90. Plaintiff incorporate and realleges by reference each and every allegation contained in the preceding paragraphs as if fully set forth herein.

91. California's Business and Professions Code § 17500, *et seq*. prohibits unfair, deceptive, untrue, or misleading advertising, including, but not limited to, false statements as to worth, value and former price.

92. DSW's practice of advertising "Compare At" prices on DSW Exclusive Products that were materially greater than the actual prices of those products was an unfair, deceptive and misleading advertising practice because it gave the false impression that the DSW Exclusive Products were worth more than they actually were worth. In fact, DSW Exclusive Products were never sold anywhere but DSW, and they were never offered for sale at a price anywhere close to the "Compare At" price advertised because the merchandise was always sold for, or discounted further from, the selling price listed on the price tag at DSW stores.

93. Through its false advertising scheme, DSW has improperly obtained money from Plaintiff and the Class. As such, Plaintiff requests that this court cause DSW to restore this money to Plaintiff and all Class members, and to enjoin DSW from continuing to violate the FAL as discussed herein and/or from violating the

FAL in the future. Otherwise, Plaintiff and the Classes may be irreparably harmed and/or denied an effective and complete remedy if such an order is not granted.

COUNT V

(Violation of the Consumers Legal Remedies Act,
California Civil Code Section 1750, *et seq.*)

94. Plaintiff incorporate and realleges by reference each and every allegation contained in the preceding paragraphs as if fully set forth herein.

95. Plaintiff and each member of the proposed class are "consumers" within the meaning of California Civil Code § 1761(d).

96. DSW's selling of goods manufactured exclusively for sale at DSW stores to Plaintiff and the Class were "transactions" within the meaning of Cal. Civ. Code § 1761(e).

97. The products purchased by Plaintiff and the Class are "goods" within the meaning of California Civil Code §1761(a).

98. As described herein, DSW violated the CLRA by falsely representing the nature, existence and amount of price discounts by fabricating inflated "Compare At" prices. Such a pricing scheme is in violation of Cal. Civ. Code § 1770, subsection (a)(9) ("[a]dvertising goods or services with intent not to sell them as advertised") and subsection (a)(13) ("[m]aking false or misleading statements of fact concerning reasons for, existence of, or amounts of price reductions").

99. Plaintiff relied on DSW's false representations about the existence and amount of discounts in deciding to purchase goods at a DSW stores. Plaintiff would not have purchased the products she bought or would not have been willing to pay the amount she did for the shoes absent DSW's unlawful conduct.

100. On May 27, 2016, counsel for Plaintiffs provided proper notice of their intent to pursue claims under the CLRA and an opportunity to cure to DSW via certified mail to DSW's headquarters at 810 DSW Drive, Columbus, OH 43219 and

also to DSW's registered agent for service in California. A true and correct copy of the notice letter dated May 27, 2016 is attached hereto as Exhibit C.

101. Plaintiff requests this Court enjoin DSW from continuing to violate the CLRA as discussed herein and/or from violating the UCL in the future and to order restitution to Plaintiff and each member of the proposed class. Otherwise, Plaintiff, the Classes and members of the general public may be irreparably harmed and/or denied effective and complete remedy if such an order is not granted.

102. If DSW declines to remedy its unlawful reference pricing scheme or otherwise address the CLRA violations and associated harm Plaintiff outlined in her notice letter within 30 days, Plaintiff will amend her complaint pursuant to Cal. Civ. Code § 1782(b) and (d) to seek actual and punitive damages, in addition to restitution, injunctive relief, and any other relief the Court deems proper.

103. Plaintiff's affidavit stating facts showing that venue in this District is proper pursuant to Cal. Civ. Code § 1780(c) is attached hereto as Exhibit D.

COUNT VI

(Unjust Enrichment)

94. Plaintiff incorporate and realleges by reference each and every allegation contained in the preceding paragraphs as if fully set forth herein.

95. Plaintiff brings this claim individually, as well as on behalf of members of the Class, under California law.

97. At all times relevant hereto, Defendant deceptively priced, marketed, advertised, and sold DSW Exclusive Products to Plaintiff and the Class.

98. Plaintiff and members of the Class conferred upon Defendant non-gratuitous payments for merchandise that they would not have purchased or would have paid less for but for Defendant's deceptive pricing, advertising, and marketing. Defendant accepted or retained the non-gratuitous benefits conferred by Plaintiff and Class members, with full knowledge and awareness that, as a result of Defendant's deception, Plaintiff and Class members were not receiving a product of

the quality, nature, fitness, or value that had been represented by Defendant and that reasonable consumers would have expected.

99. Defendant has been unjustly enriched in retaining the revenues derived from purchases of merchandise by Plaintiff and Class members, which retention under these circumstances is unjust and inequitable because Defendant misrepresented, among other things, that its merchandise was being offered at a significant discount, which caused injuries to Plaintiff and Class members because they paid for, and/or paid more than they otherwise would have due to the misleading pricing and advertising.

100. Retaining the non-gratuitous benefits conferred upon Defendant by Plaintiff and Class members under these circumstances made Defendant's retention of the non-gratuitous benefits unjust and inequitable. Thus, Defendant must pay restitution to Plaintiff and the Class for unjust enrichment, as ordered by the Court.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff and the members of the Class demand a jury trial on all claims so triable and judgment against Defendant DSW as follows:

A. An order certifying that this action may be maintained as a class action, that Plaintiff be appointed Class Representative and Plaintiff's counsel be appointed Class Counsel;

B. A judgment awarding Plaintiff and the Class restitution and/or other equitable relief, including, without limitation, restitutionary disgorgement of all profits and unjust enrichment that Defendant obtained from Plaintiff and the Class as a result of its unlawful, unfair and fraudulent business practices described herein;

C. An order enjoining Defendant from continuing to violate the UCL, False Advertising Law, and CLRA as described herein

D. A judgment awarding Plaintiff her costs of suit; including reasonable attorneys' fees pursuant to California Civil Code § 1780(d), Code of Civil

Procedure § 1021.5 and as otherwise permitted by statute; and pre and post-judgment interest; and

E. Such other and further relief as may be deemed necessary or appropriate.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiff demands a jury trial as to all issues triable by a jury.

Dated: May 31, 2016 Respectfully submitted,

By: */s/ Kristen Law Sagafi*
Kristen Law Sagafi

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Exhibit A

10-K 1 dsw-20160130.htm 10-K

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

FORM 10-K

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

For the Fiscal Year Ended January 30, 2016 **OR**

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

Commission file number 1-32545

DSW INC.

(Exact name of registrant as specified in its charter)

Ohio	**31-0746639**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
810 DSW Drive, Columbus, Ohio	**43219**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code (614) 237-7100

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☑ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

☐ Yes ☑ No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large Accelerated Filer ☑
Accelerated Filer ☐
Non-accelerated Filer ☐
(Do not check if smaller reporting company)
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 aggregate market value of voting stock held by non-affiliates of the registrant computed by reference to the price at which such voting stock was last sold, as of August 1, 2015, was $2,412,226,836.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 74,185,264 Class A Common Shares and 7,732,807 Class B Common Shares were outstanding at March 18, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement relating to fiscal 2015 for the Annual Meeting of Shareholders to be held on June 8, 2016 are incorporated by reference into Part III.

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TABLE OF CONTENTS TO FINANCIAL STATEMENTS

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PART I

All references to "we," "us," "our," or the "Company" in this Annual Report on Form 10-K mean DSW Inc. and its wholly owned subsidiaries. DSW refers to the DSW segment, which includes DSW stores and dsw.com. DSW Class A Common Shares are listed for trading under the ticker symbol "DSW" on the New York Stock Exchange ("NYSE").

We own many trademarks and service marks. This Annual Report on Form 10-K may contain trademarks, tradenames and trade dress of other companies. Use or display of other parties' trademarks, trade dress or tradenames is not intended to and does not imply a relationship with the trademark, trade dress or tradename owner.

Cautionary Statement Regarding Forward-Looking Information for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

Some of the statements in this Annual Report on Form 10-K contain forward-looking statements which reflect our current views with respect to, among other things, future events and financial performance. Examples of such forward-looking statements include references to our future expansion and our acquisitions. You can identify these forward-looking statements by the use of forward-looking words such as "outlook," "believes," "expects," "potential," "continues," "may," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of those words or other comparable words. Any forward-looking statements contained in this Annual Report on Form 10-K are based upon current plans, estimates, expectations and assumptions relating to our operations, results of operations, financial condition, growth strategy and liquidity. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to numerous risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In addition to other factors discussed elsewhere in this report, including those factors described under "Part I, Item 1A. Risk Factors," some important factors that could cause actual results, performance or achievements for DSW Inc. to differ materially from those discussed in forward-looking statements include, but are not limited to, the following:

- our success in opening and operating new stores on a timely and profitable basis;
- maintaining strong relationships with our vendors;
- our ability to anticipate and respond to fashion trends;
- our success in meeting customer expectations;
- disruption of our distribution and/or fulfillment operations;
- continuation of supply agreements and the financial condition of our affiliated business partners;
- fluctuation of our comparable sales and quarterly financial performance;
- risks related to our information systems and data;
- failure to retain our key executives or attract qualified new personnel;
- our competitiveness with respect to style, price, brand availability and customer service;
- our reliance on our DSW Rewards program and marketing to drive traffic, sales and customer loyalty;
- uncertain general economic conditions;
- our reliance on foreign sources for merchandise and risks inherent to international trade;
- risks related to our handling of sensitive and confidential data;
- risks related to leases of our properties;
- risks related to prior and current acquisitions;
- foreign currency exchange risk; and
- risks related to our cash and investments.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results, performance or achievements may vary materially from what we have projected. Furthermore, new factors emerge from time to time and it is not possible for management to predict all such factors, nor can management assess the impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

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ITEM 1. BUSINESS.

General

DSW is the destination for fabulous brands at a great value every single day. With a breathtaking assortment of shoes, handbags and accessories for women, men and children in 468 stores nationwide and on dsw.com, DSW strives to delight customers with finding the perfect shoe at an incredible price. Our DSW stores average approximately 21,000 square feet and carry approximately 21,500 pairs of shoes. In addition, our DSW Rewards loyalty program means shopping comes with perks; members earn points towards certificates every time they purchase. We believe this combination of assortment, convenience and value differentiates us from our competitors and appeals to consumers from a broad range of socioeconomic and demographic backgrounds.

As a segment of DSW Inc., the Affiliated Business Group ("ABG") partners with multi-category retailers to develop strategies and business models for targeted shoe assortments. ABG provides service to 379 store locations and e-commerce channels through leased partnerships with Stein Mart, Gordmans and Frugal Fannie's.

DSW Inc. also has an equity investment in Town Shoes Limited ("Town Shoes"). Town Shoes is the market leader in branded footwear in Canada, with sales of over $330 million CAD in its fiscal year ended January 2016. As of January 30, 2016, Town Shoes operated 185 locations across Canada under The Shoe Company, Shoe Warehouse, Town Shoes and DSW banners, as well as an e-commerce site. In 2014, DSW Inc. entered into a licensing agreement with Town Shoes, which allows Town Shoes to use the DSW Designer Shoe Warehouse tradename for their new larger concept Canadian stores. As of January 30, 2016, there are 13 DSW Designer Shoe Warehouse stores in Canada.

See our consolidated financial statements and the notes thereto in Item 8 of this Annual Report on Form 10-K for financial information about our two segments: the DSW segment, which includes DSW stores and dsw.com, and the ABG segment. Additionally, a five year summary of certain financial and operational information is included in Item 6 of this Annual Report.

We follow a 52/53-week fiscal year that ends on the Saturday nearest to January 31 in each year. The periods presented in these financial statements and selected financial data are the fiscal years ended January 30, 2016 ("fiscal 2015"), January 31, 2015 ("fiscal 2014"), February 1, 2014 ("fiscal 2013"), February 2, 2013 ("fiscal 2012") and January 28, 2012 ("fiscal 2011"). Fiscal 2015, 2014, 2013 and 2011 each consisted of 52 weeks, while fiscal 2012 consisted of 53 weeks.

Corporate History

We were incorporated in the state of Ohio on January 20, 1969 and opened our first DSW store in Dublin, Ohio in 1991. In 1998, a predecessor of RVI purchased DSW and affiliated shoe businesses from Schottenstein Stores Corporation and Nacht Management, Inc. In July 2005, we completed an initial public offering of our Class A Common Shares, selling approximately 32.4 million shares at an offering price of $9.50 per share. On May 26, 2011, RVI merged (the "Merger") with and into DSW MS LLC ("Merger Sub"), with Merger Sub surviving the merger and continuing as a wholly owned subsidiary of DSW Inc. Upon the closing of the Merger, each outstanding RVI common share was converted into 0.435 DSW Class A Common Shares, unless the holder properly and timely elected to receive a like amount of DSW Class B Common Shares. On October 14, 2013, the shareholders of DSW Inc. approved a two-for-one stock split of DSW Common Shares. The stock split became effective on November 4, 2013 and provided for the issuance of one Class A Common Share for each Class A and Class B Common Share outstanding.

Competitive Strengths

DSW Inc. is a leading footwear retailer with a history of growth and financial strength that is leveraging its operating model to gain market share. We believe that having a leading market position is driven by our competitive strengths: assortment, convenience and value.

Assortment

Our goal is to excite our customers with a competitive, compelling assortment of shoes and complementary accessories that fulfill a broad range of style and fashion preferences. DSW sells a large assortment of brand name, designer and private brand merchandise. We purchase directly from over 400 domestic and foreign vendors, primarily in-season footwear found in specialty and department stores and branded make-ups (shoes made exclusively for a retailer). We also make opportunistic and close-out purchases to offer value to our customers. Through our stores, fulfillment center and expanding drop ship network,

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we offer thousands of shoes for women, men and children and a complementary assortment of handbags, hosiery, jewelry and other accessories which appeal to our brand and fashion conscious customers.

Our vendors include suppliers who either manufacture their own merchandise or supply merchandise manufactured by others, or both. Most of our domestic vendors import a large portion of their merchandise from abroad. We have quality control programs under which our buyers are involved in establishing standards for quality and fit, and our personnel examine incoming merchandise in regards to color, material and overall quality. As our sales volumes continue to grow, we believe there will continue to be adequate sources available to acquire a sufficient supply of quality merchandise in a timely manner and on satisfactory economic terms. During fiscal 2015, 2014 and 2013, our top three vendors supplied approximately 18%, 18% and 19% of our merchandise, respectively.

Our merchandising group continuously monitors current fashion trends, as well as historical sales trends, to identify popular styles and styles that may become popular in the upcoming season. We track performance and sales trends on a weekly basis and have a flexible buying process that allows us to reorder successful styles and cancel underperforming styles throughout each season. To keep our product mix fresh and on target, we test new fashions and actively monitor sell-through rates. We also aim to improve the quality and breadth of existing vendor offerings and identify new vendor and category opportunities.

We separate our DSW merchandise into four primary categories: women’s footwear; men’s footwear; athletic footwear; and accessories and other (which includes kids' footwear). The following table sets forth the approximate percentages of DSW segment sales attributable to each merchandise category for the fiscal years below:

	Fiscal year		
Category	2015	2014	2013
Women's footwear	59%	61%	62%
Men's footwear	18%	18%	17%
Athletic footwear	14%	12%	12%
Accessories and Other	9%	9%	9%

Convenience

We provide our customers with the highest level of convenience based on our belief that customers should be empowered to control and personalize their shopping experiences.

In stores, our merchandise is displayed on the selling floor with self-service fixtures to enable customers to view and touch the merchandise. We believe this shopping experience provides our customers with maximum convenience as they are able to browse and try on merchandise without feeling rushed or pressured to make a purchasing decision. Our traditional and mobile points of sale allow us to interact and transact with customers on the selling floor. Merchandise is organized in a logical manner that groups together similar styles, such as dress, casual, seasonal and athletic merchandise, for easy browsing.

Our goal is to create an endless aisle for the customer. Customers can order additional styles, sizes, widths and categories that can be fulfilled from other stores, our fulfillment center or the suppliers' warehouse. To further meet customer demand of how they receive products, we launched the additional capabilities for buy online, pickup in store and buy online, ship to store options in 2015.

Value For Our Customers

Through our buying organization, we are able to provide customers with high quality, in-season fashion styles at attractive prices compared to the sale prices found at specialty retailers and department stores. We have historically employed a consistent pricing strategy that provides customers with the same price on our merchandise from the day it arrives in store until it enters our planned clearance rotation. Our pricing strategy differentiates us from our competitors who usually price and promote merchandise at discounts available only for limited time periods. We find that customers appreciate shopping for value when it is most convenient for them, rather than waiting for a sale event.

In order to provide additional value to our customers, we maintain a loyalty program, DSW Rewards, which rewards customers for shopping, both in DSW stores and at dsw.com. DSW Rewards members earn reward certificates that offer discounts on future purchases. Reward certificates expire three months after being issued. Members also receive promotional offers and gifts

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with purchase. We employ a variety of methods, including email, direct mail and social media, to communicate exclusive offers to our rewards customers. In fiscal 2014, we also introduced a co-branded credit card that allows DSW Rewards members to earn points for purchases made at DSW, as well as other locations that accept Visa.

As of January 30, 2016, approximately 24 million members were enrolled in our DSW Rewards program and have made at least one purchase over the course of the last two years as compared to approximately 23 million members as of January 31, 2015. In fiscal 2015 and 2014, shoppers in the loyalty program generated approximately 89% and 90% of DSW segment sales, respectively.

Growth Strategy

Our growth strategy is to continue to strengthen our position as a leading footwear and accessories retailer by: expanding into new markets with the right banners and store format, extending our customer reach through new categories, and acquiring new strengths to compete in ways and places that are relevant to the customer, such as our recent acquisition of Ebuys, Inc. We will also continue expanding our physical and digital presence in relevant markets through existing and new formats, investing in our infrastructure, and utilizing our financial strength to invest in key initiatives.

Expanding Our Physical and Digital Presence

We opened 40 DSW stores and closed 3 DSW stores in fiscal 2015. Of the store openings in fiscal 2015, 9 were small format stores. Our small format stores average approximately 12,000 square feet and, if successful, could pave the way for more small format stores. As of January 30, 2016, the Company has a total of 16 small format stores. We plan to open approximately 30 to 35 DSW stores in fiscal 2016 and an additional 15 to 20 DSW stores in each of the following three to five years. We believe we have the potential to operate more than 550 stores, which excludes small format stores. We are evaluating our real estate strategy to optimize how we can best serve the customers' shopping preferences in store and online. Our plan is to open stores in both new and existing markets, with the primary focus on power strip centers and to reposition existing stores as opportunities arise. Depending on the market, we also consider regional malls, lifestyle centers and urban street locations. In general, our evaluation of potential new stores integrates information on demographics, co-tenancy, retail traffic patterns, site visibility and accessibility, store size and configuration and lease terms. Our real estate decision-making entails an analysis of underlying demand for our products through both physical and digital channels. Our analysis also looks at current penetration levels in markets we serve and our ability to deepen our market share and acquire new customers.

As of January 30, 2016, we operated 468 DSW stores in 42 states, the District of Columbia and Puerto Rico. The following table shows the number of our DSW stores by state and territory:

Alabama	6	Louisiana	4	Ohio	19
Arizona	10	Maine	1	Oklahoma	3
Arkansas	1	Maryland	18	Oregon	6
California	44	Massachusetts	17	Pennsylvania	23
Colorado	11	Michigan	18	Puerto Rico	2
Connecticut	9	Minnesota	11	Rhode Island	2
Delaware	1	Mississippi	1	South Carolina	3
Florida	28	Missouri	5	Tennessee	7
Georgia	15	Nebraska	3	Texas	40
Idaho	1	Nevada	3	Utah	3
Illinois	28	New Hampshire	2	Virginia	18
Indiana	11	New Jersey	17	Washington	11
Iowa	2	New York	36	District of Columbia	3
Kansas	2	North Carolina	9	Wisconsin	9
Kentucky	4	North Dakota	1	Total	468

In addition to store growth, we are enhancing our omni-channel capabilities. We expanded our drop ship program, have made previously store-only product available online and increased availability of our accessories online. Our omni-channel capabilities allow customers to purchase shoes from a location other than from where the customer originally demanded the item. Our mobile application provides another opportunity for customers to interact with us. In fiscal 2015, we launched buy online, pick up in store and buy online, ship to store.

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In our Affiliated Business Group, we leverage our sourcing network to produce a merchandise assortment that meets the needs of our affiliated business customers. We pursue opportunities for new affiliated business partners.

Through our investment in Town Shoes, we serve Canadian customers with great values on branded footwear and accessories within a variety of concepts, including DSW Designer Shoe Warehouse stores. As of January 30, 2016, there are 13 DSW Designer Shoe Warehouse stores in Canada, and Town Shoes plans to open approximately 10 DSW Designer Shoe Warehouse stores in fiscal 2016.

Investment in Our Infrastructure

We have invested in systems that will enhance our operating efficiency in areas such as supply chain, merchandise planning and allocation, inventory management, distribution and labor management.

Over the past few years, we completed investments in our supply chain to support assortment planning, size replenishment and size optimization. All categories are planned using an enterprise-wide assortment planning system that allows us to build assortments based on local customer profiles rather than just based on store volume. Size replenishment focuses on replenishing core styles at a size level; size optimization allows us to effectively allocate sizes by store.

Our primary distribution center is located in an approximately 700,000 square foot facility in Columbus, Ohio. The distribution center operates to facilitate the prompt delivery of purchases and fast-selling footwear so we can take full advantage of each selling season. To further ensure prompt delivery, we engage a logistics service provider to receive orders originating from suppliers on the West Coast and some imports entering at a West Coast port of entry through a West Coast facility we utilize. Merchandise is transported either from the West Coast facility or our primary distribution center to our pool points and then on to stores.

Order routing optimization determines the best location to ship certain digitally demanded products from, to optimize our operating profit. Orders originating online can be fulfilled from a store or our fulfillment center, which is also located in Columbus, Ohio. The fulfillment center processes orders which are shipped to a customer's home or to a store when an order is placed through buy online, ship to store. Orders originating from a store that cannot be fulfilled in that store can either be fulfilled from our ship from store capability, from the fulfillment center, or drop shipped from a vendors' warehouse.

Utilizing Our Financial Strength

Our operating model is focused on assortment, convenience and value. Over the past five years, our net sales have grown at a compounded annual growth rate of 8%. In addition, we have consistently generated positive operating cash flows and profitable operating results. Our liquidity, strong vendor relationships and talented associates enable DSW to differentiate our assortment and run a profitable business compared to our peers.

We are committed to a disciplined process in capital allocation. We believe cash generated from operations, together with our cash and investments of approximately $330 million as of January 30, 2016, is sufficient to maintain our ongoing operations, support seasonal working capital requirements, fund capital expenditures, and make quarterly dividend payments and opportunistic share repurchases. In addition, our strong balance sheet allows us to pursue investments like Town Shoes and Ebuys, Inc.

Additional Information

Affiliated Business Group

As a division of DSW Inc., ABG partners with multi-category retailers to develop strategies and business models for targeted shoe assortments. We have renewable supply agreements to provide merchandise for the shoe departments in Stein Mart, Gordmans, and Frugal Fannie’s stores through December 2016, January 2019 and April 2017, respectively. As of January 30, 2016, we supplied merchandise to 276 Stein Mart stores and Steinmart.com, 102 Gordmans stores and Gordmans.com, and one Frugal Fannie’s store.

Competition

We view our primary competitors to be department stores, online shoe retailers and brand-oriented discounters. We also compete with mall-based shoe stores, national chains, independent shoe retailers, single-brand specialty retailers and multi-

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channel specialty retailers. Many of our competitors generally offer a more limited assortment at higher initial prices in a less convenient format than DSW and without the benefits of the DSW Rewards program. In addition, we believe we successfully compete against retailers who have attempted to duplicate our format because they typically offer assortments with fewer recognizable brands and more styles from prior seasons, unlike DSW's current on-trend merchandise. We believe that our brick and mortar stores provide a competitive advantage by stimulating digital sales, driving growth in DSW segment sales and providing a convenient location for customers to pick up and return products ordered online.

Intellectual Property

We have registered a number of trademarks, service marks and domain names in the United States and internationally, including DSW®, DSW Shoe Warehouse® and DSW Designer Shoe Warehouse®. We licensed our DSW Designer Shoe Warehouse trademark to Town Shoes. We believe our trademarks and service marks, especially those related to the DSW concept, have significant value and are important to building our name recognition. To protect our brand identity, we have also protected the DSW trademark in several foreign countries. We also hold patents related to our unique store fixtures, which gives us greater efficiency in stocking and operating those stores that currently have the fixtures. We aggressively protect our patented fixture designs, as well as our packaging, private brand names, store design elements, marketing slogans and graphics.

Associates

As of January 30, 2016, we employed approximately 11,900 associates. None of our associates are covered by any collective bargaining agreements. We offer competitive wages, paid time off, comprehensive medical and dental insurance, vision care, company-paid and supplemental life insurance programs, associate-paid long-term disability and company-paid short-term disability insurance and a 401(k) plan to our full-time associates and some of our part-time associates. We have not experienced any work stoppages, and we consider our relations with our associates to be good.

Seasonality

Our business is subject to seasonal merchandise trends when our customers' interest in new seasonal styles increases. New spring styles are primarily introduced in the first quarter, and new fall styles are primarily introduced in the third quarter.

Available Information

DSW Inc. electronically files reports with the Securities and Exchange Commission ("SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to such reports. The public may read and copy any materials that DSW Inc. files with the SEC at:

SEC Public Reference Room
100 F Street N.E.
Washington, D.C. 20549

The public may obtain information on the operation at the SEC Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. Additionally, information about DSW Inc., including its reports filed with or furnished to the SEC, is available through DSW Inc.'s website at www.dswinc.com. Such reports are accessible at no charge through DSW Inc.'s website and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC.

Copies of any of the above-referenced documents will also be made available, free of charge, upon written request to:

DSW Inc.
Investor Relations
810 DSW Drive
Columbus, OH 43219

We have included our website addresses throughout this report as textual references only. The information contained on our websites is not incorporated into this Form 10-K.

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ITEM 1A. RISK FACTORS.

In addition to the other information in this Annual Report on Form 10-K, shareholders or prospective investors should carefully consider the following risk factors when evaluating DSW Inc. If any of the events described below occurs, our business, financial condition, results of operations and future growth prospects could be negatively affected.

Risks Relating to Our Business

We opened 40 DSW stores in fiscal 2015, plan to open approximately 30 to 35 DSW stores in fiscal 2016 and plan to open 15 to 20 DSW stores in the next three to five years, which could strain our resources and have a material adverse effect on our business and financial performance.

Our continued and future growth in part depends on our ability to successfully open and operate new DSW stores on a profitable basis. We believe we can operate more than 550 stores in the United States and are evaluating our real estate strategy to optimize how we can best serve the customers' shopping preferences in store and online.

This continued expansion could place increased demands on our financial, managerial, operational and administrative resources. We may not achieve our planned expansion on a timely and profitable basis or achieve results in new locations similar to those achieved in existing locations in prior periods. Our ability to open and operate new DSW stores on a timely and profitable basis depends on many factors, including our ability to: identify suitable markets and sites for new store locations with financially stable co-tenants and landlords; negotiate favorable lease terms; build-out or refurbish sites on a timely and effective basis; obtain sufficient levels of inventory to meet the needs of new stores; obtain sufficient financing and capital resources or generate sufficient operating cash flows from operations to fund growth; open new stores at costs not significantly greater than those anticipated; successfully open new DSW stores in markets in which we currently have few or no stores; control the costs of other capital investments associated with store openings; hire, train and retain qualified managers and store personnel; and successfully integrate new stores into our existing infrastructure, operations, management and distribution systems or adapt such infrastructure, operations and systems to accommodate our growth.

As a result, we may be unable to open new stores at the rates expected or at all. If we fail to successfully implement our growth strategy, the opening of new DSW stores could be delayed or prevented, could cost more than anticipated and could divert resources from other areas of our business, any of which could have a material adverse effect on our business.

To the extent that we open new DSW stores in our existing markets, we may experience reduced net sales in existing stores in those markets. As our store base increases, our stores will become more concentrated in the markets we serve. As a result, the number of customers and financial performance of individual stores may decline and the average sales per square foot at our stores may be reduced, which could have a material adverse effect on our business.

We rely on our strong relationships with vendors to purchase brand name and designer merchandise at favorable prices. If these relationships were to be impaired, we may not be able to obtain a sufficient assortment of merchandise at attractive prices, and we may not be able to respond promptly to changing fashion trends, either of which could have a material adverse effect on our business and financial performance.

We generally do not have long-term supply agreements or exclusive arrangements with any vendors and, therefore, our success depends on maintaining strong relationships with our vendors. Our success depends, to a significant extent, on the willingness and ability of our vendors to supply us with sufficient inventory to stock our sales channels. If we fail to maintain our relationships with our existing vendors or to enhance the quality of merchandise they supply us, and if we cannot maintain or acquire new vendors of in-season brand name and designer merchandise, our ability to obtain a sufficient amount and variety of merchandise at favorable prices may be limited, which could have a negative impact on our business. In addition, our inability to stock our sales channels with in-season merchandise at attractive prices could result in lower net sales and decreased customer interest in our sales channels, which could have a material adverse effect on our business. Further, if our merchandise costs increase due to increased material or labor costs, or other reasons, our ability to respond or the effect of our response could adversely affect our net sales or gross profit. During fiscal 2015, three key vendors supplied approximately 18% of our merchandise. The loss of or a reduction in the amount and quality of merchandise supplied by any one of these vendors could have an adverse effect on our business.

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We may be unable to anticipate and respond to fashion trends, consumer preferences and changing customer expectations, which could have a material adverse effect on our business.

Our merchandising strategy is based on having the proper mix of products in each store to attract our target customers or having those products available via our omni-channel capabilities. This requires us to anticipate and respond to numerous and fluctuating variables in fashion trends and other conditions in the markets in which our stores are situated. A variety of factors will affect our ability to maintain the proper mix of products in each store, including: variations in local economic conditions, which could affect our customers' discretionary spending and their price sensitivity; unanticipated fashion trends; our success in developing and maintaining vendor relationships that provide us access to in-season merchandise at attractive prices; our success in distributing merchandise to our stores in an efficient manner; and changes in weather patterns, which in turn affect consumer preferences. If we are unable to anticipate and fulfill the merchandise needs of our customers, we may experience decreases in our net sales and may be forced to increase markdowns in relation to slow-moving merchandise, either of which could have a material adverse effect on our business.

Being an omni-channel retailer is a business necessity to meet changing customer experience expectations and an opportunity to create a competitive advantage. It is a business necessity because the DSW customer expects to be able to shop across all sales channels. The omni-channel strategy can also create distance between DSW and single channel competitors as well as multi-channel competitors who either do not operate in an omni-channel way or do not define omni-channel as broadly as DSW. In the event that our omni-channel strategy does not meet customer expectations, it may have a material adverse effect on our business, results of operations or financial results.

The loss or disruption of our distribution and/or fulfillment centers could have a material adverse effect on our business and operations.

For our DSW stores and affiliated businesses, the majority of our inventory is shipped directly from suppliers to our primary distribution center in Columbus, Ohio, where the inventory is then processed, sorted and shipped to one of our pool locations located throughout the country and then on to the stores. Through a third party, we also operate a West Coast facility where shipments bypass our primary distribution center and go directly to one of our pool locations from the West Coast facility. Our inventory can also be shipped directly from our fulfillment center, supported by a third party, to our customers. Through our ship from store capability, our inventory is shipped directly from our DSW stores. Through our drop ship program, inventory is shipped from the vendors' warehouse.

Our operating results depend on the orderly operation of our receiving and distribution process, which in turn depends on third-party vendors' adherence to shipping schedules and our effective management of our distribution facilities. We may not anticipate all the changing demands that our expanding operations will impose on our receiving and distribution system, and events beyond our control, such as disruptions in operations due to catastrophic events, labor disagreements or shipping problems, that may result in delays in the delivery of merchandise to our stores and customers. While we maintain business interruption and property insurance, in the event our distribution and fulfillment centers shut down for any reason or if we were to incur higher costs and longer lead times in connection with a disruption at our distribution and fulfillment centers, our insurance may not be sufficient to cover the impact to the business.

If Stein Mart or Gordmans were to terminate our supply agreements, close a significant number of stores or liquidate, it could have a material adverse effect on our business and financial performance.

Our supply agreements are typically for multiple years with automatic renewal options as long as either party does not give notice of intent not to renew. For Stein Mart and Gordmans, our contractual termination dates are December 2016 and January 2019, respectively. In addition, the agreements contain provisions that may trigger an earlier termination. For fiscal 2015, the sales from our Affiliated Business Group represented approximately 6% of our total company net sales. In the event of the loss of either of these supply agreements, it is unlikely that we would be able to proportionately reduce expenses compared to the reduction of net sales. The performance of our Affiliated Business Group is highly dependent on the performance of Stein Mart and Gordmans. If Stein Mart or Gordmans were to terminate our supply agreements, close a significant number of stores or liquidate, it could have a material adverse effect on our business and financial performance.

Our sales and quarterly financial performance may fluctuate for a variety of reasons, including seasonal variability.

Our business is sensitive to customers' spending patterns, which in turn are subject to prevailing regional and national economic conditions and the general level of economic activity. Our comparable sales and quarterly results of operations have fluctuated in the past, and we expect them to continue to fluctuate in the future. A variety of other factors affect our sales and quarterly financial performance, including: uncertain U.S. economic conditions and, in particular, the retail sales environment;

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changes in our merchandising strategy; timing and concentration of new DSW store openings and related new store and other start-up costs; expenses associated with new DSW stores, our omni-channel strategy and marketing expenses; changes in our merchandise mix; changes in and regional variations in demographic and population characteristics; timing of promotional events; seasonal fluctuations due to weather conditions; and actions by our competitors.

Accordingly, our results for any one fiscal quarter are not necessarily indicative of the results to be expected for any other quarter, and comparable sales for any particular future period may increase or decrease. Our future financial performance may fall below the expectations of securities analysts and investors.

In addition, our business is subject to seasonal merchandise trends when our customers' interest in new seasonal styles increases. New spring styles are introduced in the first quarter, and new fall styles are introduced in the third quarter. As a result of seasonal merchandise trends, any factors negatively affecting us during these periods, including adverse weather, the timing and level of markdowns, fashion trends or unfavorable economic conditions, could have a material adverse effect on our business.

The loss or disruption of information technology services could affect our ability to implement our growth strategy and have a material adverse effect on our business.

Our information technology systems are an integral part of our growth strategy in efficiently operating our business, in managing operations and protecting against security risks related to our electronic processing and transmitting of confidential customer and associate data. The requirements to keep our information technology systems operating at peak performance may be higher than anticipated and could strain our capital resources, management of any system upgrades, implementation of new systems and the related change management processes required with new systems and our ability to protect ourselves from any future information security breaches. In addition, any significant disruption of our data center could have a material adverse effect on those operations dependent on those systems, most specifically, store operations, dsw.com, our distribution and fulfillment centers and our merchandising team. While we maintain business interruption and property insurance, in the event our data center was to be shut down, our insurance may not be sufficient to cover the impact to the business.

We accept orders through dsw.com and m.dsw.com, the DSW mobile site. We are subject to various risks of operating online and mobile selling capabilities such as: the failure of our information technology infrastructure, including any third-party hardware or software, resulting in downtime or other technical issues; reliance on third-party logistics providers to deliver our products to customers; inability to respond to technological changes; violations of state or federal laws; credit card fraud; or other information security breaches. Failure to mitigate these risks could have a material adverse effect on our business.

We face security risks related to our electronic processing of sensitive and confidential customer and associate data; which data, if breached, could damage our reputation and have a material adverse effect on our business.

Given the nature of our business, we collect, process and retain sensitive and confidential customer data, including credit card information. Despite our current security measures, our facilities and systems, and those of our third-party service providers, may be vulnerable to information security breaches, acts of vandalism, computer viruses or other similar attacks. An information security breach involving the disclosure of confidential data could damage our reputation and our customers' willingness to shop in our stores, on dsw.com and m.dsw.com, and subject us to possible legal liability. In addition, we may incur material remediation costs as a result of an information security breach, including liability for stolen customer or associate data, repairing system damage or providing credit monitoring or other benefits to customers or associates affected by the breach. While we have insurance, in the event we experience an information security breach, our insurance may not be sufficient to cover the impact to the business. Failure to mitigate these risks could have a material adverse effect on our business.

Our failure to retain our existing senior management team and to continue to attract qualified new personnel could adversely affect our business.

Our business requires disciplined execution at all levels of our organization which requires an experienced and talented management team. If we were to lose the benefit of the experience, efforts and abilities of any of our key executive and buying personnel, our business could be adversely affected. We have entered into employment agreements with several key executives and also offer compensation packages designed to attract and retain talent. Furthermore, our ability to manage our expansion will require us to continue to train, motivate and develop our employees to maintain a high level of talent for future

challenges and succession planning. Competition for these types of personnel is intense, and we may not be successful in attracting and
retaining the personnel required to grow and operate our business.

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We are dependent on our DSW Rewards program and marketing to drive traffic, sales and loyalty, and any decrease in membership or purchases from members could have a material adverse effect on our business.

Customer traffic is influenced by our marketing and our DSW Rewards programs. DSW Rewards is a customer loyalty program that we rely on to drive customer traffic, sales and loyalty. DSW Rewards members earn reward certificates that offer discounts on future purchases. In the event that our DSW Rewards members do not continue to shop at DSW, we fail to add new members or the number of members decreases, or in the event that our marketing is not effective in driving customer traffic, this could have a material adverse effect on our business.

We are constantly exploring new business opportunities and implementing initiatives. The failure to successfully execute our strategies may have a material adverse effect on our business, results of operations or financial condition.

The continued development and implementation of new business opportunities and strategies could distract management from our core business. In March 2016, we completed the acquisition of Ebuys, Inc. In the event that we lose focus on our core business or are unsuccessful in the execution of our concept, it may have a material adverse effect on our business, results of operations or financial condition.

We are exposed to risk through leases of certain portions of our properties.

In fiscal 2012, we purchased our corporate office headquarters, our distribution center and a trailer parking lot. Certain portions of the properties are leased to unrelated parties, which provides rental income. The largest tenant's lease renewed for another two-year term in June 2015, but either party can terminate after each two-year renewal option and the tenant can terminate at any time with 60 days notice. In the event that one or more tenants do not renew their leases, the foregoing circumstances or events could have a material adverse effect on our financial condition.

In connection with the Merger with Retail Ventures, Inc. ("the Merger"), Retail Ventures, Inc. ("Retail Ventures" or "RVI") merged with and into DSW MS LLC ("Merger Sub"). Merger Sub assumed RVI's responsibilities under a lease dated September 2003 for an office building in Columbus, Ohio (the "Premises"). In April 2005, RVI subleased the Premises to an unrelated third party at a rent that is lower than its expenses under the lease. In fiscal 2012, DSW Inc. assumed responsibility for the lease. The sublease is through the lease expiration date in 2024, but either party can terminate after each two-year renewal option. Merger Sub remains liable under the lease through the lease expiration date, and if the subtenant does not pay the rent or vacates the Premises, Merger Sub would be required to make full rent payments to the landlord without any rental income. All of the foregoing circumstances or events could have a material adverse effect on our financial condition.

Risks Relating to the External Environment

We may be unable to compete favorably in our highly competitive market, which could have a material adverse effect on our business.

The retail footwear market is highly competitive with few barriers to entry. We compete against a diverse group of retailers, both small and large, including department stores, mall-based shoe stores, national chains, independent shoe retailers, single-brand specialty retailers, online shoe retailers, multi-channel specialty retailers and brand-oriented discounters. Our success depends on our ability to remain competitive with respect to assortment, convenience and value. The performance of our competitors, as well as a change in their pricing policies as a result of the current economic environment, marketing activities and other business strategies, could have a material adverse effect on our business.

Our failure to identify and respond to rapidly changing customer behaviors and the impact that social media and comparison shopping has on our customers could have a material adverse effect on our business.

We rely on foreign sources for our merchandise, and our business is therefore subject to risks associated with international trade.

We purchase merchandise from domestic and foreign vendors. In addition, many of our domestic vendors import a large portion of their merchandise from abroad, primarily from China, Brazil and Italy. We believe that almost all the merchandise we purchased during fiscal 2015 was manufactured outside the United States, and the majority was manufactured in China. For this reason, we face risks inherent in purchasing from foreign suppliers, such as: economic and political instability in countries where these suppliers are located; international hostilities or acts of war or terrorism affecting the United States or foreign countries from which our merchandise is sourced; increases in shipping costs; transportation delays and interruptions, including increased inspections of import shipments by domestic authorities; work stoppages; U.S. laws affecting the importation of

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goods, including duties, tariffs and quotas and other non-tariff barriers; expropriation or nationalization; changes in foreign government administration and governmental policies; changes in import duties or quotas; compliance with trade and foreign tax laws; and local business practices, including compliance with foreign laws and with domestic and international labor standards.

We require our vendors to operate in compliance with applicable laws and regulations and our internal requirements. However, we do not control our vendors or their labor and business practices. The violation of labor or other laws by one of our vendors could have a material adverse effect on our business.

Restrictions in our secured revolving credit facility and letter of credit agreement could limit our operational flexibility.

We have a $100 million secured revolving credit agreement and a $50 million letter of credit agreement with terms expiring July 2018 and August 2018, respectively. The secured revolving credit agreement is secured by a lien on substantially all of our personal property assets and subsidiaries with certain exclusions and may be used to provide funds for general corporate purposes, to provide for ongoing working capital requirements, and to make permitted acquisitions. In addition, both the secured revolving credit agreement and the letter of credit agreement contain restrictive covenants relating to our management and the operation of our business. These covenants, among other things, limit or restrict our ability to grant liens on our assets, limit our ability to incur additional indebtedness, limit our capital expenditures to $200 million annually (the secured revolving credit agreement only), limit our ability to enter into transactions with affiliates and limit our ability to merge or consolidate with another entity. These covenants could restrict our operational flexibility, and any failure to comply with these covenants or our payment obligations would limit our ability to borrow under the secured revolving credit facility and, in certain circumstances, may allow the lenders thereunder to require repayment.

Uncertain economic conditions in the United States and other world events can adversely affect consumer confidence and consumer spending habits, which could result in reduced net sales.

Consumer spending habits, including spending for the footwear and accessories that we sell, are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, prevailing interest rates, income tax rates and policies, consumer confidence and consumer perception of economic conditions. In addition, consumer purchasing patterns may be influenced by consumers' disposable income. Consumer confidence is also affected by the domestic and international political environment. The outbreak or escalation of war, natural disasters, or the occurrence of terrorist acts or other hostilities in or affecting the United States, could lead to a decrease in spending by consumers. In an economic slowdown, we could experience lower net sales than expected on a quarterly or annual basis and be forced to delay or slow our expansion plans. Reduced net sales may result in reduced operating cash flows if we are not able to appropriately manage inventory levels or leverage expenses. These negative economic conditions could have a material adverse effect on our business.

Our cash and investments are subject to risks that could affect the liquidity of these investments.

As of January 30, 2016, we had cash and investments of approximately $330 million. A portion of these are held as cash in operating accounts that are with third-party financial institutions. While we regularly monitor the cash balances in our operating accounts and when possible adjust the balances as appropriate to be within Federal Deposit Insurance Corporation ("FDIC") insurance limits, these cash balances could be lost or inaccessible if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets.

While we generally invest in lower risk investments, investment risk has been and may further be exacerbated by credit and liquidity issues that have affected various sectors of the financial markets. Our access to cash and investments, their earning potential or our ability to invest in highly rated, low risk investments may be impacted by adverse conditions in the U.S. financial markets. These market risks associated with our cash and investments could have a material adverse effect on our business.

Our amended articles of incorporation, amended and restated code of regulations and Ohio state law contain provisions that may have the effect of delaying or preventing a change in control of DSW. This could adversely affect the value of our Common Shares.

Our amended articles of incorporation authorize our Board of Directors to issue up to 100,000,000 preferred shares and to determine the powers, preferences, privileges, rights, including voting rights, qualifications, limitations and restrictions on those shares, without any further vote or action by the shareholders. The rights of the holders of our Class A Common Shares will be subject to, and may be adversely affected by, the rights of the holders of any preferred shares that may be issued in the

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future. The issuance of preferred shares could have the effect of delaying, deterring or preventing a change in control and could adversely affect the voting power of our Common Shares.

In addition, provisions of our amended articles of incorporation, amended and restated code of regulations and Ohio law, together or separately, could discourage potential acquisition proposals, delay or prevent a change in control or limit the price that certain investors might be willing to pay in the future for our Common Shares. Among other things, these provisions establish a staggered board, require a supermajority vote to remove directors, and establish certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered at shareholders' meetings.

We do not expect a trading market for DSW Class B Common Shares to develop and therefore any investment in DSW Class B Common Shares may be effectively illiquid, unless such DSW Class B Common Shares are converted into DSW Class A Common Shares.

There is currently no public market for DSW Class B Common Shares. DSW does not intend to list the Class B Common Shares on any securities exchange or any automated quotation system. As a result, there can be no assurance that a secondary market will develop, and we do not expect any market makers to participate in a secondary market. Because the DSW Class B Common Shares are not listed on a securities exchange or an automated quotation system, it may be difficult to obtain pricing information with respect to the shares. Accordingly, there may be a limited number of buyers if a holder decided to sell their DSW Class B Common Shares. This may affect the price a holder would receive upon such sale. Alternatively, a holder of DSW Class B Common Shares could convert them into DSW Class A Common Shares prior to selling. However, such conversion could affect the timing of any such sale, which may in turn affect the price a holder may receive upon such sale.

Risks Relating to our Relationship with the Schottenstein Affiliates

The Schottenstein Affiliates, entities owned by or controlled by Jay L. Schottenstein, the executive chairman of the DSW Inc. Board of Directors, and members of his family, directly control or substantially influence the outcome of matters submitted for DSW Inc. shareholder votes, and their interests may differ from DSW Inc.'s other shareholders.

As of January 30, 2016, the Schottenstein Affiliates have approximately 51% of the voting power of the outstanding DSW Common Shares. The Schottenstein Affiliates directly control or substantially influence the outcome of all matters submitted to DSW Inc.'s shareholders for approval, including the election of directors, approval of mergers or other business combinations, and acquisitions or dispositions of assets. The interests of the Schottenstein Affiliates may differ from or be opposed to the interests of DSW Inc.'s other shareholders, and their level of ownership and voting power in DSW Inc. may have the effect of delaying or preventing a subsequent change in control that may be favored by other DSW Inc. shareholders.

The Schottenstein Affiliates engage in a variety of businesses, including, but not limited to, business and inventory liquidations, apparel companies and real estate investments. Opportunities may arise in the area of potential competitive business activities that may be attractive to the Schottenstein Affiliates and us. Our amended and restated articles of incorporation provide that the Schottenstein Affiliates are under no obligation to communicate or offer any corporate opportunity to us. In addition, the Schottenstein Affiliates have the right to engage in similar activities as us, do business with our suppliers and customers, and except as limited by the Master Separation Agreement with RVI, employ or otherwise engage any of our officers or employees. The provisions of the Master Separation Agreement with RVI also outline how opportunities are to be assigned in the event that our or the Schottenstein Affiliates' directors and officers learn of opportunities.

Risks Relating to our Merger with Retail Ventures, Inc.

Prior to the Merger, RVI had significant contingent liabilities. As of the effective time of the Merger, Merger Sub, a subsidiary of DSW, assumed RVI's obligations with respect to these contingent liabilities. If these contingent liabilities become actual liabilities, this could adversely affect DSW's financial condition.

Prior to the merger, RVI had significant contingent liabilities, including a guarantee of a Filene's Basement lease in New York, which has been leased to a third party. If any of these contingent liabilities become actual liabilities, this could have a material adverse effect on our financial condition.

Risks Relating to our Equity Investment in Town Shoes Limited

We are exposed to investment risk with the acquisition of an equity interest in Town Shoes.

In May 2014, DSW Inc. acquired an equity interest in Town Shoes. We are exposed to risk of the success of the Town Shoes business. We are also exposed to risk of adverse reactions to the transaction or changes to business relationships; competitive responses; inability to maintain key personnel and changes in general economic conditions in Canada. If Town Shoes fails to perform to our expectations, it could have a material adverse effect on our results of operations or financial condition.

We are exposed to foreign currency risk with the acquisition of an equity interest in Town Shoes.

As a result of our equity investment in Town Shoes, we are exposed to foreign currency rate risk. We currently do not utilize hedging instruments to mitigate foreign currency exchange risks. During the first quarter of 2015, we held $100 million CAD in Canadian bank accounts. During the second quarter of 2015, we invested the $100 million CAD in available-for-sale securities in Canada. As the CAD was fully invested during the second quarter of 2015, any gains/losses due to remeasurement are recorded in other comprehensive income. If the funds are transferred to cash, we will be exposed to foreign currency rate risk due to remeasurement in our statement of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We own our corporate office headquarters and distribution center. As of January 30, 2016, all 468 DSW stores and our fulfillment center are leased or subleased, and we leased or subleased 17 DSW stores and our dsw.com fulfillment center from Schottenstein Affiliates. The remaining DSW stores are leased from unrelated entities. Most of the DSW store leases provide for a minimum annual rent plus a percentage of gross sales over specified breakpoints and are for a fixed term with options for two to five extension periods, each of which is for a period of four or five years, exercisable at our option. The lease for our fulfillment center expires in September 2017 and has two renewal options with terms of five years each. Our primary distribution facility, our corporate office headquarters and our dsw.com fulfillment center are located in Columbus, Ohio.

ITEM 3. LEGAL PROCEEDINGS.

We are involved in various legal proceedings that are incidental to the conduct of our business. We estimate the range of liability related to pending litigation where the amount of the range of loss can be estimated. We record our best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss, we record the most likely estimated liability related to the claim. Although it is not possible to predict with certainty the eventual outcome of any litigation, in the opinion of management, the amount of any potential liability with respect to these proceedings will not be material to our results of operations or financial condition.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our Class A Common Shares are listed for trading under the ticker symbol "DSW" on the NYSE. There is currently no public market for DSW Class B Common Shares, but the Class B common shares can be exchanged for Class A Common Shares at the election of the holder. As of March 18, 2016, there were 176 holders of record of our Class A Common Shares and 28 holders of record of our Class B Common Shares. The number of holders of record is based upon the actual number of holders registered at such date and does not include holders of shares in "street names" or persons, partnerships, associates, corporations, or other entities identified in security position listings maintained by depositories. The following table provides the quarterly market prices of our Class A Common Shares as reported on the NYSE and cash dividends per share for fiscal 2015 and 2014:

	Market Price		Cash Dividends per Share
	High	Low	
Fiscal 2014:			
First Quarter	$ 41.11	$ 32.40	$ 0.1875
Second Quarter	35.00	23.45	0.1875
Third Quarter	32.67	26.59	0.1875
Fourth Quarter	38.10	29.32	0.1875
Fiscal 2015:			
First Quarter	$ 39.58	$ 34.04	$ 0.20 (a)
Second Quarter	36.92	30.75	0.20
Third Quarter	33.81	23.61	0.20
Fourth Quarter	25.46	21.23	0.20

(a) On February 17, 2015, DSW Inc.'s Board of Directors increased the Company's quarterly cash dividend from $0.1875 per share to $0.20 per share.

Dividends- The payment of any future dividends is at the discretion of our Board of Directors and is based on our future earnings, cash flow, financial condition, capital requirements, changes in taxation laws, general economic condition and any other relevant factors. It is anticipated that dividends will be declared on a quarterly basis. Our Credit Facility allows the payment of dividends by us or our subsidiaries provided that we meet the minimum cash and investments requirement, as defined in our Credit Facility, of $125 million.

Share Repurchase Program- On November 2, 2015, the Board of Directors approved an additional $200 million share repurchase program after the Company completed its prior $150 million authorization during the third quarter of fiscal 2015. The share repurchase program may be suspended, modified or discontinued at any time, and the Company has no obligation to repurchase any amount of its common shares under the program. Shares will be repurchased in the open market at times and in amounts considered appropriate by the Company based on price and market conditions. Through the life of the programs, we have repurchased a total of 10.2 million Class A Common Shares at a cost of $266.5 million, with a remainder of $83.5 million that may yet be purchased under the program. During the fourth quarter of fiscal 2015, we repurchased 5.0 million Class A Common Shares at a cost of $116.5 million. The shares withheld and repurchased during the fourth quarter of fiscal 2015 are summarized in the table below (in thousands, except per share amounts):

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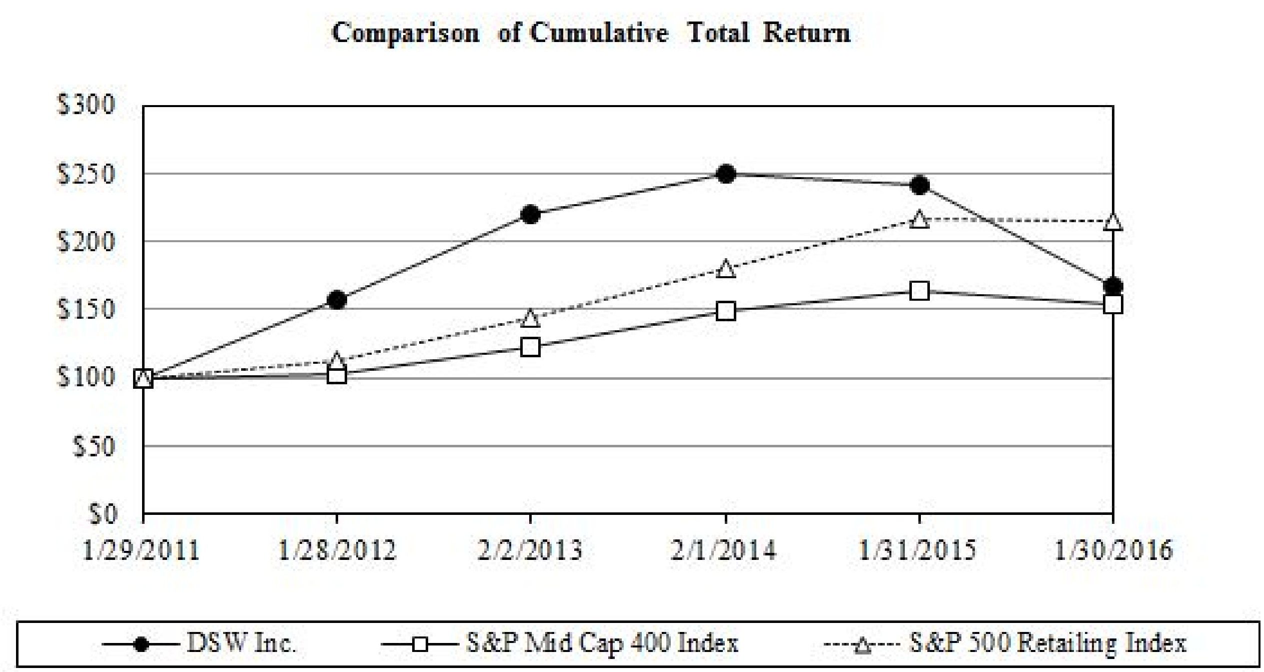
	Total number of shares withheld	Average price paid per share	Total number of shares purchased as part of publicly announced programs	Approximate dollar value of shares that may yet be purchased under the programs
November 1, 2015 to November 28, 2015	—	—	—	$ 200,000
November 29, 2015 to January 2, 2016	—	$ 23.29	1,649	161,709
January 3, 2016 to January 30, 2016	47	23.65	3,385	83,469
	47	$ 23.47	5,034	$ 83,469

Performance Graph

The following graph compares our cumulative total shareholder return on our Class A Common Shares with the cumulative total returns of the S&P MidCap 400 Index and the S&P Retailing Index, both of which are published indexes. This comparison includes the period ended January 29, 2011 through the period ended January 30, 2016.



The comparison of the cumulative total returns for each investment assumes that $100 was invested on January 29, 2011 and that all dividends were reinvested.

		Fiscal years ended				
Company / Index	1/29/2011	1/28/2012	2/2/2013	2/1/2014	1/31/2015	1/30/2016
DSW Inc.	$ 100.00	$ 157.55	$ 220.45	$ 250.33	$ 241.91	$ 167.67
S&P MidCap 400 Index	$ 100.00	$ 102.71	$ 121.77	$ 148.39	$ 164.55	$ 153.54
S&P 500 Retailing Index	$ 100.00	$ 112.86	$ 143.90	$ 180.87	$ 217.21	$ 215.77

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ITEM 6. SELECTED FINANCIAL DATA.

The following table sets forth, for the periods presented, various selected financial information. Such selected consolidated financial data should be read in conjunction with our Consolidated Financial Statements, including the notes thereto, set forth in Item 8 of this Annual Report on Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in Item 7 of this Annual Report on Form 10-K.

	Fiscal				
	2015	2014	2013	2012	2011[1]
	(dollars in thousands, except per share and net sales per average gross square foot)				
Statement of Operations Data[2]:					
Net sales[3]	$ 2,620,248	$ 2,496,092	$ 2,368,668	$ 2,257,778	$ 2,024,329
Gross profit[4]	$ 768,369	$ 755,021	$ 739,287	$ 724,720	$ 653,947
Operating expenses [14]	$ (554,818)	$ (512,536)	$ (497,863)	$ (481,797)	$ (448,583)
Depreciation	$ 73,477	$ 68,153	$ 64,100	$ 57,801	$ 51,237
Operating profit [14]	$ 213,551	$ 242,485	$ 241,424	$ 236,802	$ 151,450
Income from continuing operations before income taxes and (loss) income from Town Shoes	$ 220,191	$ 245,606	$ 243,861	$ 240,677	$ 142,363
Income tax (provision) benefit [14]	$ (83,806)	$ (96,392)	$ (92,559)	$ (95,491)	$ 57,975
Income from continuing operations, net of tax	$ 136,034	$ 153,027	$ 151,302	$ 145,186	$ 200,338
Income (loss) from discontinued operations, net of tax	$ —	$ 272	$ —	$ 1,253	$ (4,855)
Less: Loss attributable to noncontrolling interests	$ —	$ —	$ —	$ —	$ (20,695)
Net income, net of noncontrolling interests	$ 136,034	$ 153,299	$ 151,302	$ 146,439	$ 174,788
Earnings per Share Data:					
Diluted earnings per share from continuing operations, net of noncontrolling interests	$ 1.54	$ 1.69	$ 1.65	$ 1.60	$ 2.34
Diluted earnings (loss) per share from discontinued operations	$ —	$ 0.00	$ —	$ 0.01	$ (0.07)
Diluted earnings per share, net of noncontrolling interests	$ 1.54	$ 1.69	$ 1.65	$ 1.62	$ 2.27
Weighted average number of diluted shares outstanding	88,501	90,612	91,901	90,606	74,276
Balance Sheet Data:					
Cash and investments [5]	$ 330,475	$ 447,128	$ 579,307	$ 409,890	$ 429,558
Inventory	$ 484,236	$ 450,836	$ 397,768	$ 393,794	$ 334,390
Total assets	$ 1,369,109	$ 1,438,243	$ 1,421,244	$ 1,262,103	$ 1,207,900
Working capital[6][15]	$ 472,242	$ 464,933	$ 510,232	$ 479,082	$ 443,985
Current ratio[7][15]	2.5	2.6	2.8	2.7	2.4
Total shareholders' equity	$ 904,924	$ 1,011,120	$ 998,544	$ 858,579	$ 786,587

Other Data:

Cash dividends per share[8]	$	0.800	$	0.750	$	0.375	$	1.435	$	1.150
Capital expenditures[9]	$	111,691	$	93,314	$	83,800	$	99,752	$	76,912

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	Fiscal				
	2015	2014	2013	2012	2011[1]
Number of DSW stores:					
Beginning of period	431	394	364	326	311
New stores	40	37	30	39	17
Closed/re-categorized stores	(3)	—	—	(1)	(2)
End of period	468	431	394	364	326
DSW total square footage (in thousands)[10]	9,805	9,277	8,687	8,120	7,289
Average gross square footage (in thousands)[11]	9,591	9,009	8,415	7,690	7,158
DSW segment net sales per average gross square foot[12]	$ 258	$ 261	$ 265	$ 276	$ 262
Number of affiliated business departments at end of period	379	371	356	344	336
Total comparable sales change[13]	0.8%	1.8%	0.2%	5.5%	8.3%

(1) Pre-merger financial information presented in the DSW Inc. consolidated financial statements represents consolidated RVI financial information. The pre-merger financial information was retrospectively recast in fiscal 2011. The Company recast all RVI historical share and per share information, including earnings per share, to reflect the exchange ratio of 0.435 for periods prior to the Merger.

(2) All fiscal years are based on a 52-week year, except for fiscal 2012, which is based on a 53-week year.

(3) Includes net sales for DSW and the Affiliated Business Group.

(4) Gross profit is defined as net sales less cost of sales. Cost of sales includes the cost of merchandise, which includes markdowns and shrinkage. Also included in the cost of sales are expenses associated with distribution and fulfillment (including depreciation) and store occupancy (excluding depreciation and including store impairments).

(5) Includes cash and equivalents, short-term and long-term investments.

(6) Working capital represents current assets less current liabilities.

(7) Current ratio represents current assets divided by current liabilities.

(8) The Board of Directors of DSW Inc. declared the first dividend in fiscal 2011.

(9) Fiscal 2012 capital expenditures excluded the $72 million purchase of DSW Inc.'s corporate office headquarters and distribution center as this was considered a permitted acquisition under our credit facility. As a transaction between entities under common control, the net book value of assets transferred was considered an investing cash flow while the difference between the cash paid and the net book value of assets transferred was considered a financing cash flow.

(10) DSW total square footage represents the total amount of square footage for DSW stores only; it does not reflect square footage of affiliated business departments.

(11) Average gross square footage represents the monthly average of square feet for DSW stores only for each period presented and consequently reflects the effect of opening stores in different months throughout the period.

(12) Net sales per average gross square foot is the result of dividing net sales for the DSW segment only for the period presented by average gross square footage calculated as described in note 11 above. Net sales for fiscal 2012 are based on a 53-week year. In fiscal 2013, we changed the measure to DSW segment net sales to better reflect the omni-channel nature of our business with the addition of ship from store, shoephoria and drop ship capabilities. See "Sales and Revenue

Recognition" in Note 4 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for a discussion of categories of omni-channel sales.

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(13) A store or affiliated shoe department is considered comparable when in operation for at least 14 months at the beginning of the fiscal year. Stores or affiliated business departments, as the case may be, are added to the comparable base at the beginning of the year and are dropped for comparative purposes in the quarter they are closed.

(14) The Company previously classified income tax interest and penalties as part of operating expenses in its statement of operations. Beginning in the first quarter of fiscal 2015, the Company elected to reflect interest and penalties from income taxes through the income tax provision in its statement of operations. The change in accounting policy has been applied retrospectively by adjusting the statement of operations for the prior periods presented. The change to historical periods was limited to classifications within the consolidated statement of operations and has no effect on net income or earnings per share.

(15) In November 2015, the Financial Accounting Standards Board ("FASB") released Accounting Standards Update ("ASU") 2015-17, which requires entities to present deferred tax assets and deferred tax liabilities as non-current in a classified balance sheet. The Company elected to early adopt the standard in the fourth quarter of fiscal 2015 and applied the amendments retrospectively to maintain comparability of its balance sheet and related ratios. The change in accounting standard has been applied retrospectively by adjusting the balance sheet for the prior periods presented.

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

This management's discussion and analysis of financial condition and results of operations contains forward-looking statements that involve various risks and uncertainties. See "Cautionary Statement" on page 1 for a discussion of the uncertainties, risks and assumptions associated with these statements. You should read the following discussion in conjunction with our historical consolidated financial statements and the notes thereto appearing elsewhere in this Annual Report on Form 10-K. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods, and our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including but not limited to those listed under "Risk Factors" in Item 1A. of this Annual Report on Form 10-K and included elsewhere in this Annual Report on Form 10-K.

Executive Summary

We continue to enhance our offerings to the customer, and create meaningful differentiation from our competitors. Through sourcing and product development, our buying team produces a differentiated, on-trend assortment with exclusive merchandise and private brands that effectively distorts our assortment to the most relevant categories. We strive to provide compelling everyday values to the customer by sourcing opportunistic buys and using our buying leverage and vendor relationships to secure product at favorable cost.

We have taken steps to align our business operations to better respond to customer needs. We have made it easier for customers to shop at DSW with a number of digital enhancements, including a mobile app, as well as the use of Paypal as a secure payment option. We have also given our customer the ability to shop our full assortment by integrating inventory and order fulfillment between our brick and mortar and digital channels.

Financial Summary

During fiscal 2015, we generated a 0.8% increase in comparable sales and a 5.0% increase in total sales. This increase compares to a comparable sales increase of 1.8% for fiscal 2014.

In fiscal 2015, DSW's merchandise margin rate, defined as gross profit excluding occupancy and distribution and fulfillment expenses (a non-GAAP measure) decreased as a percentage of net sales from 43.7% in fiscal 2014 to 42.8% in fiscal 2015.

Reported net income was $136.0 million, or $1.54 per diluted share, a decrease of 8.9% over last year's reported earnings per share of $1.69 per diluted share. The earnings decrease was primarily driven by sales challenges in the fall season attributable to unseasonably warm weather.

We have continued making investments in our business that are critical to long-term growth. In fiscal 2015, we invested $111.7 million in capital expenditures compared to $93.3 million during fiscal 2014. Our capital expenditures during fiscal 2015 were primarily related to opening 40 new stores, store remodels and business infrastructure. We plan to open approximately 30 to 35 stores in fiscal 2016.

As of January 30, 2016, we operated 468 DSW stores, dsw.com and shoe departments in 276 Stein Mart stores and Steinmart.com, 102 Gordmans stores and Gordmans.com, and one Frugal Fannie's store. DSW Inc. has two reportable segments: the DSW segment, which includes the DSW stores and dsw.com, and the Affiliated Business Group segment.

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Results of Operations

The following table represents selected components of our consolidated results of operations, expressed as percentages of net sales:

	Fiscal		
	2015	2014	2013
Net sales	100.0 %	100.0 %	100.0 %
Cost of sales	(70.7)	(69.8)	(68.8)
Gross profit	29.3	30.2	31.2
Operating expenses	(21.2)	(20.5)	(21.0)
Operating profit	8.1	9.7	10.2
Interest income, net	0.1	0.2	0.1
Non-operating income	0.1	—	—
Income from continuing operations before income taxes and (loss) income from Town Shoes	8.3	9.9	10.3
Income tax provision	(3.2)	(3.9)	(3.9)
(Loss) income from Town Shoes	0.1	0.1	—
Income from continuing operations	5.2	6.1	6.4
Income from discontinued operations, net of tax	—	0.0	—
Net income	5.2 %	6.1 %	6.4 %

Fiscal Year Ended January 30, 2016 (Fiscal 2015) compared to Fiscal Year Ended January 31, 2015 (Fiscal 2014) and Fiscal 2014 compared to Fiscal Year Ended February 1, 2014 (Fiscal 2013)

Net Sales- Net sales for fiscal 2015 increased by 5.0% from fiscal 2014 and net sales for fiscal 2014 increased by 5.4% from fiscal 2013. The following table summarizes the increase in our net sales:

	Fiscal		
	2015	2014	2013
		(in millions)	
Net sales for the beginning of the fiscal year	$ 2,496.1	$ 2,368.7	$ 2,257.8
Increase in comparable sales	19.5	40.0	4.0
(Decrease) increase from fiscal 2013 luxury test sales	—	(18.4)	18.4
Net increase from non-comparable and closed store sales	104.6	105.8	88.5
Net sales for the end of the fiscal year	$ 2,620.2	$ 2,496.1	$ 2,368.7

The following table summarizes our net sales by reportable segment and in total:

	Fiscal		
	2015	2014	2013
		(in millions)	
DSW segment	$ 2,470.1	$ 2,352.5	$ 2,231.0
ABG segment	150.1	143.6	137.7
Total DSW Inc.	$ 2,620.2	$ 2,496.1	$ 2,368.7

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The following table summarizes our comparable sales change by reportable segment and in total:

	Fiscal		
	2015	2014	2013
DSW segment	0.8%	1.8%	0.1%
ABG segment	1.7%	1.6%	1.8%
Total DSW Inc.	0.8%	1.8%	0.2%

Fiscal 2015 vs. Fiscal 2014- Our increase in total net sales for the DSW segment was the result of an increase in comparable sales and non-comparable sales growth. Our comparable sales increase includes a 22% increase in digitally demanded sales. DSW segment comparable sales decreased in our largest business, women's footwear, by 2%, increased in men's footwear by 2%, increased in athletic footwear by 13%, and decreased in accessories by 2%. Our non-comparable sales growth is attributable to stores opened in fiscal 2014, as well as 37 net new DSW stores in fiscal 2015. The increase in total net sales for our Affiliated Business Group segment was primarily the result of comparable sales growth and the net addition of eight new shoe departments in fiscal 2015.

Fiscal 2014 vs. Fiscal 2013- Our increase in total net sales for the DSW segment was the result of an increase in comparable sales and non-comparable sales growth. The increase in comparable sales was a result of an increase in customer traffic. DSW segment comparable sales decreased in our largest business, women's footwear, by 1%, increased in men's footwear by 4%, increased in accessories by 10% and in athletic footwear by 5%. Our non-comparable sales growth is attributable to stores opened in fiscal 2013, as well as 37 new DSW stores in fiscal 2014. The increase in total net sales for our Affiliated Business Group segment was primarily the result of comparable sales growth and the net addition of 15 new shoe departments in fiscal 2014.

Gross Profit- Gross profit is defined as net sales less cost of sales. Gross profit decreased as a percentage of net sales to 29.3% in fiscal 2015 from 30.2% in fiscal 2014 and 31.2% in fiscal 2013. By reportable segment and in total, gross profit as a percentage of net sales was:

	Fiscal		
	2015	2014	2013
DSW segment	30.0%	30.9%	31.9%
ABG segment	18.6%	19.8%	20.6%
Total DSW Inc.	29.3%	30.2%	31.2%

In fiscal 2013, DSW Inc. gross profit was negatively impacted by $16.5 million related to our luxury test, which was comprised of a sales benefit of $18.4 million offset by cost of sales of $34.9 million, which include inventory adjustments. For DSW Inc., the reconciliation of gross profit excluding our luxury test was:

	Fiscal					
	2015		2014		2013	
	(in thousands)	(as a percentage of net sales)	(in thousands)	(as a percentage of net sales)	(in thousands)	(as a percentage of net sales)
DSW Inc. gross profit	$ 768,369	29.3%	$ 755,021	30.2%	$ 739,287	31.2 %
Less: impact of the luxury test	—	—%	—	—%	(16,481)	(1.0)%
DSW Inc. gross profit excluding luxury test	$ 768,369	29.3%	$ 755,021	30.2%	$ 755,768	32.2 %

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For the DSW segment, the reconciliation of merchandise margin (non-GAAP) to gross profit was:

	Fiscal		
	2015	2014	2013
DSW segment gross profit	30.0%	30.9%	31.9 %
Less: impact of the luxury test	—%	—%	(1.0)%
DSW segment gross profit excluding luxury test	30.0%	30.9%	32.9 %
Store occupancy expense	10.7%	10.7%	10.4 %
Distribution and fulfillment expenses	2.1%	2.1%	2.0 %
DSW segment merchandise margin excluding luxury test	42.8%	43.7%	45.3 %

Fiscal 2015 vs. Fiscal 2014- DSW segment gross profit decreased 90 basis points while occupancy expenses and distribution and fulfillment expenses were flat year over year. Merchandise margin for the DSW segment decreased as a percentage of net sales to 42.8% for fiscal 2015 from 43.7% for fiscal 2014 due to higher markdowns, which were a result of unseasonably warm weather that created a challenging retail environment. Related to our ABG segment, gross profit decreased 120 basis points for fiscal 2015 due to higher markdowns.

Fiscal 2014 vs. Fiscal 2013- DSW segment gross profit decreased 100 basis points driven by lower initial markup and higher markdown activity. Merchandise margin for the DSW segment decreased as a percentage of net sales to 43.7% for fiscal 2014 from 45.3% for fiscal 2013 as a result of an increase in spring markdown activity, higher shipping costs and lower initial markups. Store occupancy expense as a percentage of net sales increased due to asset impairments. Distribution and fulfillment expenses as a percentage of net sales remained relatively flat for fiscal 2014 compared to fiscal 2013. Related to our ABG segment, gross profit decreased 80 basis points for fiscal 2014 primarily as a result of asset impairments.

Operating Expenses

Fiscal 2015 vs. Fiscal 2014- Operating expenses as a percentage of net sales were 21.2% and 20.5% for fiscal 2015 and fiscal 2014, respectively. The increase as a percentage of net sales over the comparable prior year period was driven by increased marketing expenses and home office overhead.

Fiscal 2014 vs. Fiscal 2013- Operating expenses as a percentage of net sales were 20.5% and 21.0% for fiscal 2014 and fiscal 2013, respectively. Excluding the impact of the settlement of the pension plan assumed in the merger with RVI of $14.7 million in fiscal 2013, operating expenses as a percentage of net sales were 20.4%. The change over the comparable prior year period was due to store expense growth, information technology expenses and marketing expenses partially offset by lower incentive compensation.

Interest Income, Net

Fiscal 2015 vs. Fiscal 2014- Net interest income was relatively flat for fiscal 2015 compared to fiscal 2014.

Fiscal 2014 vs. Fiscal 2013- Net interest income was relatively flat for fiscal 2014 compared to fiscal 2013.

Non-operating income

We reported a foreign currency gain of $3.3 million related to the purchase of $100 million CAD in the first quarter of 2015. As this was a cash transaction, the gains or losses related to the purchase of the CAD were recorded in the consolidated statement of operations. The CAD was invested in available-for-sale securities during the second quarter of 2015 and any foreign exchange gains/losses are recorded in other comprehensive income. Non-operating income also includes realized capital gains/losses related to our investment portfolio.

(Loss) Income from Town Shoes

(Loss) Income from Town Shoes includes DSW's portion of the income or loss in Town Shoes' operations, plus the interest income on the shareholder note.

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Income Taxes

Fiscal 2015 vs. Fiscal 2014- Our effective tax rate for fiscal 2015 was 38.1% compared to 38.6% for fiscal 2014. The effective tax rates for fiscal 2015 and fiscal 2014 reflect the impact of federal, state and local, and foreign taxes, as well as tax on the income or loss from Town Shoes. For all periods presented, a provision for U.S. income tax has not been recorded on undistributed profits of non-U.S. subsidiaries that the Company has determined to be indefinitely reinvested outside the U.S. Determination of the amount of unrecognized deferred U.S. income tax liability on these unremitted earnings is not practicable because of the complexities associated with this hypothetical calculation.

Fiscal 2014 vs. Fiscal 2013- Our effective tax rate for fiscal 2014 was 38.6% compared to 38.0% for fiscal 2013.

Income from Discontinued Operations

Fiscal 2015 vs. Fiscal 2014- During fiscal 2015, there was no income from discontinued operations.

Fiscal 2014 vs. Fiscal 2013- During fiscal 2014, income from discontinued operations, net of tax, is due to the final distribution from the Filene's Basement debtor's estates, partially offset by an adjustment to the guarantee of a Filene's Basement lease. During fiscal 2013, there was no income from discontinued operations.

Non-GAAP Financial Measures

We utilize merchandise margin, defined as gross profit excluding occupancy and distribution and fulfillment expenses, a non-GAAP financial measure, to explain our gross profit performance. We also utilize free cash flow, a non-GAAP measure, defined as cash flow from operating activities less capital expenditures. Management believes these non-GAAP measures are an indication of our performance as the measures provide a consistent means of comparing performance between periods and competitors. Management uses these non-GAAP measures to assist in the evaluation of the performance of our segments and to make operating decisions. Within the Management’s Discussion and Analysis, we disclose merchandise margin, store occupancy expenses and distribution and fulfillment expenses, as a percentage of net sales. In fiscal 2013, we excluded net sales and gross profit related to the luxury test as these items were not indicative of our future gross profit performance. Within the Liquidity and Capital Resources section, we disclose free cash flows for the fiscal years 2015, 2014 and 2013.

Liquidity and Capital Resources

Overview

Our primary ongoing operating cash flow requirements are for inventory purchases, capital expenditures for new stores, improving our information technology systems and infrastructure growth. Our working capital and inventory levels typically build seasonally. We believe that we have sufficient financial resources and access to financial resources at this time. We are committed to a cash management strategy that maintains liquidity to adequately support the operation of the business, pursue our growth strategy and to withstand unanticipated business volatility. We believe that cash generated from our operations, together with our current levels of cash and investments as well as availability under our revolving credit facility, should be sufficient to maintain our ongoing operations, support seasonal working capital requirements, and fund capital expenditures related to projected business growth.

Net Working Capital. Net working capital is defined as current assets less current liabilities. As of January 30, 2016 and January 31, 2015, net working capital was $472.2 million and $464.9 million, respectively. As of January 30, 2016 and January 31, 2015, the current ratio was 2.5 and 2.6, respectively.

In November 2015, the FASB released Accounting Standard Update 2015-17, which requires entities to present deferred tax assets and deferred tax liabilities as non-current in a classified balance sheet. We elected to early adopt the standard in the fourth quarter of fiscal 2015 and applied the amendments retrospectively to maintain comparability of its balance sheet and related ratios. The change in accounting standard has been applied retrospectively by adjusting the balance sheet for the prior period presented.

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The table below represents the change in net working capital and the current ratio for the prior period presented:

	As of January 31, 2015 (in thousands)	
	As previously reported	As adjusted
Net working capital	$ 484,680	$ 464,933
Current ratio	2.7	2.6

Operating Activities

For fiscal 2015, our net cash provided by operations was $242.7 million compared to $197.0 million for fiscal 2014 with the change driven primarily by changes in working capital.

Net cash provided by operations in fiscal 2014 decreased to $197.0 million from $301.4 million for fiscal 2013. The decrease in net cash provided by operations was driven primarily by changes in working capital, an increase in inventories due to store growth and opportunistic pre-buys, the usage of our net operating losses in fiscal 2013 and the settlement of the pension plan in fiscal 2013.

Free cash flow is defined as cash flows from operating activities less capital expenditures. The table below represents the free cash flow for the periods presented:

	Fiscal		
	2015	2014	2013
	(in thousands)		
Cash flows from operating activities	$ 242,651	$ 197,038	$ 301,375
Capital expenditures	111,691	93,314	83,800
Free cash flow	$ 130,960	$ 103,724	$ 217,575

We operate our stores and fulfillment center from leased facilities. All lease obligations are accounted for as operating leases. We disclose the minimum payments due under operating leases in the notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K. We own our corporate office headquarters and our distribution center.

Although our plan for continued expansion could place increased demands on our financial, managerial, operational and administrative resources and result in increased demands on management, we do not believe that our anticipated growth plan will have an unfavorable impact on our operations or liquidity.

Investing Activities

For fiscal 2015, our net cash used in investing activities was $31.1 million compared to $105.5 million for fiscal 2014. During fiscal 2015, we incurred $111.7 million for capital expenditures, of which $52.3 million related to stores, $28.2 million related to technology and the remaining $31.2 million related to supply chain and other business projects. During fiscal 2015, we had net sales of short-term and long-term investments of $73.6 million compared to $69.8 million during fiscal 2014. The net sales of investments were to fund our share repurchases and payment of dividends.

For fiscal 2014, cash used in investing activities amounted to $105.5 million compared to $241.4 million for fiscal 2013. During fiscal 2014, we incurred $93.3 million in capital expenditures, of which $53.4 million related to stores and $39.9 million related to information technology and business infrastructure. During fiscal 2014, we had net sales and maturities of short-term and long-term investments of $69.8 million compared to net purchases of short-term and long-term investments of $148.9 million during fiscal 2013. DSW's net sales and maturities of short-term investments primarily were to fund DSW's equity investment in Town Shoes in May 2015, share repurchases and the payment of dividends.

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In addition to our investments in new stores and remodeling stores, we have invested in technology projects to support DSW's growth. To support business growth, we have continually invested in the Columbus distribution center and the expansion of the dsw.com fulfillment center. With the purchase of our corporate office headquarters for $72 million in fiscal 2012, we have the ability to gradually expand our campus as needed. Currently, portions of the properties are leased to unrelated parties for annual rental income.

We expect to spend approximately $95 million for capital expenditures in fiscal 2016, with half going into new stores and store remodels and the other half going into technology investments, including digital investments, and other business projects. Our future investments will depend primarily on the number of stores we open and remodel, infrastructure and information technology projects that we undertake and the timing of these expenditures. We plan to open approximately 30 to 35 stores in fiscal 2016. In fiscal 2015, we opened 40 new DSW stores, including 9 small format stores. During fiscal 2015, the average investment required to open a new DSW store was approximately $1.4 million, prior to construction and tenant allowances, which averaged $0.4 million for fiscal 2015. Of this amount, gross inventory typically accounted for $0.5 million, fixtures and leasehold improvements typically accounted for $0.7 million and new store advertising and other new store expenses typically accounted for $0.2 million.

Financing Activities

For fiscal 2015 and 2014, net cash used in financing activities of $241.5 million and $144.8 million, respectively, was primarily related to the payment of dividends and the repurchase of DSW Class A Common Shares under the Company's share repurchase programs. For fiscal 2013, net cash used in financing activities of $26.4 million was primarily related to the payment of dividends partially offset by proceeds from the exercise of stock options.

On November 2, 2015, the Board of Directors approved an additional $200 million share repurchase program after the previous $150 million authorization was fully utilized. The share repurchase program may be suspended, modified or discontinued at any time, and we have no obligation to repurchase any amount of our common shares under the program. We will determine the amount of shares to repurchase based on generated and expected cash flow and cash usage needs, past and anticipated business performance and available alternative investment opportunities. Shares will be repurchased in the open market at times and in amounts based on price and market conditions. As of January 30, 2016, we have repurchased a total of 10.2 million Class A Common Shares at a cost of $266.5 million, with $83.5 million remaining available.

Our Credit Facility, Letter of Credit Agreement and other liquidity considerations are described more fully below:

$100 Million Secured Credit Facility. On August 2, 2013, we entered into a secured revolving credit agreement (the "Credit Facility"). The Credit Facility, together with the Letter of Credit Agreement (defined below), amended and restated our prior credit facility, dated June 30, 2010. The Credit Facility has a term of five years that will expire on July 31, 2018. On January 11, 2016, the Company requested, and the Lender agreed, to increase the revolving credit commitment from $50 million to $100 million (see amendment to the original Credit Facility effective January 11, 2016 in the Index to Exhibits). The Credit Facility may be further increased by up to $50 million upon our request subject to lender acceptance, our financial condition and compliance with covenants. The Credit Facility is secured by a lien on substantially all of our personal property assets and our subsidiaries with certain exclusions and may be used to provide funds for general corporate purposes, to provide for our ongoing working capital requirements, and to make permitted acquisitions. Revolving credit loans bear interest under the Credit Facility at our option under: (A) a base rate option at a rate per annum equal to the highest of (i) the Federal Funds Open Rate (as defined in the Credit Facility), plus 0.5%, (ii) the Lender's prime rate, and (iii) the Daily LIBOR Rate (as defined in the Credit Facility) plus 1.0%, plus in each instance an applicable margin based upon our revolving credit availability; or (B) a LIBOR option at a rate equal to the LIBOR Rate (as defined in the Credit Agreement), plus an applicable margin, which is between 1.00 and 1.25, based upon our revolving credit availability. In addition, the Credit Facility contains restrictive covenants relating to our management and the operation of our business. These covenants, among other things, limit or restrict our ability to grant liens on our assets, limit our ability to incur additional indebtedness, limit our ability to enter into transactions with affiliates and limit our ability to merge or consolidate with another entity. The Credit Facility also requires that we meet the minimum cash and investments requirement of $125 million, as defined in the Credit Facility. An additional covenant limits payments for capital expenditures to $200 million in any fiscal year. We paid $103.9 million in cash for capital expenditures in fiscal 2015. As of January 30, 2016, we had availability under the Credit Facility of $100 million.

$50 Million Letter of Credit Agreement. Also on August 2, 2013, we entered into a letter of credit agreement (the "Letter of Credit Agreement"). The Letter of Credit Agreement provides for the issuance of letters of credit up to $50 million, with a

term of five years that will expire on August 2, 2018. The facility for the issuance of letters of credit is secured by a cash collateral account containing cash in an amount equal to 103% of the face amount of any letter of credit extension (105% for extensions denominated in foreign currency) and is used for general corporate purposes. The Letter of Credit Agreement requires

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compliance with conditions precedent that must be satisfied prior to issuing any letter of credit or extension. In addition, the Letter of Credit Agreement contains restrictive covenants relating to our management and the operation of our business. These covenants, among other things, limit or restrict our ability to grant liens on our assets, limit our ability to incur additional indebtedness, limit our ability to enter into transactions with affiliates and limit our ability to merge or consolidate with another entity. An event of default may cause the applicable interest rate and fees to increase by 2.0% per annum. As of January 30, 2016, we had $7.1 million in outstanding letters of credit and $7.7 million in restricted cash on deposit as collateral under the Letter of Credit Agreement.

Discontinued Operations

For fiscal 2015, there was no income from discontinued operations. For fiscal 2014, cash flows used in discontinued operations related to the final distribution from the Filene's Basement debtor's estates.

Other Liquidity Considerations

Acquisition of Ebuys, Inc.- On February, 15, 2016, DSW Shoe Warehouse, Inc., a wholly owned subsidiary of DSW Inc., entered into a Stock Purchase Agreement to acquire Ebuys, Inc. (“Ebuys”), an online close-out footwear and accessories retailer for $62.5 million, less adjustments for working capital. Ebuys sells product to customers located in North America, Europe, Australia and Asia. The transaction supports our efforts to grow market share within footwear and accessories domestically and internationally.

The seller, Ebuys, Inc. may also receive future payments contingent on its performance. The provisional fair value of this contingent consideration is estimated to be $55 million, subject to final closing adjustments. We estimated the fair value of the contingent consideration using a risk-weighted discounted cash flow model. At each future reporting date, we will remeasure the contingent consideration liabilities at fair value until the contingencies are resolved in 2020. Ebuys, Inc. will be a wholly owned subsidiary of DSW Shoe Warehouse, Inc. and will maintain its team and facilities. The transaction closed on March 4, 2016 (see Note 20 to the Consolidated Financial Statements included in this Annual Report on Form 10-K for further information on the acquisition).

Contractual Obligations

We have the following minimum commitments under contractual obligations. A “purchase obligation”, as defined by the SEC, is an agreement to purchase goods or services that is enforceable and legally binding on us and that specifies all significant terms, including: fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions; and the approximate timing of the transaction. Other long-term liabilities are defined as long-term liabilities that are reflected on our balance sheet in accordance with generally accepted accounting principles ("GAAP"). Based on this definition, the table below includes only those contracts which include fixed or minimum obligations. It does not include normal purchases, which are made in the ordinary course of business.

The following table provides aggregated information about contractual obligations and other non-current liabilities as of January 30, 2016:

	Payments due by Period				
	Total	Less Than 1 Year	1 - 3 Years	3 -5 Years	More Than 5 Years
Contractual obligations:			(in thousands)		
Operating lease obligations (1)	$ 1,207,125	$ 188,578	$ 346,287	$ 280,119	$ 392,141
Construction commitments (2)	5,231	5,231	—	—	—
Purchase obligations (3)	28,580	4,978	17,382	6,220	—
Total	$ 1,240,936	$ 198,787	$ 363,669	$ 286,339	$ 392,141

(1) Many of our operating leases require us to pay contingent rent based on sales, common area maintenance costs and real estate taxes. Contingent rent, costs and taxes vary year by year and are based almost entirely on actual amounts incurred. As such, they are not included in the lease obligations presented above. Other non-current liabilities of $140.8 million are primarily comprised of deferred rent liabilities and construction and tenant allowances. Deferred rent, which is included

in non-current liabilities, is excluded from this table as our payment obligations are included in the operating lease obligations. Construction and tenant allowances, which are included in non-current liabilities, are not contractual

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obligations as the balance represents cash allowances from landlords, which are deferred and amortized on a straight-line basis over the noncancelable terms of the lease. In addition, as of January 30, 2016, we have signed 33 lease agreements for new store locations, opening in fiscal 2016 and 2017, with total annual rent of approximately $9.5 million. In connection with the new lease agreements, we expect to receive a total of approximately $13.8 million of construction and tenant allowance reimbursements for expenditures at these locations.

(2) As of January 30, 2016, we have entered into various construction commitments, including capital items to be purchased for projects that were under construction, or for which a lease has been signed. Our obligations under these commitments aggregated to approximately $5.2 million as of January 30, 2016.

(3) We are able to cancel many of our purchase obligations without payment or penalty, and therefore we have excluded such obligations.

We had no outstanding letters of credit as of January 30, 2016 that were not collateralized by cash deposits.

Recent Accounting Pronouncements

Recent Accounting Pronouncements and their impact on DSW are disclosed in Note 4 to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

As discussed in Note 4 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K, the preparation of our consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. We base these estimates and judgments on our historical experience and other factors we believe to be relevant, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The process of determining significant estimates is fact-specific and takes into account factors such as historical experience, current and expected economic conditions, product mix, and in some cases, actuarial and appraisal techniques. We constantly re-evaluate these significant factors and make adjustments where facts and circumstances dictate.

While we believe that our historical experience and other factors considered provide a meaningful basis for the accounting policies applied in the preparation of the consolidated financial statements, we cannot guarantee that our estimates and assumptions will be accurate. As the determination of these estimates requires the exercise of judgment, actual results inevitably will differ from those estimates, and such differences may be material to our consolidated financial statements. We believe the following represent the most significant accounting policies, critical estimates and assumptions, among others, used in the preparation of our consolidated financial statements:

Policy	Judgments and Estimates	Effect if Actual Results Differ from Assumptions
Revenue Recognition. Revenues from merchandise sales are recognized upon customer receipt of merchandise, are net of returns through period end, exclude sales tax and are not recognized until collectibility is reasonably assured.	For online and ship from store sales, we estimate a time lag for shipments to record revenue when the customer receives the goods.	We believe a one day change in our estimate would not materially impact our revenue.
	As our merchandise sales are recognized net of returns, we use judgments and estimates for the amount of future returns we expect to receive through our sales return allowance.	If our sales return rate were to increase or decrease by 1%, it would result in an increase or a decrease of approximately $0.3 million to the reserve at year end.

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Policy	Judgments and Estimates	Effect if Actual Results Differ from Assumptions
Cost of Sales and Merchandise Inventories. Merchandise inventories are stated at lower of cost or market, determined using the retail inventory method. The retail inventory method is used in the retail industry due to its practicality. Under the retail inventory method, the valuation of inventories at cost and the resulting gross profits are determined by applying a calculated cost to retail ratio to the retail value of inventories. The cost of the inventory reflected on the balance sheet is decreased by charges to cost of sales at the time the retail value of the inventory is lowered through the use of markdowns, which are reductions in prices due to customers' perception of value. Hence, earnings are negatively impacted as the merchandise is marked down prior to sale. Markdowns establish a new cost basis for inventory. Changes in facts or circumstances do not result in the reversal of previously recorded markdowns or an increase in the newly established cost basis.	Markdowns require management to make assumptions regarding customer preferences, fashion trends and consumer demand. Inherent in the calculation of inventories are certain significant management judgments and estimates, including setting the original merchandise retail value, markdowns, and estimates of losses between physical inventory counts, or shrinkage, which combined with the averaging process within the retail inventory method, can significantly impact the ending inventory valuation at cost and the resulting gross profit. DSW records a reduction to inventories and a charge to cost of sales for shrinkage. Shrinkage is calculated as a percentage of sales from the last physical inventory date. Estimates are based on both historical experience as well as recent physical inventory results.	Physical store inventory counts are taken on an annual basis and have supported our shrinkage estimates. If our estimate of shrinkage, on a cost basis, were to increase or decrease 0.5% as a percentage of DSW Inc. net sales, it would result in a decrease or increase of approximately $5.1 million to operating profit.
Investments. Our investments are valued using a market-based approach using level 1, 2 and 3 inputs. We evaluate our investments for impairment and whether impairment is other-than-temporary. Based on the nature of the impairment(s), we would record temporary impairments as unrealized losses in other comprehensive loss or other-than-temporary impairments in earnings. The investment is written down to its current market value at the time the impairment is deemed to have occurred.	In determining whether impairment has occurred, we review information about the underlying investment that is publicly available and assess our ability to hold the securities for the foreseeable future.	We believe that our fair value estimates are reasonable.
Asset Impairment and Long-lived Assets. We periodically evaluate the carrying amount of our long-lived assets, primarily property and equipment, and finite lived intangible assets when events and circumstances warrant such a review to ascertain if any assets have been impaired. The carrying amount of a long-lived asset or asset group is considered impaired when the carrying value of the asset or asset group exceeds the expected future cash flows from the asset.	Our reviews are conducted at the lowest identifiable level, which includes a store. The impairment loss recognized is the excess of the carrying amount of the asset or asset group over its fair value, based on projected discounted cash flows using a discount rate determined by management. Any impairment loss realized is generally included in cost of sales.	We believe that the long-lived assets' carrying amounts and useful lives are appropriate. To the extent these future projections or our strategies change, the conclusion regarding impairment may differ from our current estimates.
Customer Loyalty Program. We maintain a customer loyalty program for DSW in which program members earn reward	To estimate these costs, we make assumptions related to customer purchase	If our redemption rate were to increase or decrease by 5%, it would result in an increase or a decrease of

certificates that result in discounts on future purchases. Upon reaching the target-earned threshold, the members receive reward certificates for these discounts, which expire three months after being issued. We accrue the anticipated redemptions of the discount earned at the time of the initial purchase.	levels and redemption rates based on historical experience.	approximately $1.6 million to the reserve at year end.

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Policy	Judgments and Estimates	Effect if Actual Results Differ from Assumptions
Income Taxes. We determine the aggregate amount of income tax expense to accrue and the amount which will be currently payable based upon tax statutes of each jurisdiction we do business in. Deferred tax assets and liabilities, as a result of these timing differences, are reflected on our balance sheet for temporary differences that will reverse in subsequent years. A valuation allowance is established against deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized.	In making these estimates, we adjust income based on a determination of generally accepted accounting principles for items that are treated differently by the applicable taxing authorities. If our management had made these determinations on a different basis, our tax expense, assets and liabilities could be different.	Although we believe that our estimates are reasonable, actual results could differ from these estimates resulting in an outcome that may be materially different from that which is reflected in our consolidated financial statements.
Stock-based Compensation. We recognize compensation expense for stock option awards and time-based restricted stock awards on a straight-line basis over the requisite service period of the award for the awards that actually vest.	We use the Black-Scholes pricing model to value stock-based compensation expense, which requires us to estimate the expected term of the stock options and expected future stock price volatility over the expected term.	If our expected term estimate were to increase or decrease by one year, it would not materially impact our operating profit.
Exit and Disposal Obligations. We record a reserve when a store or office facility is abandoned due to closure or relocation. On a quarterly basis, we reassess the reserve based on current market conditions.	Using our credit-adjusted risk-free rate to present value the liability, we estimate future lease obligations based on remaining lease payments, estimated or actual sublease payments and any other relevant factors.	A 2% change to our expected sublease rentals would result in an immaterial change to our estimate.

Future Cash

The Company is not dependent on dividends from its foreign subsidiaries to fund its U.S. operations or make distributions to DSW stockholders. Unremitted earnings from foreign subsidiaries, which are considered to be invested indefinitely, would become subject to income tax if they were remitted as dividends or were lent to DSW or a U.S. affiliate.

Off-Balance Sheet Arrangements

As of January 30, 2016, we have not entered into any “off-balance sheet” arrangements, as that term is described by the U.S. Securities and Exchange Commission.

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

Cash and Equivalents and Investments- Our cash and equivalents have maturities of 90 days or fewer. At times, cash and equivalents may be in excess of FDIC insurance limits. We also have available-for-sale investments. These financial instruments may be subject to interest rate risk through lost income should interest rates increase during their term to maturity and thus may limit our ability to invest in higher income investments.

Interest Rate Risk- As of January 30, 2016, there was no long-term debt outstanding. Future borrowings, if any, would bear interest at rates in accordance with our $100 million credit facility and $50 million letter of credit agreement and would be subject to interest rate risk. Because we have no outstanding debt, we do not believe that a hypothetical adverse change of 1% in interest rates would have a material effect on our financial position.

Foreign Currency Exchange Risk- As a result of our equity investment in Town Shoes, we are exposed to foreign currency rate risk. We currently do not utilize hedging instruments to mitigate foreign currency exchange risks.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated financial statements and the Report of Independent Registered Public Accounting Firm thereon are filed pursuant to this Item 8 and are included in this report beginning on page F-1.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded, as of the end of the period covered by this Annual Report, that such disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Management assessed the effectiveness of our internal control system as of January 30, 2016. In making its assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework (2013).* Based on this assessment, management concluded that it maintained effective internal control over financial reporting as of January 30, 2016.

Deloitte & Touche LLP, our independent registered public accounting firm, has issued an attestation report covering our internal control over financial reporting, as stated in its report on page F-1 of this Annual Report.

Changes in Internal Control over Financial Reporting

No change was made in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information contained under the captions **"EXECUTIVE OFFICERS", "ELECTION OF DIRECTORS"** and **"OTHER DIRECTOR INFORMATION, COMMITTEES OF DIRECTORS AND CORPORATE GOVERNANCE INFORMATION"** in our definitive Proxy Statement for the 2016 Annual Meeting of Shareholders, to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act (the "Proxy Statement"), is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information contained under the captions **"COMPENSATION OF MANAGEMENT," "OTHER DIRECTOR INFORMATION, COMMITTEES OF DIRECTORS AND CORPORATE GOVERNANCE INFORMATION", "REPORT OF THE COMPENSATION COMMITTEE"** and **"COMPENSATION DISCUSSION AND ANALYSIS"** in the Proxy Statement is incorporated herein by reference. Notwithstanding the foregoing, the information contained in the Proxy Statement under the caption **"REPORT OF THE COMPENSATION COMMITTEE"** shall be deemed furnished, and not filed, in this Report on Form 10-K and shall not be deemed incorporated by reference into any filing we make under the Securities Act of 1933, as amended, or the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information contained under the caption **"SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT"** in the Proxy Statement is incorporated herein by reference.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth additional information, as of January 30, 2016, about our Class A Common Shares that may be issued upon the exercise of options and other rights under our existing equity compensation plans and arrangements, divided between plans approved by our shareholders and plans or arrangements not submitted to our shareholders for approval. The information includes the number of shares covered by, and the weighted average exercise price of, outstanding options, warrants and other rights and the number of shares remaining available for future grants, excluding the shares to be issued upon exercise of outstanding options, warrants and other rights.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights [(1) (2) (3)]	(b) Weighted-average exercise price of outstanding options, warrants and rights[(2)]	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))[(3)]
Equity compensation plans approved by security holders	4,818,892	$ 25.56	7,809,349
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	4,818,892	$ 25.56	7,809,349

(1) DSW Inc. 2005 Equity Incentive Plan

(2) Includes 3,848,795 shares issuable pursuant to the exercise of outstanding stock options, 371,842 shares issuable pursuant to restricted stock units, 293,285 shares issuable pursuant to performance-based restricted stock units and 304,970 shares issuable pursuant to director stock units. Since the restricted stock units, performance-based restricted stock units and director stock units have no exercise price, they are not included in the weighted average exercise price calculation in column (b).

(3) DSW Inc. 2014 Equity Incentive Plan

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information contained under the captions **"CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS"** and **"OTHER DIRECTOR INFORMATION, COMMITTEES OF DIRECTORS AND CORPORATE GOVERNANCE INFORMATION"** in the Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information contained under the caption **"AUDIT AND OTHER SERVICE FEES"** in the Proxy Statement is incorporated herein by reference.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

15(a)(1) Financial Statements

The documents listed below are filed as part of this Form 10-K:

15(a)(2) Consolidated Financial Statement Schedules:

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

15(a)(3) and (b) Exhibits:

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

15(c) Additional Financial Statement Schedules:

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DSW INC.

March 24, 2016 By: /s/ Mary Meixelsperger

Mary Meixelsperger, Senior Vice President and Chief Financial Officer (principal financial and accounting officer and duly authorized officer)

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

Signature	Title	Date
/s/ Roger Rawlins Roger Rawlins	Chief Executive Officer and Director (Principal Executive Officer)	March 24, 2016
/s/ Mary Meixelsperger Mary Meixelsperger	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 24, 2016
* Jay L. Schottenstein	Executive Chairman of the Board and Director	March 24, 2016
* Henry Aaron	Director	March 24, 2016
* Elaine J. Eisenman	Director	March 24, 2016
* Carolee Friedlander	Director	March 24, 2016
* Joanna T. Lau	Director	March 24, 2016
* Joseph A. Schottenstein	Director	March 24, 2016
* Harvey L. Sonnenberg	Director	March 24, 2016
* Allan J. Tanenbaum	Director	March 24, 2016

*By: /s/ Mary Meixelsperger

Mary Meixelsperger (Attorney-in-fact)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of DSW Inc.

Columbus, Ohio

We have audited the accompanying consolidated balance sheets of DSW Inc. and subsidiaries (the "Company") as of January 30, 2016 and January 31, 2015, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the years ended January 30, 2016, January 31, 2015, and February 1, 2014. We also have audited the Company's internal control over financial reporting as of January 30, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DSW Inc. and subsidiaries as of January 30, 2016 and January 31, 2015, and the results of their operations and their cash flows for the years ended January 30, 2016, January 31, 2015, and February 1, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 30, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP
Columbus, Ohio
March 24, 2016

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DSW INC.
CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED JANUARY 30, 2016, JANUARY 31, 2015 AND FEBRUARY 1, 2014
(in thousands, except per share amounts)

	January 30, 2016	January 31, 2015	February 1, 2014
Net sales	$ 2,620,248	$ 2,496,092	$ 2,368,668
Cost of sales	(1,851,879)	(1,741,071)	(1,629,381)
Operating expenses	(554,818)	(512,536)	(497,863)
Operating profit	213,551	242,485	241,424
Interest expense	(168)	(108)	(474)
Interest income	3,630	3,229	2,911
Interest income, net	3,462	3,121	2,437
Non-operating income	3,178	—	—
Income from continuing operations before income taxes and (loss) income from Town Shoes	220,191	245,606	243,861
Income tax provision	(83,806)	(96,392)	(92,559)
(Loss) income from Town Shoes	(351)	3,813	—
Income from continuing operations	136,034	153,027	151,302
Income from discontinued operations, net of tax	—	272	—
Net income	$ 136,034	$ 153,299	$ 151,302
Basic and diluted earnings per share:			
Basic earnings per share from continuing operations	$ 1.55	$ 1.71	$ 1.67
Diluted earnings per share from continuing operations	$ 1.54	$ 1.69	$ 1.65
Basic earnings per share from discontinued operations	$ —	$ 0.00	$ —
Diluted earnings per share from discontinued operations	$ —	$ 0.00	$ —
Basic earnings per share	$ 1.55	$ 1.71	$ 1.67
Diluted earnings per share	$ 1.54	$ 1.69	$ 1.65
Shares used in per share calculations:			
Basic shares	87,561	89,499	90,472
Diluted shares	88,501	90,612	91,901

The accompanying Notes are an integral part of the Consolidated Financial Statements.

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DSW INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED JANUARY 30, 2016, JANUARY 31, 2015 AND FEBRUARY 1, 2014
(in thousands)

	January 30, 2016	January 31, 2015	February 1, 2014
Net income	$ 136,034	$ 153,299	$ 151,302
Other comprehensive (loss) income, net of income taxes:			
Foreign currency translation	(14,076)	(6,454)	—
Change in minimum pension liability, net of income taxes of $0, $0 and $5,289, respectively	—	—	8,758
Unrealized net loss on available-for-sale securities (net of taxes of $15, $0 and $0, respectively)	(173)	—	—
Total other comprehensive (loss) income, net of income taxes	(14,249)	(6,454)	8,758
Total comprehensive income	$ 121,785	$ 146,845	$ 160,060

The accompanying Notes are an integral part of the Consolidated Financial Statements.

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DSW INC.
CONSOLIDATED BALANCE SHEETS
AS OF JANUARY 30, 2016 AND JANUARY 31, 2015
(in thousands)

	January 30, 2016	January 31, 2015
ASSETS		
Cash and equivalents	$ 32,495	$ 59,171
Short-term investments	226,027	171,201
Accounts receivable, net	15,437	24,400
Accounts receivable from related parties	27	7
Inventories	484,236	450,836
Prepaid expenses and other current assets	37,444	43,108
Prepaid rent to related parties	2	—
Total current assets	795,668	748,723
Property and equipment, net	374,241	337,903
Long-term investments	71,953	216,756
Goodwill	25,899	25,899
Deferred income taxes	21,815	31,079
Prepaid rent to related parties	875	794
Investment in Town Shoes	21,188	25,887
Note receivable from Town Shoes	44,170	43,304
Other assets	13,300	7,898
Total assets	$ 1,369,109	$ 1,438,243
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 214,893	$ 169,518
Accounts payable to related parties	733	1,092
Accrued expenses	107,800	113,180
Total current liabilities	323,426	283,790
Non-current liabilities	140,759	143,333
Commitments and contingencies	—	—
Shareholders' equity:		
Common shares paid in capital, no par value; 250,000 Class A Common Shares authorized, 84,396 and 83,702 issued, respectively; 74,185 and 80,666 outstanding, respectively; 100,000 Class B Common Shares authorized, 7,733 and 7,733 issued and outstanding, respectively	930,011	908,679
Preferred shares, no par value; 100,000 authorized; no shares issued or outstanding	—	—
Treasury shares, at cost, 10,211 and 3,036 outstanding, respectively	(266,531)	(86,938)
Retained earnings	287,140	220,826
Basis difference related to acquisition of commonly controlled entity	(24,993)	(24,993)
Accumulated other comprehensive loss	(20,703)	(6,454)

Total shareholders’ equity	904,924	1,011,120
Total liabilities and shareholders’ equity	$ 1,369,109	$ 1,438,243

The accompanying Notes are an integral part of the Consolidated Financial Statements.

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DSW INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED JANUARY 30, 2016, JANUARY 31, 2015 AND FEBRUARY 1, 2014
(in thousands)

	Number of Shares								
	Class A Common Shares	Class B Common Shares	Treasury Shares	Common shares paid in capital	Treasury shares	Retained earnings	Basis difference related to acquisition of commonly controlled entity	Accumulated other comprehensive loss	Total
Balance, February 2, 2013	72,564	17,460	—	$872,026	$ —	$ 16,991	$ (21,680)	$ (8,758)	$ 858,579
Net income	—	—	—	—	—	151,302	—	—	151,302
Stock-based compensation expense, before related tax effects	—	—	—	8,191	—	—	—	—	8,191
Exercise of stock options, net of settlement of taxes	665	—	—	4,776	—	—	—	—	4,776
Stock units granted	34	—	—	1,151	—	—	—	—	1,151
Vesting of restricted stock units, net of settlement of taxes	81	—	—	(1,682)	—	—	—	—	(1,682)
Repurchase of Class A Common Shares	(38)		38		(1,600)				(1,600)
Excess tax benefits related to stock-based compensation	—	—	—	6,236	—	—	—	—	6,236
Tax effect of basis difference related to acquisition of commonly controlled entity	—	—	—	—	—	—	(3,313)	—	(3,313)
Exchange of Class B Common Shares for Class A Common Shares	2,600	(2,600)	—	—	—	—	—	—	—
Exchange of Class A Common Shares for Class B Common Shares	(606)	606	—	—	—	—	—	—	—
Common share adjustment to reflect stock split impact	7,733	(7,733)	—	—	—	—	—	—	—
Dividends paid ($0.375 per share)	—	—	—	—	—	(33,854)	—	—	(33,854)
Change in minimum pension liability	—	—	—	—	—	—	—	(177)	(177)
Settlement of pension plan, net of income taxes of $5,289	—	—	—	—	—	—	—	8,935	8,935
Balance, February 1, 2014	83,033	7,733	38	$890,698	$ (1,600)	$ 134,439	$ (24,993)	$ —	$ 998,544

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DSW INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE YEARS ENDED JANUARY 30, 2016, JANUARY 31, 2015 AND FEBRUARY 1, 2014 (continued)
(in thousands)

	Number of Shares								
	Class A Common Shares	Class B Common Shares	Treasury Shares	Common shares paid in capital	Treasury shares	Retained earnings	Basis difference related to acquisition of commonly controlled entity	Accumulated other comprehensive loss	Total
Balance, February 1, 2014	83,033	7,733	38	$890,698	$ (1,600)	$ 134,439	$ (24,993)	$ —	$ 998,544
Net income	—	—	—	—	—	153,299	—	—	153,299
Stock-based compensation expense, before related tax effects	—	—	—	9,248	—	—	—	—	9,248
Exercise of stock options, net of settlement of taxes	505	—	—	5,120	—	—	—	—	5,120
Stock units granted	52	—	—	1,247	—	—	—	—	1,247
Vesting of restricted stock units, net of settlement of taxes	74	—	—	(1,649)	—	—	—	—	(1,649)
Repurchase of Class A Common Shares	(2,998)	—	2,998	—	(85,338)	—	—	—	(85,338)
Excess tax benefits related to stock-based compensation	—	—	—	4,015	—	—	—	—	4,015
Dividends paid ($0.75 per share)	—	—	—	—	—	(66,912)	—	—	(66,912)
Foreign currency translation	—	—	—	—	—	—	—	(6,454)	(6,454)
Balance, January 31, 2015	80,666	7,733	3,036	$908,679	$ (86,938)	$ 220,826	$ (24,993)	$ (6,454)	$1,011,120
Net income	—	—	—	—	—	136,034	—	—	136,034
Stock-based compensation expense, before related tax effects	—	—	—	12,464	—	—	—	—	12,464
Exercise of stock options	540	—	—	7,504	—	—	—	—	7,504
Stock units granted	40	—	—	1,037	—	—	—	—	1,037
Vesting of restricted stock units, net of settlement of taxes	114	—	—	(2,396)	—	—	—	—	(2,396)
Repurchase of Class A Common Shares	(7,175)	—	7,175	—	(179,593)	—	—	—	(179,593)
Excess tax benefits related to stock-based compensation	—	—	—	2,723	—	—	—	—	2,723
Dividends paid ($0.80 per share)	—	—	—	—	—	(69,720)	—	—	(69,720)
Foreign currency translation	—	—	—	—	—	—	—	(14,076)	(14,076)
Unrealized net loss on available-for-sale securities (net of taxes of $15)	—	—	—	—	—	—	—	(173)	(173)
Balance, January 30, 2016	74,185	7,733	10,211	$930,011	$(266,531)	$ 287,140	$ (24,993)	$ (20,703)	$ 904,924

The accompanying Notes are an integral part of the Consolidated Financial Statements.

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DSW INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JANUARY 30, 2016, JANUARY 31, 2015 AND FEBRUARY 1, 2014
(in thousands)

	Fiscal years ended		
	January 30, 2016	January 31, 2015	February 1, 2014
Cash flows from operating activities:			
Net income	$ 136,034	$ 153,299	$ 151,302
Less: total income from discontinued operations, net of tax	—	(272)	—
Income from continuing operations	$ 136,034	$ 153,027	$ 151,302
Adjustments to reconcile net income to net cash and equivalents provided by operating activities from continuing operations:			
Depreciation and amortization	73,577	68,243	64,237
Stock-based compensation expense	13,501	10,495	9,342
Deferred income taxes	9,265	(1,361)	41,834
Loss (income) from Town Shoes	351	(3,813)	—
Loss on disposal of long-lived assets	844	1,149	1,902
Impairment of long-lived assets	962	5,095	809
Excess tax benefits related to stock-based compensation	(2,723)	(4,015)	(6,236)
Gain on foreign currency exchange rate	(3,267)	—	—
Amortization of investment discounts and premiums	5,456	9,525	10,357
Settlement of pension plan	—	—	14,224
Change in working capital, other assets and liabilities:			
Accounts receivable, net	8,943	2,239	138
Inventories	(33,400)	(53,068)	(3,974)
Prepaid expenses and other current assets	1,782	(3,959)	(7,831)
Accounts payable	38,031	7,083	15,957
Accrued expenses	(3,644)	908	3,766
Other	(3,061)	5,490	5,548
Net cash and equivalents provided by operating activities from continuing operations	$ 242,651	$ 197,038	$ 301,375
Cash flows used in investing activities:			
Cash paid for property and equipment	(103,939)	(98,126)	(86,412)
Purchases of available-for-sale investments	(279,735)	(43,687)	(34,720)
Purchases of held-to-maturity investments	—	(132,765)	(379,438)
Sales of available-for-sale investments	353,344	48,590	36,950
Maturities of held-to-maturity investments	—	197,666	228,358
Decrease (increase) in restricted cash	3,798	(5,328)	(6,147)
Equity investment in Town Shoes	184	(25,236)	—
Purchase of note receivable from Town Shoes	(4,764)	(46,596)	—
Net cash and equivalents used in investing activities from continuing operations	$ (31,112)	$ (105,482)	$ (241,409)
Cash flows used in financing activities:			
Proceeds from exercise of stock options	7,504	5,120	6,251

Cash paid for income taxes for shares withheld	(2,396)	(1,649)	(3,157)
Debt issuance costs	—	—	(268)
Cash paid for treasury shares	(179,593)	(85,338)	(1,600)
Dividends paid	(69,720)	(66,912)	(33,854)
Excess tax benefits related to stock-based compensation	2,723	4,015	6,236
Net cash and equivalents used in financing activities from continuing operations	$ (241,482)	$ (144,764)	$ (26,392)
Cash flows from (used in) discontinued operations:			
Operating activities	—	358	(2,650)
Net increase (decrease) in cash and equivalents from discontinued operations	$ —	$ 358	$ (2,650)
Effect of exchange rate changes on cash balances	3,267	—	—
Net (decrease) increase in cash and equivalents from continuing operations	(29,943)	(53,208)	33,574
Cash and equivalents, beginning of period	59,171	112,021	81,097
Cash and equivalents, end of period	$ 32,495	$ 59,171	$ 112,021
Supplemental disclosures of cash flow information:			
Cash paid during the period for income taxes	$ 72,851	$ 91,727	$ 55,031
Proceeds from construction and tenant allowances	$ 23,506	$ 18,512	$ 21,138
Non-cash operating, investing and financing activities:			
Balance of accounts payable and accrued expenses due to property and equipment purchases	$ 13,150	$ 5,178	$ 5,642

The accompanying Notes are an integral part of the Consolidated Financial Statements.

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DSW INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS OPERATIONS

Business Operations- DSW Inc. and its wholly owned subsidiaries are herein referred to collectively as DSW Inc. or the "Company". DSW refers to the DSW segment, which includes DSW stores and dsw.com. DSW Class A Common Shares are listed on the New York Stock Exchange under the ticker symbol "DSW". DSW Class B Common Shares are not listed on a stock exchange but are exchangeable for Class A Common Shares at the election of the shareholder.

DSW Inc. has two reportable segments: the DSW segment and the Affiliated Business Group ("ABG") segment. DSW offers a wide assortment of brand name dress, casual and athletic footwear and accessories for women, men and children. As of January 30, 2016, DSW operated a total of 468 stores located in 42 states, the District of Columbia and Puerto Rico, and dsw.com. During fiscal 2015, 2014 and 2013, DSW opened 40, 37 and 30 new DSW stores, respectively, and during fiscal 2015, closed 3 DSW stores.

DSW separates its merchandise into four primary categories: women's footwear; men's footwear; athletic footwear; and accessories and other (which includes kids' footwear). The following table sets forth the approximate percentages of DSW segment sales attributable to each merchandise category for the fiscal years below:

	Fiscal		
Category	2015	2014	2013
Women's footwear	59%	61%	62%
Men's footwear	18%	18%	17%
Athletic footwear	14%	12%	12%
Accessories and Other	9%	9%	9%

DSW Inc., through its ABG segment, also partners with three other retailers to help build and optimize their footwear businesses. As of January 30, 2016, ABG supplied merchandise to 276 Stein Mart stores and Steinmart.com, 102 Gordmans stores and Gordmans.com, and one Frugal Fannie's store. During fiscal 2015, 2014 and 2013, ABG added 16, 27 and 18 new shoe departments, respectively, and ceased operations in 8, 12 and 6 shoe departments, respectively. Affiliated Business Group segment sales represented 5.7%, 5.8% and 5.8% of total DSW Inc. net sales for fiscal 2015, 2014 and 2013, respectively.

DSW Inc. also has an equity investment in Town Shoes Limited ("Town Shoes"). Town Shoes is the market leader in branded footwear in Canada. As of January 30, 2016, Town Shoes operated 185 locations across Canada, primarily under The Shoe Company, Shoe Warehouse, Town Shoes and DSW banners, as well as an e-commerce site. As of January 30, 2016, there are 13 DSW Designer Shoe Warehouse stores in Canada operated under a licensing agreement. See Note 5 for additional disclosure on the licensing agreement.

2. BASIS OF PRESENTATION

Fiscal Year- DSW Inc.'s fiscal year ends on the Saturday nearest to January 31. The periods presented in these financial statements are the fiscal years ended January 30, 2016 ("fiscal 2015"), January 31, 2015 ("fiscal 2014") and February 1, 2014 ("fiscal 2013"). Fiscal 2015, 2014 and 2013 each consisted of 52 weeks. Unless otherwise stated, references to years in this report relate to fiscal years rather than calendar years.

Use of Estimates- The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Significant estimates are required as a part of inventory valuation, depreciation, amortization, customer loyalty program reserve, recoverability of long-lived assets and intangible assets, litigation reserves, exit and disposal obligations and establishing reserves for self-insurance. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, actual results could differ from these estimates.

Principles of Consolidation- The consolidated financial statements include the accounts of DSW Inc. and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. All amounts are in United States Dollars ("USD"), unless otherwise noted.

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Merger with Retail Ventures, Inc. (the "Merger")- On May 26, 2011, Retail Ventures, Inc. ("Retail Ventures" or "RVI") merged with and into DSW MS LLC ("Merger Sub"), with Merger Sub surviving the Merger and continuing as a wholly owned subsidiary of DSW Inc. The Merger was accounted for as a reverse merger with RVI as the accounting acquirer and DSW Inc. (the surviving legal entity) as the accounting acquiree. As this was a transaction between entities under common control under Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*, the Merger was accounted for as an equity transaction in accordance with ASC Topic 810, *Consolidation,* as the acquisition of a noncontrolling interest, and purchase accounting was not applied. As a result, there was no adjustment to RVI's historical cost carrying amounts of assets and liabilities. Pre-merger financial information presented in the DSW Inc. consolidated financial statements represents consolidated RVI financial information. References to Retail Ventures or RVI refer to the pre-merger entity.

3. INVESTMENT IN TOWN SHOES LIMITED

On May 12, 2014, DSW Inc. acquired a 49.2% interest in Town Shoes for $75.1 million Canadian dollars ("CAD") ($68.9 million USD) at the purchase date. As of January 30, 2016, DSW Inc.'s ownership percentage is 46.3%. The dilution of the Company's ownership is due to Town Shoes' employee exercise of stock options. DSW Inc.'s initial stake provides 50% voting control and board representation equal to the co-investor.

Additionally, the Town Shoe co-investor holds the option to sell the remaining portion of the company in fiscal 2017 to DSW Inc., and for the subsequent two years. DSW Inc. holds the option to purchase the remaining portion of the company in fiscal 2018, and for the subsequent two years, if the Town Shoe co-investor has not exercised their put option. DSW Inc. purchased $100 million CAD during the first quarter of fiscal 2015 (approximately $79 million USD at purchase date) to take advantage of the strength of the dollar and in anticipation of funding the future purchase of the remaining interest in Town Shoes. The funds are also available to fund other business opportunities or return to U.S. operations, if needed. As this was a cash transaction, the gains or losses related to the purchase of the CAD were recorded in the consolidated statement of operations. During the first quarter of fiscal 2015, the Company recorded $3.3 million in foreign currency exchange gains related to the purchase of CAD within non-operating income. The Company invested the CAD in available-for-sale securities in the second quarter of fiscal 2015. The foreign exchange gain or loss is recorded in the consolidated statement of comprehensive income. As of January 30, 2016, the foreign currency exchange loss of $10.8 million is recorded within other comprehensive income.

Presented below is activity related to DSW Inc.'s portion of Town Shoes included in DSW Inc.'s consolidated balance sheets, consolidated statements of operations and consolidated statements of comprehensive income for the periods presented:

	Fiscal year	
	2015	2014
	(in thousands)	
Investment in Town Shoes - beginning of period	$ 25,887	$ —
Initial investment	—	22,339
Acquisition costs	(184)	2,897
DSW Inc.'s portion of Town Shoes (loss) income	(5,250)	178
Foreign currency translation adjustments included in "Other comprehensive (loss) income"	934	729
Amortization of purchase price adjustments	(199)	(256)
Investment in Town Shoes - end of period	$ 21,188	$ 25,887

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DSW INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Fiscal year	
	2015	2014
	(in thousands)	
Note receivable from Town Shoes - beginning of period	$ 43,304	$ —
Purchase of note receivable	—	46,596
Payment-in-kind interest earned	5,098	3,891
Foreign currency translation adjustments included in "Other comprehensive (loss) income"	(4,232)	(7,183)
Note receivable from Town Shoes - end of period	$ 44,170	$ 43,304

The note is an unsecured subordinated note issued on February 14, 2012 that earns payment-in-kind interest at 12% and matures on February 14, 2022.

4. SIGNIFICANT ACCOUNTING POLICIES

Sales and Revenue Recognition- Revenues from merchandise sales are recognized upon customer receipt of merchandise, are net of returns through period end, exclude sales tax and are not recognized until collectibility is reasonably assured. Merchandise can be demanded from a store, dsw.com or m.dsw.com. The demand can be fulfilled from a store, the dsw.com fulfillment center or drop shipped from a supplier's warehouse. If the product is shipped to a customer from a store, the dsw.com fulfillment center or a supplier's warehouse, DSW Inc. defers revenue for a period of time representing a lag for shipments to be received by the customer. Revenue from shipping and handling is recorded in net sales while the related costs are included in cost of sales. Revenue from gift cards is deferred and recognized upon redemption of the gift card. The Company's policy is to recognize income from breakage of gift cards when the likelihood of redemption of the gift card is remote.

As of January 30, 2016, ABG supplies footwear, under supply arrangements, to three other retailers. DSW Inc. follows ASC Topic 605, *Revenue Recognition,* in recognizing revenue for its affiliated business processes, specifically the principal/agent guidance in ASC Topic 605-45. Sales for these affiliated businesses are net of returns through period end and exclude sales tax, and are included in net sales. Pursuant to the supply agreements between the Company and the ABG retailers (Stein Mart, Frugal Fannie's and Gordmans), the Company is the exclusive supplier of shoes, both in-store and online, at the ABG retailers. The Company assumes the risks and rewards of ownership for product at all in-store locations and online, including risk of loss for delivery, returns, shrink up to a certain percentage, and loss of inventory value. Furthermore, the Company is responsible for the footwear assortment, inventory fulfillment, and pricing at all locations and online. As the principal, the Company owns the merchandise and the fixtures, records sales of merchandise, net of returns and excluding sales tax at the point of sale to the end customer. As the agent, the retailers provide the sales associates and retail space. The Company pays a percentage of net sales as rent, which is included in cost of sales as occupancy expense.

Cost of Sales- In addition to the cost of merchandise, which includes markdowns and shrinkage, the Company includes in cost of sales expenses associated with distribution and fulfillment (including depreciation) and store occupancy (excluding depreciation and including store impairments). Distribution and fulfillment expenses are comprised of labor costs, rent, depreciation, insurance, utilities, maintenance and other operating costs associated with the operations of the distribution and fulfillment centers. Distribution and fulfillment expenses also include the transportation of merchandise to the distribution and fulfillment centers, from the distribution center to stores and from the fulfillment center and from stores to the customer. Store occupancy expenses include rent, utilities, repairs, maintenance, insurance, janitorial costs and occupancy-related taxes, which are primarily real estate taxes passed to the Company by its landlords.

Operating Expenses- Operating expenses include expenses related to store management and store payroll costs, advertising, ABG operations, store depreciation and amortization, new store advertising and other new store costs and corporate expenses. Corporate expenses include expenses related to buying, information technology, depreciation expense for corporate cost centers, marketing, legal, finance, outside professional services, customer service center expenses, payroll and benefits for associates and payroll taxes.

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DSW INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock-Based Compensation- The Company recognizes compensation expense for stock option awards, time-based restricted stock awards and performance-based restricted stock awards on a straight-line basis over the requisite service period of the award for the awards that vest in accordance with ASC Topic 718, *Compensation – Stock Compensation*. For stock options, the fair value of options granted is estimated on the date of grant using the Black-Scholes pricing model. This model assumes that the estimated fair value of options is amortized over the options' vesting periods. The compensation costs, net of estimated forfeitures, are included in operating expenses in the consolidated statement of operations.

The company grants performance-based restricted stock units and restricted stock units. Compensation cost is measured at fair value on the grant date and recorded over the vesting period, net of estimated forfeitures. Fair value is determined by multiplying the number of units granted by the grant date closing market price. In fiscal 2014, the Company granted Stock Appreciation Rights ("SARs") to a non-employee. Under ASC Topic 505-50, *Equity-Based Payments to Non-Employees,* share-based payment transactions with non-employees shall be measured at the fair value of the consideration received or the fair value of the equity instruments issued. On April 16, 2015, DSW Inc. provided notice of termination of the agreement with the non-employee resulting in an acceleration of the vesting of the SARs as outlined in the agreement. DSW Inc. will value the SARs at fair value until the expiration or exercise date. The SARs remain exercisable until June 2016. The SARs are classified as share-based liabilities as the instruments are required to be settled in cash. The instruments are not included in diluted shares for the purposes of calculating earnings per share.

New Store Costs- Costs associated with the opening of stores are expensed as incurred. New store costs, primarily pre-opening rent and marketing expenses, were $8.6 million, $8.7 million and $7.9 million for fiscal 2015, 2014 and 2013, respectively. New store costs primarily fluctuate with changes in the number of store openings.

Marketing Expense- The production cost of advertising is expensed when the advertising first takes place. All other marketing costs are expensed as incurred. Marketing costs were $70.1 million, $59.9 million and $56.2 million in fiscal 2015, 2014 and 2013, respectively.

Other Operating Income- Other operating income consists primarily of income from consignment sales, rental income, income from gift card breakage and insurance proceeds and is included in operating expenses in the statement of operations. The amount recorded in fiscal 2015, 2014 and 2013 was $16.3 million, $17.3 million and $14.1 million, respectively. Rental income was $4.3 million, $4.5 million and $5.1 million for fiscal 2015, 2014 and 2013, respectively.

Income Taxes- Income taxes are accounted for using the asset and liability method. The Company is required to determine the aggregate amount of income tax expense to accrue and the amount which will be currently payable based upon tax statutes of each jurisdiction in which the Company does business. In making these estimates, income is adjusted based on a determination of GAAP for items that are treated differently by the applicable taxing authorities. Deferred tax assets and liabilities, as a result of these differences, are reflected on the balance sheet for temporary differences that will reverse in subsequent years. A valuation allowance is established against deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized. U.S. deferred income taxes are not provided on undistributed income of foreign subsidiaries where such earnings are considered to be permanently reinvested for the foreseeable future.

In accordance with ASC Topic 740, *Income Taxes*, interest and penalties related to unrecognized income tax benefits may either be classified as income tax expense or another appropriate expense classification in the consolidated statement of operations. Previously, the Company had elected to classify interest expense or income related to income tax liabilities, when applicable, as part of interest expense or income in its consolidated statement of operations rather than as part of income tax expense. The Company classified income tax penalties as part of operating expenses in its statement of operations. Beginning in the first quarter of fiscal 2015, the Company elected to reflect interest and penalties from income taxes through the income tax provision in its statement of operations.

The policy is consistent with the policies elected by many of the Company's peers and thus improves the comparability of the Company's financial statements. The new policy is more consistent with the way in which the Company manages the settlement of uncertain income tax positions as one overall amount inclusive of interest and penalties. The Company also believes that interest and penalties related to unrecognized income tax benefits are costs of managing taxes payable and thus, it will provide more meaningful information to investors by including only interest expense from debt financing activities within interest expense.

This change in accounting policy was completed in accordance with ASC Topic 250, *Accounting Changes and Error Corrections*. Accordingly, the change in accounting policy has been applied retrospectively by adjusting the statement of

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operations for the prior periods presented. The change to historical periods was limited to classifications within the consolidated statements of operations and has no effect on net income or earnings per share.

	Three months ended January 31, 2015			Fiscal year ended January 31, 2015		
	As previously reported	Effect of change	As adjusted	As previously reported	Effect of change	As adjusted
	(in thousands)					
Operating expenses	$ (128,681)	$ 201	$ (128,480)	$ (512,889)	$ 353	$ (512,536)
Interest income, net	602	132	734	2,795	326	3,121
Income tax provision	(19,527)	(333)	(19,860)	(95,713)	(679)	(96,392)

	Three months ended February 1, 2014			Fiscal year ended February 1, 2014		
	As previously reported	Effect of change	As adjusted	As previously reported	Effect of change	As adjusted
	(in thousands)					
Operating expenses	$ (115,113)	$ —	$ (115,113)	$ (497,899)	$ 36	$ (497,863)
Interest income, net	762	42	804	2,619	(182)	2,437
Income tax provision	(17,521)	(42)	(17,563)	(92,705)	146	(92,559)

In November 2015, the FASB released Accounting Standards Update ("ASU") 2015-17, which requires entities to present deferred tax assets and deferred tax liabilities as non-current on the classified balance sheet. The ASU will be effective for annual reporting periods beginning after December 15, 2016, including interim reporting periods. In addition, entities are permitted to apply the amendments either prospectively or retrospectively.

The Company elected to early adopt the standard in the fourth quarter of 2015 and applied the amendments retrospectively to maintain comparability of its balance sheet and related ratios. The change in accounting standard has been applied retrospectively by adjusting the balance sheet for the prior period presented.

	As of January 31, 2015		
	As previously reported	Effect of change	As adjusted
	(in thousands)		
Current deferred income taxes	$ 19,747	$ (19,747)	$ —
Total current assets	768,470	(19,747)	748,723
Non-current deferred income taxes	11,332	19,747	31,079

Discontinued Operations- As a result of RVI's disposition of Filene's Basement during fiscal 2009, any changes to the gain on disposal of Filene's Basement operations are included in discontinued operations. Any changes in the carrying value of assets with residual interest in the discontinued business are classified within continuing operations. See Note 16 for a discussion of discontinued operations.

Earnings Per Share- Basic earnings per share is based on net income and a simple weighted average of common shares outstanding. Diluted earnings per share reflects the potential dilution of common shares adjusted for outstanding stock options, restricted stock units and performance-based restricted stock units. See Note 6 for a detailed discussion of earnings per share.

Financial Instruments- The following assumptions were used to estimate the fair value of each class of financial instruments:

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Cash and Equivalents- Cash and equivalents represent cash, money market funds and credit card receivables that generally settle within three days. Amounts due from banks and digital payment processors for credit card transactions totaled $16.0 million and $16.2 million as of January 30, 2016 and January 31, 2015, respectively. The carrying amounts of cash and equivalents approximate fair value. The Company also reviews cash balances on a bank by bank basis to identify book overdrafts. Book overdrafts occur when the amount of outstanding checks exceed the cash deposited at a bank. The Company reclassifies book overdrafts, if any, to accounts payable.

Restricted Cash- Restricted cash represents cash that is restricted as to withdrawal or usage. The carrying amount of restricted cash approximates fair value. The restricted cash balance is recorded in prepaid expenses and other current assets on the consolidated balance sheets and primarily consists of a mandatory cash deposit with the lender for outstanding letters of credit, as detailed in Note 10.

Investments- The Company determines the balance sheet classification of its investments at the time of purchase and evaluates the classification at each balance sheet date. All income generated from these investments is recorded as interest income. The company evaluates its investments for impairment and whether impairment is other-than-temporary at each balance sheet date. See Note 8 for additional discussion of investments.

Accounts and Notes Receivable- Accounts receivable are classified as current assets because the average collection period is generally shorter than one year. Accounts receivable are primarily construction and tenant allowance receivables from landlords and receivables from DSW Inc.'s affiliated business partners. For accounts receivable, the carrying amount approximates fair value because of the relatively short average collection period. The shareholder note receivable for Town Shoes is valued based upon current interest rates offered on similar instruments. The note receivable is classified as long-term as it matures in 2022.

Concentration of Credit Risk- Financial instruments, which principally subject the Company to concentration of credit risk, consist of cash and equivalents and investments. The Company invests excess cash when available through financial institutions in money market accounts and short-term and long-term investments. At times, such amounts invested through banks may be in excess of FDIC insurance limits, and the Company mitigates the risk by utilizing multiple banks.

Concentration of Vendor Risk- During fiscal 2015, 2014 and 2013, three key vendors supplied approximately 18%, 18% and 19% of merchandise, respectively.

Fair Value- Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, fair value is a market-based measurement based on assumptions of the market participants. As a basis for these assumptions, the Company classifies its fair value measurements under the following fair value hierarchy:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are publicly accessible. Active markets have frequent transactions with enough volume to provide ongoing pricing information.
- Level 2 inputs are other than level 1 inputs that are directly or indirectly observable. These can include unadjusted quoted prices for similar assets or liabilities in active markets, unadjusted quoted prices for identical assets or liabilities in inactive markets or other observable inputs.
- Level 3 inputs are unobservable inputs.

Allowance for Doubtful Accounts- The Company monitors its exposure for credit losses and records related allowances for doubtful accounts. Allowances are estimated based upon specific accounts receivable balances, where a risk of default has been identified. For the fiscal years ended January 30, 2016 and January 31, 2015, the ending balance was $0.3 million and $0.1 million, respectively.

Inventories- Merchandise inventories are stated at lower of cost or market, determined using the retail inventory method. The retail inventory method is used in the retail industry due to its practicality. Under the retail inventory method, the valuation of inventories at cost and the resulting gross profits are determined by applying a calculated cost to retail ratio to the retail value of inventories. The cost of the inventory reflected on the balance sheet is decreased by charges to cost of sales at the time the retail value of the inventory is lowered through the use of markdowns, which are reductions in prices due to customers' perception of value. Hence, earnings are negatively impacted as the merchandise is marked down prior to sale. Markdowns establish a new cost basis for inventory. Changes in facts or circumstances do not result in the reversal of previously recorded

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markdowns or an increase in the newly established cost basis. Markdowns require management to make assumptions regarding customer preferences, fashion trends and consumer demand.

Inherent in the calculation of inventories are certain significant management judgments and estimates, including setting the original merchandise retail value, markdowns, and estimates of losses between physical inventory counts, or shrinkage, which combined with the averaging process within the retail inventory method, can significantly impact the ending inventory valuation at cost and the resulting gross profit. The Company records a reduction to inventories and a charge to cost of sales for shrinkage. Shrinkage is calculated as a percentage of sales from the last physical inventory date. Estimates are based on both historical experience as well as recent physical inventory results. Store physical inventory counts are taken on an annual basis and have supported shrinkage estimates.

Property and Equipment- Property and equipment are stated at cost less accumulated depreciation determined by the straight-line method over the expected useful life of assets. The straight-line method is used to amortize such capitalized costs over the lesser of the expected useful life of the asset or the life of the lease. The estimated useful lives by class of asset are:

Buildings	39 years
Furniture, fixtures and equipment	3 to 10 years
Building and leasehold improvements	3 to 20 years or the lease term if that is shorter than the normal life of the asset

Asset Impairment and Long-Lived Assets- The Company periodically evaluates the carrying amount of its long-lived assets, primarily property and equipment, and finite lived intangible assets when events and circumstances warrant such a review to ascertain if any assets have been impaired. The carrying amount of a long-lived asset or asset group is considered impaired when the carrying value of the asset or asset group exceeds the expected future cash flows from the asset or asset group. The reviews are conducted at the lowest identifiable level, which has been identified as a store. The impairment loss recognized is the excess of the carrying value of the asset or asset group over its fair value, based on a discounted cash flow analysis using a discount rate determined by management. Should an impairment loss be realized, it will generally be included in cost of sales. The Company expensed $1.0 million and $5.1 million in fiscal 2015 and 2014, respectively, for assets where the recorded value could not be supported by projected future cash flows. The impairment charges in fiscal 2015 and 2014 were recorded in the DSW segment and the ABG segment.

Goodwill- Goodwill represents the excess cost over the estimated fair values of net assets, including identifiable intangible assets of businesses acquired. Goodwill is tested for impairment at least annually. Management evaluates fair value using market-based analysis to review market capitalization, as well as reviewing a discounted cash flow analysis using management’s assumptions. Several factors could result in an impairment charge, such as failure to achieve sufficient levels of cash flow or a significant and sustained decline in stock price. Significant judgment is necessary to determine the underlying cause of the decline and whether stock price declines are related to the market or specifically to DSW Inc. The Company has never recorded a goodwill impairment. As of January 30, 2016 and January 31, 2015, the balance of goodwill related to DSW was $25.9 million. For fiscal 2015, the Company tested goodwill for impairment as of November 1, 2015. In the past, the Company has tested goodwill for impairment as of the end of the current fiscal year. Per the Securities Exchange Commission ("SEC"), if a registrant determines that a change in the goodwill impairment testing date does not represent a material change to its method of applying an accounting principle, the staff will no longer request a preferability letter to be obtained and filed, provided that such change is prominently disclosed in the registrant’s financial statements. As this change in testing date does not represent a material change, no preferability letter is required.

Cost Method Investments- The Company accounts for equity investments using the equity method of accounting when it exercises significant influence over the investment. If the Company does not exercise significant influence, the Company accounts for the investment using the cost method of accounting. As of January 30, 2016, DSW Inc.'s cost method investment is included in other assets on the consolidated balance sheet.

Equity Method Investment in Town Shoes- DSW Inc. accounts for its investment in Town Shoes, where it exercises significant influence, but does not have control, using the equity method. Under the equity method of accounting, DSW Inc. recognizes its share of Town Shoes' net income or loss. The difference between the purchase price and the Company's interest in Town Shoes' underlying net equity is comprised of intangible assets with both definite and indefinite lives. The definite lived assets are favorable and unfavorable leases that are being amortized over the lives of the leases. DSW Inc.’s share of net income or loss of Town Shoes, DSW Inc.'s payment-in-kind interest from the note receivable from Town Shoes and amortization of the definite lived intangible assets are included in (Loss) income from Town Shoes on the consolidated statement of operations and comprehensive income. Related income tax effects are included in the provision for income taxes. The investment and note

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receivable in Town Shoes are required to be tested for impairment if there is determined to be an other than temporary loss in value.

Self-Insurance Reserves- The Company records estimates for certain health and welfare, workers' compensation and casualty insurance costs that are self-insured programs. Self-insurance reserves include actuarial estimates of both claims filed, carried at their expected ultimate settlement value, and claims incurred but not yet reported. The liability represents an estimate of the ultimate cost of claims incurred as of the balance sheet date. Estimates for health and welfare, workers' compensation and general liability are calculated utilizing claims development estimates based on historical experience and other factors. The Company has purchased stop loss insurance to limit its exposure on a per person basis for health and welfare and on a per claim basis for workers' compensation and general liability, as well as on an aggregate annual basis. The self-insurance reserves were $4.2 million and $4.0 million as of January 30, 2016 and January 31, 2015, respectively.

Customer Loyalty Program- The Company maintains a customer loyalty program for DSW in which program members earn reward certificates that result in discounts on future purchases. Upon reaching the target-earned threshold, the members receive reward certificates for these discounts, which expire three months after being issued. The Company accrues the anticipated redemptions of the discount earned at the time of the initial purchase. To estimate these costs, the Company makes assumptions related to customer purchase levels and redemption rates based on historical experience.

Legal Proceedings and Claims- The Company is involved in various legal proceedings that are incidental to the conduct of its business. The Company estimates the range of liability related to pending litigation where the amount of the range of loss can be estimated. The Company records its best estimate of a loss when the loss is considered probable, including an estimate of legal fees to be incurred. When a liability is probable and there is a range of estimated loss, the Company records an estimate of the amount of the liability related to the claim. See Note 16 for a discussion of legal proceedings.

Deferred Rent- Many of the Company's operating leases contain predetermined fixed increases of the minimum rentals during the initial lease terms. For these leases, the Company recognizes the related rental expense on a straight-line basis over the noncancelable terms of the lease. The Company records the difference between the amounts charged to expense and the rent paid as deferred rent and begins amortizing such deferred rent upon the delivery of the lease location by the lessor. Deferred rent is included in non-current liabilities.

Construction and Tenant Allowances- The Company receives cash allowances from landlords, which are deferred and amortized on a straight-line basis over the noncancelable terms of the lease as a reduction of rent expense. Construction and tenant allowances are included in non-current liabilities.

Exit and Disposal Obligations- The Company records a reserve when a store or office facility is abandoned due to closure or relocation. Using its credit-adjusted risk-free rate to present value the liability, the Company estimates future lease obligations based on remaining lease payments, estimated or actual sublease payments and any other relevant factors. On a quarterly basis, the Company reassesses the reserve based on current market conditions. See Note 16 for a discussion of exit and disposal obligations.

Accumulated Other Comprehensive Loss- Accumulated other comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Fiscal 2015 includes foreign currency translation adjustments, as well as unrealized net losses on available-for-sale securities.

Non-Operating Income- Non-operating income includes remeasurement effects of foreign currency, as well as realized capital gains and losses related to the Company's investment portfolio.

Co-Branded Credit Card- On April 30, 2014, the Company began to offer co-branded credit cards under a seven-year agreement with an issuing bank, which allows members to earn points through purchases at DSW and anywhere that Visa is accepted. DSW provides marketing support for the co-branded credit card program. The issuing bank is the sole owner of the credit card accounts.

The revenue under this agreement is recorded in net sales. The Company received an upfront signing bonus from the issuing bank, which is recognized on a straight-line basis over the life of the relationship. The Company receives ongoing payments from the issuing bank for new accounts activated, as well as payments for usage of the cards, which will be recognized over the life of the relationship on a cumulative catch-up basis.

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Consistent with the current accounting for the customer loyalty program, costs associated with rewards points and certificates are accrued as the points are earned by the cardholder and are recorded in cost of sales. Administrative costs related to the co-branded credit card program, including payroll, store expenses, marketing expenses, depreciation and other direct costs, are recorded in operating expenses.

Foreign Currency Translation and Remeasurement- In anticipation of funding the future purchase of the remaining interest in Town Shoes, the Company purchased $100 million CAD, which equated to approximately $79 million USD at the purchase date. Gains or losses resulting from foreign currency transactions are included in operating expenses in the consolidated statement of operations, whereas translation adjustments are reported as an element of other comprehensive income.

The note receivable and the payment-in-kind interest from Town Shoes are denominated in CAD. The functional and reporting currency of Town Shoes is CAD. As USD is the functional currency of the entity that holds the investment in and note receivable from Town Shoes, the Company is required to remeasure these balances into USD balances. Each quarter, the income or loss from Town Shoes is recorded in USD at the average exchange rate for the period. The note receivable from Town Shoes is remeasured in USD at the exchange rate prevailing at the balance sheet date. As the Company has designated the note receivable from Town Shoes as an investment of a long-term investment nature, the Company records the translation gains and losses arising from changes in exchange rates in comprehensive income.

Recent Accounting Pronouncements

In May 2014, the FASB and the International Accounting Standards Board ("IASB") released ASU 2014-09 on the recognition of revenue from contracts with customers that is designed to create greater comparability for financial statement users across industries and jurisdictions. Under the new standard, companies will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the payment to which a company expects to be entitled in exchange for those goods or services. The standard also will require enhanced disclosures and provide more comprehensive guidance for transactions such as service revenue and contract modifications. The standard will take effect for public companies for annual reporting periods beginning after December 15, 2017, including interim reporting periods. The Company has completed an assessment identifying areas of impact for the business, including the Company's loyalty program and co-branded credit card. We are currently assessing and evaluating these results and developing an implementation plan, as well as evaluating the transition methods for adoption of the standard.

In April 2015, the FASB and the IASB released ASU 2015-03, simplifying the presentation of debt issuance costs. Under the new standard, debt issuance costs related to a recognized debt liability will be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The standard will take effect for public companies for annual reporting periods beginning after December 15, 2015, including interim reporting periods. There is currently no impact to the Company; however, the Company will monitor the new standard and determine if it is likely to be impacted in the future.

In April 2015, the FASB released ASU 2015-05 to provide guidance to customers concerning whether a cloud computing arrangement includes a software license. Under this new standard, 1) if a cloud computing arrangement includes a software license, the software license element of the arrangement should be accounted for in a manner consistent with the acquisition of other software licenses, or 2) if the arrangement does not include a software license, the arrangement should be accounted for as a service contract. The standard will take effect for public companies for annual reporting periods beginning after December 15, 2015, including interim reporting periods. The Company will adopt the new standard when it takes effect in the first quarter of 2016 and apply the new guidance prospectively.

In January 2016, the FASB released ASU 2016-01, which 1) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, 2) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, 3) eliminates the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities, 4) eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, 5) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, 6) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, 7) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the

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balance sheet or the accompanying notes to the financial statements, and 8) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. The ASU will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. An entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption. The Company is currently evaluating the impact of the standard on its financial statements and disclosures.

In February 2016, the FASB released ASU 2016-02, which will increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet. The standard will take effect for public companies for annual reporting periods beginning after December 15, 2018, including interim reporting periods. Early application will be permitted for all entities upon issuance of the final standard. In addition, the FASB has decided to require a lessee to apply a modified retrospective transition approach for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements (the date of initial application). The modified retrospective approach would not require any transition accounting for leases that expired before the date of initial application. The FASB decided to not permit a full retrospective transition approach. The Company is currently evaluating the impact of the standard on its financial statements and disclosures.

5. RELATED PARTY TRANSACTIONS

Schottenstein Affiliates- As of January 30, 2016, the Schottenstein Affiliates, entities owned by or controlled by Jay L. Schottenstein, the executive chairman of the DSW Inc. Board of Directors, and members of his family, beneficially owned approximately 19% of outstanding DSW Inc. Common Shares, representing approximately 51% of the combined voting power of outstanding DSW Inc. Common Shares. As of January 30, 2016, the Schottenstein Affiliates beneficially owned 7.6 million Class A Common Shares and 7.7 million Class B Common Shares.

The Company leases its fulfillment center and certain store locations owned by Schottenstein Affiliates and purchases services and products from Schottenstein Affiliates. Accounts receivable from and payables to affiliates principally result from commercial transactions or affiliate transactions and normally settle in the form of cash in 30 to 60 days. Related party balances are disclosed on the consolidated balance sheets.

Corporate Office Headquarters and Distribution Center Acquisition- In fiscal 2012, DSW Inc. acquired 810 AC LLC, an Ohio limited liability company, from certain Schottenstein affiliates, which owned property that was previously leased by DSW Inc. for its corporate office headquarters, its distribution center and a trailer parking lot. DSW Inc. leases certain portions of the properties. DSW Inc. paid to sellers $72 million in cash, subject to credits and adjustments, for 810 AC LLC. As this was a transaction between entities under common control, as provided by ASC Topic 805, *Business Combinations,* there was no adjustment to the historical cost carrying amounts of assets transferred to DSW Inc. The difference between the historical cost carrying amounts and the consideration of $72 million transferred was an equity transaction. DSW Inc. also reduced the cost basis of the assets by the balance of tenant allowances and deferred rent recorded related to the properties.

Other- Purchases and services from related parties were $1.1 million, $0.9 million and $0.9 million in fiscal 2015, 2014 and 2013, respectively. In fiscal 2013, reimbursements of $1.8 million were paid to a Schottenstein Affiliate in connection with DSW Inc.'s test sale of luxury merchandise, which were then primarily paid to unrelated vendors.

License Agreement with Town Shoes- DSW Shoe Warehouse, Inc., a wholly-owned subsidiary of DSW Inc., licenses use of its trade name and trademark, DSW Designer Shoe Warehouse, to its equity investee, Town Shoes, for a sales-based royalty. The license is exclusive and non-transferable for use in Canada. Town Shoes pays DSW Inc. a percentage of net sales from its Canadian DSW stores on a monthly basis. The Canadian DSW stores operate in a manner similar to DSW stores in the United States and are required to maintain the standards and specifications that DSW uses to operate its own stores. DSW Inc. classifies the royalty fee as net sales.

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6. EARNINGS PER SHARE AND SHAREHOLDERS' EQUITY

Earnings per Share- Basic earnings per share is based on net income and a simple weighted average of common shares outstanding. Diluted earnings per share reflects the potential dilution of common shares adjusted for outstanding stock options, restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs") calculated using the treasury stock method.

The following is a reconciliation of the number of shares used in the calculation of diluted earnings per share computations for the periods presented:

	Fiscal		
	2015	2014	2013
		(in thousands)	
Weighted average shares outstanding	87,561	89,499	90,472
Assumed exercise of dilutive stock options	683	910	1,202
Assumed exercise of dilutive RSUs and PSUs	257	203	227
Number of shares for computation of diluted earnings per share	88,501	90,612	91,901

Options, RSUs and PSUs- For fiscal 2015, 2014 and 2013, the number of potential shares that were not included in the computation of dilutive earnings per share because the effect would be anti-dilutive was approximately 1.9 million, 1.1 million and 0.8 million, respectively.

Shareholders' Equity- On November 2, 2015, the Board of Directors approved an additional $200 million share repurchase program. The share repurchase program may be suspended, modified or discontinued at any time, and the Company has no obligation to repurchase any amount of its common shares under the program. Shares will be repurchased in the open market at times and in amounts considered appropriate by the Company based on price and market conditions. During fiscal 2015, the Company repurchased 7.2 million Class A Common Shares at a cost of $179.6 million. Through the life of the programs, the Company has repurchased a total of 10.2 million Class A Common Shares at a cost of $266.5 million.

7. STOCK-BASED COMPENSATION

The DSW Inc. 2014 Long-Term Incentive Plan ("the 2014 Plan") provides for the issuance of equity awards to purchase up to 8.5 million DSW Common Shares. The Company began issuing shares under the 2014 Plan after the DSW Inc. 2005 Equity Incentive Plan expired in the second quarter of fiscal 2015. The 2014 Plan covers stock options, RSUs, PSUs, director stock units ("DSUs") and Stock Appreciation Rights ("SARs"). Eligible recipients include key employees of DSW Inc. and affiliates, as well as directors. Options generally vest 20% per year on a cumulative basis. Options granted under the 2014 Plan generally remain exercisable for a period of 10 years from the date of grant.

Stock-Based Compensation Expense- The following table summarizes stock-based compensation expense for the periods presented:

	Fiscal		
	2015	2014	2013
		(in thousands)	
Stock Options	$ 5,532	$ 5,827	$ 5,891
Restricted Stock Units	2,953	2,097	1,797
Performance-Based Restricted Stock Units	3,979	1,324	503
Director Stock Units	1,037	1,247	1,151
Total	$ 13,501	$ 10,495	$ 9,342

Stock Options- The majority of the stock-based compensation awards are granted on an annual basis in the first quarter of each year. The risk-free interest rate is based on the yield for U.S. Treasury securities for the expected term of the options at the grant date. Expected volatility is based on the historical volatility of the DSW Inc. Common Shares. The expected term of options granted is derived from historical data on DSW Inc.'s stock option exercises. The dividend yield assumption is based on DSW

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Inc.'s expectation of future dividend payouts. Forfeitures of options are estimated at the grant date based on historical rates of DSW Inc.'s stock option activity and reduce the compensation expense recognized.

The following table illustrates the weighted-average assumptions used in the Black-Scholes pricing model for options granted in each of the periods presented:

	Fiscal		
Assumptions:	2015	2014	2013
Risk-free interest rate	1.4%	1.8%	0.7%
Annual volatility of DSW Common Shares	37.9%	44.5%	53.4%
Expected option term	5.1 years	5.4 years	4.7 years
Dividend yield	2.1%	2.3%	1.3%
Other Data:			
Weighted average grant date fair value	$8.87	$11.82	$12.85

As of January 30, 2016, the total compensation cost related to unvested options not yet recognized was approximately $14.5 million, with a weighted average expense recognition period remaining of 2.2 years. For the periods presented, the following tables summarize stock option activity, related per share weighted average exercise prices ("WAEP"), weighted average remaining contract life and aggregate intrinsic value (shares and intrinsic value in thousands):

	Fiscal					
	2015		2014		2013	
	Shares	WAEP	Shares	WAEP	Shares	WAEP
Outstanding beginning of year	3,156	$ 20.91	3,347	$ 17.62	3,694	$ 14.50
Granted	1,395	$ 32.47	502	$ 34.49	492	$ 31.75
Exercised	(539)	$ 13.83	(505)	$ 10.22	(748)	$ 10.99
Forfeited	(163)	$ 33.34	(188)	$ 27.32	(91)	$ 21.79
Outstanding end of year	3,849	$ 25.56	3,156	$ 20.91	3,347	$ 17.62
Options exercisable end of year	2,007	$ 20.35	1,682	$ 15.16	1,430	$ 13.08

As of January 30, 2016	Shares	WAEP	Weighted Average Remaining Contract Life	Aggregate Intrinsic Value
Options exercisable	2,007	$ 20.35	3.3 years	$ 12,905
Options expected to vest	1,639	$ 31.26	8.7 years	612
Options vested and expected to vest	3,646	$ 25.25	5.7 years	$ 13,517

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	Range of Exercise Prices		Weighted Average Remaining Contract Life	Options Outstanding			Options Exercisable		
Year of Grant	Min	Max		Options Outstanding	WAEP	Aggregate Intrinsic Value [(1)]	Options Exercisable	WAEP	Aggregate Intrinsic Value [(1)]
2006 - expire 2016	$12.93	$14.50	0.6 years	92	$ 12.98	$ 1,019	93	$ 12.98	$ 1,020
2007 - expire 2017	$18.57	$19.94	1.2 years	297	$ 19.84	1,241	297	$ 19.84	1,241
2008 - expire 2018	$ 6.01	$ 9.15	2.2 years	165	$ 6.20	2,941	165	$ 6.20	2,941
2009 - expire 2019	$ 4.65	$ 7.00	3.2 years	136	$ 4.79	2,607	136	$ 4.79	2,607
2010 - expire 2020	$12.34	$12.38	4.2 years	330	$ 12.37	3,843	330	$ 12.37	3,843
2011 - expire 2021	$17.43	$22.71	5.1 years	253	$ 17.44	1,662	191	$ 17.44	1,253
2012 - expire 2022	$26.66	$27.18	4.7 years	466	$ 26.67	—	331	$ 26.66	—
2013 - expire 2023	$31.68	$31.68	5.1 years	361	$ 31.68	—	219	$ 31.68	—
2014 - expire 2024	$29.74	$37.88	6.9 years	433	$ 34.53	—	151	$ 35.41	—
2015 - expire 2025	$23.21	$37.50	8.9 years	1,316	$ 32.17	298	94	$ 37.50	—
Total	$ 4.65	$37.88	5.9 years	3,849	$ 25.56	$ 13,611	2,007	$ 20.35	$ 12,905

(1) The aggregate intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option at year end. A zero value reflects an exercise price above the closing market price of DSW Class A Common Shares for fiscal 2015.

The aggregate intrinsic value is calculated as the amount by which the fair value of the underlying common shares exceeds the option exercise price. The total intrinsic value of options exercised during fiscal 2015, 2014 and 2013 was $8.9 million, $11.9 million and $20.9 million, respectively. The total fair value of options that vested during fiscal 2015, 2014 and 2013 was $3.7 million, $2.5 million and $3.8 million, respectively.

Restricted Stock Units ("RSUs")- Beginning in fiscal 2013, RSUs granted generally cliff vest over three years, and prior to fiscal 2013, RSUs granted cliff vest over four years. RSUs receive dividend equivalents in the form of additional RSUs, which are subject to the same restrictions and forfeiture provisions as the original award. The grant date fair value of RSUs is based on the closing market price of DSW Class A Common Shares on the date of the grant. The aggregate intrinsic value is calculated as the amount by which the fair value of the underlying common shares exceeds the exercise price. The total intrinsic value of RSUs that vested during fiscal 2015, 2014 and 2013 was $3.5 million, $3.7 million and $4.0 million, respectively. The total fair value of RSUs that vested during fiscal 2015, 2014 and 2013 was $2.0 million, $1.4 million and $0.7 million, respectively. As of January 30, 2016, the total compensation cost related to nonvested RSUs not yet recognized was approximately $7.0 million with a weighted average expense recognition period remaining of 1.7 years. The exercise price for all RSUs is zero.

For the periods presented, the following tables summarize RSU activity, weighted average grant date fair value (“GDFV”) and aggregate intrinsic value (units and intrinsic value in thousands):

	Fiscal					
	2015		2014		2013	
	Units	GDFV	Units	GDFV	Units	GDFV
Outstanding at beginning of year	320	$ 29.21	377	$ 23.41	436	$ 15.39
Granted	199	$ 30.54	103	$ 34.53	92	$ 35.50
Vested	(115)	$ 21.32	(114)	$ 14.11	(136)	$ 5.51
Forfeited	(32)	$ 32.99	(46)	$ 29.55	(15)	$ 29.46
Outstanding at end of year	372	$ 31.83	320	$ 29.21	377	$ 23.41

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As of January 30, 2016	Units	GDFV		Weighted Average Remaining Contract Life	Aggregate Intrinsic Value	
RSUs expected to vest	307	$	31.78	1.3 years	$	7,373

Performance-Based Restricted Stock Units ("PSUs")- The Company began granting PSUs in fiscal 2013. These awards cliff vest at the end of a three-year period based upon achievement of pre-established goals as of the end of the first year of the term. PSUs receive dividend equivalents in the form of additional PSUs, which are subject to the same restrictions and forfeiture provisions as the original award. Consistent with RSUs, the grant date fair value of PSUs is based on the closing market price of DSW Class A Common Shares on the date of grant. The total intrinsic value of PSUs that vested during fiscal 2015 was $1.8 million. The total fair value of PSUs that vested during fiscal 2015 was $1.7 million. As of January 30, 2016, the total compensation cost related to nonvested PSUs not yet recognized was approximately $4.0 million with a weighted average expense recognition period remaining of 2.1 years. The weighted average exercise price for all PSUs is zero.

For the periods presented, the following tables summarize PSU activity, GDFV and aggregate intrinsic value (units and intrinsic value in thousands):

	Fiscal								
	2015			2014			2013		
	Units	GDFV		Units	GDFV		Units	GDFV	
Outstanding beginning of year	173	$	33.50	69	$	31.76	—	$	—
Granted	208	$	33.30	111	$	34.52	69	$	31.76
Vested	(75)	$	22.80	—	$	—	—	$	—
Forfeited	(13)	$	35.16	(7)	$	32.74	—	$	—
Outstanding end of year	293	$	28.70	173	$	33.50	69	$	31.76

As of January 30, 2016	Units	GDFV		Weighted Average Remaining Contract Life	Aggregate Intrinsic Value	
PSUs expected to vest	253	$	28.70	1.2 years	$	6,080

Director Stock Units- The Company issues stock units to directors who are not employees. Stock units are automatically granted to each non-employee director on the date of each annual meeting of shareholders based on the closing market price of DSW Class A Common Shares. In addition, each director eligible to receive compensation for board service may elect to have the cash portion of such directors' compensation paid in the form of stock units. Stock units granted to directors vest immediately and are settled upon the director terminating service from the board. For grants beginning in fiscal 2012, directors were given the option to exercise their units at a specified point in the future or upon completion of service. Stock units granted to directors, which are not subject to forfeiture, are considered to be outstanding for the purposes of computing basic earnings per share. The exercise price of the director stock units is zero. The following table summarizes director stock unit activity (units in thousands):

	Fiscal		
	2015	2014	2013
Outstanding beginning of year	360	330	316
Granted	40	52	34
Exercised	(95)	(22)	(20)
Outstanding end of year	305	360	330

Executive Equity Modification- On November 3, 2015, DSW announced that the Chief Executive Officer of the Company would retire, effective December 31, 2015. In connection with the retirement, DSW entered into a Retirement and Consulting Agreement, which stated that the executive will receive accelerated vesting of outstanding RSUs, PSUs and stock options. Per

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ASC Topic 718, *Stock Compensation*, this acceleration caused a change in the terms or conditions of the share-based payment award and was thus considered a modification.

Per ASC Topic 718-10-35-3, a modification of the terms or conditions of an equity award shall be treated as an exchange of the original award for a new award. The effects of a modification should be measured as follows: (a) incremental compensation cost shall be measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, (b) total recognized compensation cost for an equity award shall at least equal the fair value of the award at the grant date unless at the date of the modification the performance or service conditions of the original award are not expected to be satisfied, and (c) a change in compensation cost for an equity award measured at intrinsic value shall be measured by comparing the intrinsic value of the modified award, if any, with the intrinsic value of the original award, if any, immediately before the modification. The modification resulted in a benefit of less than $0.1 million.

Stock Appreciation Rights ("SARs")- The 2014 Plan also covers the issuance of SARs. DSW Inc. entered into a SARs agreement with a non-employee on June 16, 2014, wherein DSW Inc. granted a total of 0.5 million SARs in two equal tranches with respect to DSW Class A Common Shares. On April 16, 2015, DSW Inc. provided notice of termination of the agreement with the non-employee resulting in an acceleration of the vesting of the SARs, as outlined in the agreement, and the SARs remain exercisable until June 2016. DSW Inc. will value the SARs at fair value until the expiration or exercise date. During fiscal 2015 and 2014, DSW recorded a benefit of $1.1 million and expense of $1.7 million, respectively. As of January 30, 2016 and January 31, 2015, the net liability was $0.6 million and $1.7 million, respectively.

The fair value of the SARs was estimated using the Black-Scholes pricing model with the following assumptions for the periods presented:

Assumptions:	As of January 30, 2016	As of January 31, 2015
Risk-free interest rate	0.4%	0.6%
Expected volatility of DSW Common Shares	33.0%	24.9%
Expected term	0.4 years	2.3 years
Expected dividend yield	2.5%	2.3%

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8. INVESTMENTS

During the first quarter of fiscal 2015, the Company liquidated investments classified as held-to-maturity. Held-to-maturity investments were primarily corporate bonds, municipal bonds and municipal term notes and were held at amortized cost, which approximated fair value. As a result of the sale of held-to-maturity investments, the Company transferred its entire portfolio to the available-for-sale classification at fair value at the date of transfer. The Company determined that this transfer was a change in investment strategy. For the available-for-sale bonds and term notes, the carrying value, plus any unrealized gains or losses, equals the fair value. The unrealized holding gains or losses for the available-for-sale securities are reported in other comprehensive income. The Company accounts for its purchases and sales of investments on the trade date of the investment. When the Company had a held-to-maturity portfolio, the short-term or long-term classification of the investment was based on its maturity. The classification of available-for-sale securities is based on management's intention of the use of the investments. The Company will use a portion of these investments for its acquisition of Ebuys, Inc. (see Note 20 for additional discussion on the acquisition of Ebuys, Inc.).

The following table discloses the major categories of the Company’s investments as of the dates presented:

	Short-term investments		Long-term investments	
	January 30, 2016	January 31, 2015	January 30, 2016	January 31, 2015
	(in thousands)			
Available-for-sale securities:				
Carrying value	$ 225,985	$ 17,147	$ 72,153	—
Unrealized gains included in accumulated other comprehensive income	477	—	22	—
Unrealized losses included in accumulated other comprehensive loss	(435)	—	(222)	—
Held-to-maturity securities:				
Amortized cost	—	154,054	—	$ 216,756
Total investments	$ 226,027	$ 171,201	$ 71,953	$ 216,756
Gross holding gains on held-to-maturity securities	—	$ 117	—	$ 371
Gross holding losses on held-to-maturity securities	—	(50)	—	(317)
Fair value of securities	$ 226,027	$ 171,268	$ 71,953	$ 216,810

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9. FAIR VALUE MEASUREMENTS

Financial Assets and Liabilities- The following table presents financial assets and liabilities at fair value as of the dates presented:

	January 30, 2016				January 31, 2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	(in thousands)							
Financial Assets:								
Cash and equivalents	$ 32,495	$ 32,495	—	—	$ 59,171	$ 59,171	—	—
Short-term investments[a]	226,027	2,127	$ 223,900	—	171,268	—	$ 171,268	—
Long-term investments[a]	71,953	181	71,772	—	216,810	—	216,810	—
Cost method investment [b]	6,000	—	—	$ 6,000	—	—	—	—
Note receivable from Town Shoes[c]	33,311	—	33,311	—	43,304	—	43,304	—
Total Financial Assets	$ 369,786	$ 34,803	$ 328,983	$ 6,000	$ 490,553	$ 59,171	$ 431,382	—
Financial Liabilities:								
Stock appreciation rights [d]	$ 561	—	$ 561	—	—	—	—	—
Total Financial Liabilities	$ 561	—	$ 561	—	—	—	—	—

(a) Short-term and long-term investments are valued using a market-based approach using level 2 inputs such as prices of similar assets in active markets.

(b) DSW Inc.'s cost method investment is valued using level 3 inputs. The fair value approximates the carrying value.

(c) The Company estimated the fair value of the note receivable based upon current interest rates offered on similar instruments. The reduction in fair value is based on the change in comparable rates on similar instruments. Based on the Company's intention and ability to hold the note until maturity or the exercise of the put/call option (see Note 3), the carrying value is not other-than-temporarily impaired.

(d) Stock appreciation rights are valued using the Black-Scholes model.

The following table presents activity related to level 3 fair value measurement for DSW Inc.'s cost method investment for the period presented:

	Fiscal year ended January 30, 2016
	(in thousands)
Carrying value, beginning of period	$ —
Activity related to cost method investment	6,000
Carrying value, end of period	$ 6,000

Non-Financial Assets- The Company periodically evaluates the carrying amount of its long-lived assets, primarily property and equipment, and finite lived intangible assets when events and circumstances warrant such a review to ascertain if any assets have been impaired.

In fiscal 2015 and 2014, the Company recognized impairment losses on leasehold improvements used in stores. The impairment losses were included in the DSW and ABG segments. The Company determined that the carrying value exceeded the expected future cash flows and recorded an impairment after determining fair value based on the discounted future cash flow analysis using a discount rate determined by management based on historical performance and expectations of future performance. The following table presents the activity related to the fair value of assets held and used that realized an impairment loss for the periods presented:

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	As of January 30, 2016				Total Losses Fiscal	
	Level 1	Level 2	Level 3	Fair Value as of the Impairment Date	2015	2014
	(in thousands)				(in thousands)	
Assets held and used	—	—	—	—	$ 962	$ 5,095

After the impairment losses were recorded, the remaining fair value of assets was zero.

10. DEBT OBLIGATIONS

$100 Million Secured Credit Facility- On August 2, 2013, the Company entered into a secured revolving credit agreement (the "Credit Facility"). The Credit Facility, together with the Letter of Credit Agreement (defined below), amended and restated the prior credit facility, dated June 30, 2010. The Credit Facility has a term of five years that will expire on July 31, 2018. During fiscal 2015, the Company requested that the Lender increase the revolving credit commitment from $50 million to $100 million (see amendment to the original Credit Facility, effective January 11, 2016, in the Index to Exhibits). The Credit Facility may be further increased by up to $50 million upon request subject to lender acceptance, financial condition and compliance with covenants. The Credit Facility is secured by a lien on substantially all of DSW Inc.'s personal property assets and its subsidiaries with certain exclusions and may be used to provide funds for general corporate purposes, to provide for ongoing working capital requirements and to make permitted acquisitions. Revolving credit loans bear interest under the Credit Facility at the Company's option under: (a) a base rate option at a rate per annum equal to the highest of (i) the Federal Funds Open Rate (as defined in the Credit Facility), plus 0.5%, (ii) the Lender's prime rate, and (iii) the Daily LIBOR Rate (as defined in the Credit Facility) plus 1.0%, plus in each instance an applicable margin, which is between 1.00 and 1.25, based upon revolving credit availability; or (b) a LIBOR option at a rate equal to the LIBOR Rate (as defined in the Credit Facility), plus an applicable margin based upon the Company's revolving credit availability. In addition, the Credit Facility contains restrictive covenants relating to management and the operation of DSW Inc.'s business. These covenants, among other things, limit or restrict DSW Inc.'s ability to grant liens on its assets, limit its ability to incur additional indebtedness, limit its ability to enter into transactions with affiliates and limit its ability to merge or consolidate with another entity. The Credit Facility also requires that DSW Inc. meet the minimum cash and investments requirement of $125 million, as defined in the Credit Facility. An additional covenant limits payments for capital expenditures to $200 million in any fiscal year. The Company paid $103.9 million in cash for capital expenditures in fiscal 2015.

As of January 30, 2016 and January 31, 2015, the Company had no outstanding borrowings under the Credit Facility with availability of $100 million and $50 million, respectively.

Total interest expense related to the Credit Facility includes fees, such as commitment and line of credit fees. Interest expense related to the Credit Facility for fiscal 2015 and 2014 was less than $0.1 million. Interest expense related to the Credit Facility for fiscal 2013 was $0.3 million.

$50 Million Letter of Credit Agreement- Also on August 2, 2013, the Company entered into a letter of credit agreement (the “Letter of Credit Agreement”). The Letter of Credit Agreement provides for the issuance of letters of credit up to $50 million, with a term of five years that will expire on August 2, 2018. The facility for the issuance of letters of credit is secured by a cash collateral account containing cash in an amount equal to 103% of the face amount of any letter of credit extension (105% for extensions denominated in foreign currency) and is used for general corporate purposes. The Letter of Credit Agreement requires compliance with conditions precedent that must be satisfied prior to issuing any letter of credit or extension. In addition, the Letter of Credit Agreement contains restrictive covenants relating to the Company's management and the operation of the Company's business. These covenants, among other things, limit or restrict the Company's ability to grant liens on its assets, limit its ability to incur additional indebtedness, limit its ability to enter into transactions with affiliates and limit its ability to merge or consolidate with another entity. An event of default may cause the applicable interest rate and fees to increase by 2% per annum.
As of January 30, 2016 and January 31, 2015, the Company had $7.1 million and $9.3 million, respectively, in outstanding letters of credit under the Letter of Credit Agreement, and $7.7 million and $11.5 million, respectively, in restricted cash on

deposit as collateral under the Letter of Credit Agreement. The restricted cash balance is recorded in prepaid expenses and other current assets on the consolidated balance sheets.

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11. PROPERTY AND EQUIPMENT, NET

The balance sheet caption "Property and equipment, net" was comprised of the following as of the periods presented:

	January 30, 2016	January 31, 2015
	(in thousands)	
Land	$ 1,110	$ 1,110
Furniture, fixtures and equipment	506,347	437,745
Buildings, building and leasehold improvements	385,861	353,283
Total property and equipment	$ 893,318	$ 792,138
Accumulated depreciation and amortization	(519,077)	(454,235)
Property and equipment, net	$ 374,241	$ 337,903

12. ACCRUED EXPENSES

The balance sheet caption "Accrued expenses" was comprised of the following as of the periods presented:

	January 30, 2016	January 31, 2015
	(in thousands)	
Gift cards and merchandise credits	$ 43,446	$ 40,313
Compensation	8,042	11,317
Taxes	17,004	16,798
Customer loyalty program	10,084	14,788
Other[(1)]	29,224	29,964
Total accrued expenses	$ 107,800	$ 113,180

(1) Other is comprised of deferred revenue, guarantees, sales return allowance, stock appreciation rights (as of January 30, 2016), advertising expenses, professional fees, rent and other various accrued expenses.

13. NON-CURRENT LIABILITIES

The balance sheet caption "Non-current liabilities" was comprised of the following as of the periods presented:

	January 30, 2016	January 31, 2015
	(in thousands)	
Construction and tenant allowances	$ 86,777	$ 85,244
Deferred rent	37,650	38,021
Other[(1)]	16,332	20,068
Total non-current liabilities	$ 140,759	$ 143,333

(1) Other is comprised of a reserve for a lease of an office facility assumed in the merger with Retail Ventures, Inc. ("RVI"), income tax reserves and deferred compensation. During the first quarter of fiscal 2015, the Company adjusted its assumptions related to the reserve for a lease of an office facility for future real estate taxes, sublease rental payments and executory costs. As of January 30, 2016, the accrual related to the office facility was $8.3 million.

14. LEASES

The Company leases stores, its fulfillment center and other facilities under various arrangements with related and unrelated parties. Such leases expire through 2028 and, in most cases, provide for renewal options. Generally, the Company is required to pay base rent, real estate taxes, maintenance, insurance and contingent rentals based on sales in excess of specified levels.

Under supply agreements, the Company pays contingent rent based on sales for the shoe departments it operates through ABG. As of January 30, 2016 and January 31, 2015, the Company had no capital leases of real estate.

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As of January 30, 2016, the Company leased or had other agreements with entities affiliated with Schottenstein Affiliates for 17 store locations and its fulfillment center for a total annual minimum rent for fiscal 2015 of $8.1 million. On December 6, 2014, the lease of a portion of the Company's corporate office headquarters to a Schottenstein Affiliate was terminated. Related party rental income for fiscal 2014 and fiscal 2013 was $0.1 million and $0.2 million, respectively. There was no related party rental income in fiscal 2015.

The following table presents future minimum lease payments required under the aforementioned leases, excluding real estate taxes, insurance and maintenance costs, as of January 30, 2016:

	Total	Unrelated Party	Related Party
Fiscal years		(in thousands)	
2016	$ 188,578	$ 179,742	$ 8,836
2017	182,429	174,075	8,354
2018	163,858	159,366	4,492
2019	146,238	142,236	4,002
2020	133,881	130,613	3,268
Future years thereafter	392,141	387,927	4,214
Total minimum lease payments (1)	$ 1,207,125	$ 1,173,959	$ 33,166

(1) Minimum payments have been reduced by minimum sublease rentals of $4.9 million due in the future under noncancelable subleases.

The following table presents the composition of rental expense for the periods presented:

	Fiscal		
	2015	2014	2013
		(in thousands)	
Minimum rentals:			
Unrelated parties	$ 162,072	$ 147,771	$ 137,602
Related parties	8,064	9,189	10,486
Contingent rentals:			
Unrelated parties	30,021	31,499	29,639
Total	$ 200,157	$ 188,459	$ 177,727

15. BENEFIT PLANS

Filene's Basement Defined Benefit Pension Plan- Merger Sub was responsible for the Filene’s Basement defined benefit pension plan (the "plan") that RVI assumed as part of its sale of Filene's Basement in fiscal 2009. In April 2013, the Company received a favorable determination letter from the Internal Revenue Service, began the process of obtaining participant settlement elections and was required to disburse the funds within 120 days of the receipt of the favorable determination letter. The Company contributed a final contribution of $5.0 million to fully fund the plan. In the second quarter of fiscal 2013, the Company distributed all plan assets to participants through lump-sum distributions and a nonparticipating annuity contract. The settlement of the pension plan resulted in a settlement loss of $8.9 million, which is net of an income tax benefit of $5.3 million, which was reclassified from accumulated other comprehensive loss to the statement of operations in the second quarter of fiscal 2013.

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The following table provides additional detail regarding the composition of and reclassification adjustments out of accumulated other comprehensive loss for the period presented:

	Fiscal 2013	Location on Consolidated Statement of Operations
	(in thousands)	
Beginning Balance	$ (8,758)	
Reclassification adjustments:		
Reclassification to net income due to settlement of the pension plan	14,224	Operating expenses
Tax benefit of the settlement of the pension plan	(5,289)	Income tax provision
Other changes to accumulated other comprehensive loss:		
Change in minimum pension liability	(177)	
Ending Balance	$ —	

The components of net periodic benefit cost are comprised of the following for the period presented:

	Fiscal 2013
	(in thousands)
Interest cost	$ 843
Expected return on plan assets	(808)
Loss recognized due to settlements	14,224
Amortization of net loss	494
Net periodic benefit cost	$ 14,753

For the period presented, other changes in plan assets and benefit obligations recognized in net periodic cost and other comprehensive (income) loss consist of:

	Fiscal 2013
	(in thousands)
Net actuarial loss	$ 671
Loss recognized due to settlements	(14,224)
Amortization of net loss	(494)
Total recognized in other comprehensive (income) loss	(14,047)
Net periodic benefit cost	14,753
Total recognized in net periodic benefit cost and other comprehensive income	$ 706

Other Benefit Plans

401(k) Plan- The Company sponsors a 401(k) Plan (the "Plan"). Eligible employees may contribute up to 50% of their compensation to the 401(k) Plan, on a pre-tax basis, subject to Internal Revenue Service limitations. As of the first day of the month following an employee's completion of six months and 500 hours of service as defined under the terms of the 401(k) Plan, the Company matches employee deferrals, 100% on the first 3% of eligible compensation deferred and 50% on the next 2% of eligible compensation deferred. Additionally, the Company may contribute a discretionary profit sharing amount to the

Plan each year, but has not for the past three fiscal years. The Company incurred costs associated with the Plan of $3.8 million, $3.2 million and $3.1 million for fiscal 2015, 2014 and 2013, respectively.

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Deferred Compensation Plan- The Company sponsors a non-qualified deferred compensation plan for certain executives and non-employee members of the Board of Directors that is intended to defer the receipt of compensation. As of January 30, 2016 and January 31, 2015, the plan liability was $2.2 million.

16. COMMITMENTS AND CONTINGENCIES

Legal Proceedings- The Company is involved in various legal proceedings that are incidental to the conduct of its business. Although it is not possible to predict with certainty the eventual outcome of any litigation, in the opinion of management, the amount of any potential liability with respect to current legal proceedings will not be material to results of operations or financial condition. As additional information becomes available, the Company will assess the potential liability related to its pending litigation and revise the estimates as needed.

Merger with Retail Ventures, Inc. ("the Merger")- As of the effective time of the Merger, a subsidiary of DSW Inc. assumed the obligations under RVI's guarantees related to discontinued operations. DSW Inc. may become subject to various risks related to guarantees and in certain circumstances may be responsible for certain other liabilities related to these discontinued operations. In the first quarter of 2015, the Company recorded a $2.0 million benefit from the final distribution from the bankruptcy debtor's estates related to the Filene's Basement's bankruptcy in 2011 within operating expenses on the consolidated statement of operations.

Filene's Basement- Following the Merger, a subsidiary of DSW Inc., Merger Sub, assumed RVI's obligations under lease guarantees for three Filene's Basement retail store locations for leases assumed by Syms in its purchase of Filene's Basement in fiscal 2009. The remaining guarantee is described in more detail below:

> *Union Square, NY-* RVI guaranteed Filene's Basement's obligations for the Union Square location when RVI owned Filene's Basement, and the landlord at the Union Square location brought a lawsuit against Merger Sub in the Supreme Court of the State of New York seeking payment under the guarantee of the lease (the lease is scheduled to expire in 2024). On February 27, 2015, the parties jointly entered into a Stipulation and Settlement Agreement that provides for the settlement and release of the guaranty litigation and certain claims arising from the Filene's/Syms bankruptcy. The settlement approximated the accrual.

Contractual Obligations- As of January 30, 2016, the Company has entered into various construction commitments, including capital items to be purchased for projects that were under construction, or for which a lease has been signed. The Company's obligations under these commitments were $5.2 million as of January 30, 2016. In addition, the Company has entered into various noncancelable purchase and service agreements. The obligations under these agreements were $28.6 million as of January 30, 2016. The Company has also signed lease agreements for 33 new store locations, expected to be opened in fiscal 2016 and 2017, with total annual rent of approximately $9.5 million. In connection with the new lease agreements, the Company will receive a total of $13.8 million of construction and tenant allowance reimbursements for expenditures at these locations.

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17. SEGMENT REPORTING

The reportable segments are the DSW segment, which includes DSW stores and dsw.com, and the ABG segment. The Company has identified such segments based on internal management reporting and responsibilities and measures segment profit as gross profit, which is defined as net sales less cost of sales. All operations are located in the United States and its territories. The goodwill balance of $25.9 million as of January 30, 2016 and January 31, 2015 is recorded in the DSW segment. In order to reconcile to the consolidated financial statements, the Company includes Other, which consists of assets, liabilities and expenses of the former RVI (see Note 2), the investment in Town Shoes (see Note 3), cash and assets of DSW's Canadian subsidiary.

	DSW segment	ABG segment	Other	Total
		(in thousands)		
As of and for the fiscal year ended January 30,2016				
Net sales	$ 2,470,107	$ 150,141	—	$ 2,620,248
Gross profit	740,402	27,967	—	768,369
Capital expenditures	110,839	852	—	111,691
Total assets	1,126,179	105,259	$ 137,671	1,369,109
As of and for the fiscal year ended January 31, 2015				
Net sales	$ 2,352,464	$ 143,628	—	$ 2,496,092
Gross profit	726,630	28,391	—	755,021
Capital expenditures	90,215	3,099	—	93,314
Total assets	1,263,577	104,897	$ 69,769	1,438,243
As of and for the fiscal year ended February 1, 2014				
Net sales	$ 2,230,996	$ 137,672	—	$ 2,368,668
Gross profit	710,972	28,315	—	739,287
Capital expenditures	83,231	569	—	83,800

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18. INCOME TAXES

Income Tax Provision- The following table presents the composition of the provision for income taxes for continuing operations for the periods presented:

	Fiscal year ended		
	January 30, 2016	January 31, 2015	February 1, 2014
		(in thousands)	
Current:			
Federal	$ 64,416	$ 80,205	$ 36,407
Foreign	941	716	22
State and local	9,186	16,832	14,671
Total current tax expense	74,543	97,753	51,100
Deferred:			
Federal	8,035	(1,616)	42,557
Foreign	817	—	—
State and local	411	255	(1,098)
Total deferred tax expense	9,263	(1,361)	41,459
Income tax provision	$ 83,806	$ 96,392	$ 92,559

Rate Reconciliation- The following table presents a reconciliation of the expected income taxes for continuing operations based upon the statutory federal income tax rate:

	Fiscal year ended		
	January 30, 2016	January 31, 2015	February 1, 2014
		(in thousands)	
Income tax expense at federal statutory rate	$ 76,944	$ 87,297	$ 85,402
State and local taxes-net	7,847	8,808	8,532
Foreign	1,031	(405)	(16)
Other	(2,016)	692	(1,359)
Income tax provision	$ 83,806	$ 96,392	$ 92,559

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	January 30, 2016	January 31, 2015
	(in thousands)	
Deferred tax assets:		
State net operating loss and tax credits	$ 571	$ 701
Inventory	7,961	7,562
Construction and tenant allowances	3,454	6,074
Stock-based compensation	10,799	9,624
Benefit from uncertain tax positions	85	100
Guarantees	4	1,185
Accrued expenses	2,495	1,890
Accrued rewards	4,016	5,918
Accrued rent	15,063	15,395
Other	14,312	14,317
Total deferred tax assets, gross of valuation allowance	58,760	62,766
Less: valuation allowance	(1,250)	(1,246)
Total deferred tax assets, net of valuation allowance	57,510	61,520
Deferred tax liabilities:		
Property and equipment	(32,215)	(27,236)
Prepaid expenses	(1,024)	(1,113)
Other	(2,456)	(2,092)
Total deferred tax liabilities	(35,695)	(30,441)
Total – net deferred tax asset	$ 21,815	$ 31,079

The federal net operating loss and state net operating loss and tax credits were fully utilized in 2013. The Company establishes valuation allowances for deferred tax assets when the amount of expected future taxable income is not likely to support the use of the deduction or credit. The valuation allowance as of January 30, 2016 is related to a capital loss carryforward, federal and state income tax credits and state income tax refunds. The valuation allowance as of January 31, 2015 was related to a capital loss carryforward and state income tax credits.

As of January 30, 2016, U.S. taxes have not been provided on unremitted earnings of subsidiaries operating outside of the United States. These earnings, which are considered to be invested indefinitely, would become subject to income tax if the Company elects to distribute these foreign earnings in the future. Determination of the amount of unrecognized deferred U.S. income tax liability on these unremitted earnings is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

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Uncertain Tax Positions- As of January 30, 2016, January 31, 2015 and February 1, 2014, unrecognized tax benefits of $3.9 million, $3.4 million and $1.8 million, respectively, of the total unrecognized tax benefits would affect the effective tax rate if recognized. The following table presents the reconciliation of the beginning and ending amount of unrecognized tax benefits as of the periods presented:

	January 30, 2016	January 31, 2015	February 1, 2014
		(in thousands)	
Beginning balance	$ 3,386	$ 1,838	$ 1,253
Additions for tax positions taken in the current year	1,511	1,621	1,184
Reductions for tax positions taken in prior years:			
Changes in judgment	—	—	(69)
Lapses of applicable statutes of limitations	(644)	—	(530)
Settlements during the year	(365)	(73)	—
Ending balance	$ 3,888	$ 3,386	$ 1,838

While it is expected that the amount of unrecognized tax benefits will change in the next 12 months, any changes are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

As of January 30, 2016 and January 31, 2015, $0.6 million and $0.5 million, respectively, was accrued for the payment of interest and penalties.

DSW Inc. is no longer subject to U.S federal income tax examination and state income tax examinations for years prior to 2011. DSW Inc. estimates the range of possible changes that may result from any current and future tax examinations to be insignificant at this time.

19. QUARTERLY FINANCIAL DATA (UNAUDITED)

In the Company’s opinion, the unaudited quarterly financial information reflects all normal and recurring accruals and adjustments necessary for a fair presentation of net income for interim periods. Quarterly results are not necessarily indicative of a full year’s operations because of various factors. The following tables present unaudited quarterly financial information for the periods presented:

	Thirteen weeks ended			
	May 2, 2015	August 1, 2015	October 31, 2015	January 30, 2016
	(in thousands, except per share data)			
Net sales	$ 655,486	$ 627,206	$ 665,520	$ 672,036
Cost of sales	(442,428)	(435,904)	(466,554)	(506,993)
Operating expenses	(139,486)	(131,721)	(135,637)	(147,974)
Operating profit	73,572	59,581	63,329	17,069
Interest income, net	920	752	952	838
Non-operating income (expense)	3,312	(7)	(107)	(20)
Income from continuing operations before income taxes and (loss) income from Town Shoes	77,804	60,326	64,174	17,887
Income tax provision	(29,096)	(22,486)	(25,575)	(6,649)
(Loss) income from Town Shoes	(1,342)	(230)	696	525
Net income	$ 47,366	$ 37,610	$ 39,295	$ 11,763

Diluted earnings per share(1):	$ 0.53	$ 0.42	$ 0.44	$ 0.14

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DSW INC.
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	Thirteen weeks ended			
	May 3, 2014	August 2, 2014	November 1, 2014	January 31, 2015
	(in thousands, except per share data)			
Net sales	$ 598,947	$ 587,096	$ 669,872	$ 640,177
Cost of sales	(410,942)	(415,192)	(451,315)	(463,622)
Operating expenses	(126,754)	(118,582)	(138,720)	(128,480)
Operating profit	61,251	53,322	79,837	48,075
Interest income, net	991	659	737	734
Income from continuing operations before income taxes and income from Town Shoes	62,242	53,981	80,574	48,809
Income tax provision	(23,603)	(20,860)	(32,069)	(19,860)
Income from Town Shoes	—	849	1,049	1,915
Income from continuing operations	38,639	33,970	49,554	30,864
Income (loss) from discontinued operations, net of tax	—	358	—	(86)
Net income	$ 38,639	$ 34,328	$ 49,554	$ 30,778
Diluted earnings per share(1):	$ 0.42	$ 0.38	$ 0.55	$ 0.34

(1) The earnings per share calculations for each quarter are based upon the applicable weighted average shares outstanding for each period and may not necessarily be equal to the full year share amount.

20. SUBSEQUENT EVENTS

Dividends- On March 15, 2016, DSW Inc.'s Board of Directors declared a quarterly cash dividend payment of $0.20 per share. The dividend will be paid on April 15, 2016 to shareholders of record at the close of business on April 1, 2016.

Acquisition- On February, 15, 2016, DSW Shoe Warehouse, Inc., a wholly owned subsidiary of DSW Inc., entered into a Stock Purchase Agreement to acquire Ebuys, Inc. ("Ebuys"), an online close-out footwear and accessories retailer for $62.5 million, less adjustments for working capital. Ebuys sells products to customers located in North America, Europe, Australia and Asia. The transaction supports DSW Inc.'s efforts to grow its market share within footwear and accessories domestically and internationally.

Ebuys may also receive future payments contingent on its performance. The provisional fair value of this contingent consideration is estimated to be $55 million, subject to final closing adjustments. DSW Inc. estimated the fair value of the contingent consideration using a risk-weighted discounted cash flow model. At each future reporting date, DSW Inc. will remeasure the contingent consideration liabilities at fair value until the contingencies are resolved in 2020. Ebuys will be a wholly owned subsidiary of DSW Shoe Warehouse, Inc. and will maintain its team and facilities. The transaction closed on March 4, 2016. The allocation of the purchase price was not complete as of the time that financial statements were ready for issuance.

INDEX TO EXHIBITS

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated February 8, 2011, among DSW Inc., DSW MS LLC, and Retail Ventures, Inc. Incorporated by reference to Exhibit 2.1 to Form 8-K/A (file no. 001-32545) filed February 25, 2011.
2.2	Agreement of Purchase and Sale, dated October 31, 2012, among DSW Inc., 4300 East Fifth Avenue LLC, 4300 Venture 34910 LLC, and 4300 Venture 6729 LLC. Incorporated by reference to Exhibit 2.1 to Form 8-K (file no. 001-32545) filed November 1, 2012.
2.3#	Stock Purchase Agreement, dated February 16, 2016, among DSW Shoe Warehouse, Inc. and Ebuys, Inc. Incorporated by reference to Exhibit 2.1 to DSW's Form 8-K (file no. 001-32545) filed February 17, 2016.
3.1	Amended and Restated Articles of Incorporation of DSW Inc. dated November 1, 2013. Incorporated by reference to Exhibit 3.1 to DSW's Form 8-K (file no. 001-32545) filed November 4, 2013.
3.2	Amended and Restated Code of Regulations of the registrant. Incorporated by reference to the same exhibit to Form 10-K (file no. 001-32545) filed April 13, 2006.
4.1	Specimen Class A Common Shares certificate. Incorporated by reference to the same exhibit to Form 10-K (file no. 001-32545) filed April 13, 2006.
10.1	Corporate Services Agreement, dated June 12, 2002, between Retail Ventures and Schottenstein Stores Corporation. Incorporated by reference to Exhibit 10.6 to Retail Ventures' Form 10-Q (file no. 001-10767) filed June 18, 2002.
10.1.1	Amendment to Corporate Services Agreement, dated July 5, 2005, among Retail Ventures, Schottenstein Stores Corporation and Schottenstein Management Company, together with Side Letter Agreement, dated July 5, 2005, among Schottenstein Stores Corporation, Retail Ventures, Inc., Schottenstein Management Company and DSW Inc. related thereto. Incorporated by reference to Exhibit 10.5 to Retail Ventures' Form 8-K (file no. 001-10767) filed July 11, 2005.
10.2#	Employment Agreement, dated March 4, 2005, between Deborah L. Ferrée and DSW Inc. Incorporated by reference to Exhibit 10.4 to Form S-1 (Registration Statement No. 333-123289) filed March 14, 2005.
10.2.1#	First Amendment to Employment Agreement, dated December 31, 2007, between Deborah L. Ferrée and DSW Inc. Incorporated by reference to Exhibit 10.2.1 to Form 10-K (file no. 001-32545) filed April 17, 2008.
10.2.2#*	Second Amendment to Employment Agreement, dated February 12, 2016, between Deborah L. Ferrée and DSW Inc.
10.3#	DSW Inc. 2014 Long-Term Incentive Plan. Incorporated by reference to Appendix C to Form DEF 14A (file no. 001-32545) filed April 30, 2014.
10.3.1#	Form of Restricted Stock Units Award Agreement for Employees. Incorporated by reference to Exhibit 10.3.1 to Form 10-K (file no. 001-32545) filed March 26, 2015.
10.3.2#	Form of Stock Units for automatic grants to non-employee directors. Incorporated by reference to Exhibit 10.3.2 to Form 10-K (file no. 001-32545) filed March 26, 2015.
10.3.3#	Form of Nonqualified Stock Option Award Agreement for Employees. Incorporated by reference to Exhibit 10.3.3 to Form 10-K (file no. 001-32545) filed March 26, 2015.
10.3.4#	Form of Performance-Based Restricted Stock Units Award Agreement for Employees. Incorporated by reference to Exhibit 10.3.4 to Form 10-K (file no. 001-32545) filed March 26, 2015.
10.4	$50,000,000 Revolving Credit Facility Amended and Restated Credit Agreement, between DSW Inc., as Borrower, and PNC Bank, National Association, as Lender dated August 2, 2013. Incorporated by reference to Exhibit 10.1 to Form 10-Q (file no. 001-32545) filed September 6, 2013.
10.5	Cost Sharing Agreement, dated November 1, 2012, between 4300 East Fifth Avenue LLC and 810 AC LLC, a wholly owned subsidiary of DSW. Incorporated by reference to Exhibit 10.1 to Form 8-K filed November 1, 2012.
10.6#	

	DSW Inc. 2005 Cash Incentive Compensation Plan. Incorporated by reference to Appendix B to Form DEF 14A (file no. 001-32545) filed April 30, 2014.
10.7	Lease, dated August 30, 2002, by and between Jubilee Limited Partnership, an affiliate of Schottenstein Stores Corporation, and Shonac Corporation, re: Troy, MI DSW store. Incorporated by reference to Exhibit 10.44 to Retail Ventures' Form 10-K (file no. 001-10767) filed April 29, 2004.
10.7.1	Assignment and Assumption Agreement, dated October 23, 2002, between Shonac Corporation, as assignor, and DSW Shoe Warehouse, Inc., as assignee re: Troy, MI DSW store. Incorporated by reference to Exhibit 10.29.1 to Retail Ventures' Form 10-K/A (file no. 001-10767) filed May 12, 2005.

10.8	Lease, dated October 28, 2003, by and between JLP-RICHMOND LLC, an affiliate of Schottenstein Stores Corporation, and Shonac Corporation, re: Richmond, VA DSW store. Incorporated by reference to Exhibit 10.47 to Retail Ventures' Form 10-K (file no. 001-10767) filed April 29, 2004.
10.8.1	Assignment and Assumption Agreement, dated December 18, 2003 between Shonac Corporation, as assignor, and DSW Shoe Warehouse, Inc., as assignee re: Richmond, VA DSW store. Incorporated by reference to Exhibit 10.31.1 to Retail Ventures' Form 10-K/A (file no. 001-10767) filed May 12, 2005.
10.9	Lease, dated May 2000, by and between Jubilee-Richmond LLC, an affiliate of Schottenstein Stores Corporation, and DSW Shoe Warehouse, Inc. (as assignee of Shonac Corporation), re: Glen Allen, VA DSW store. Incorporated by reference to Exhibit 10.49 to Retail Ventures' Form 10-K (file no. 001-10767) filed April 14, 2005.
10.10	Lease, dated February 28, 2001, by and between Jubilee-Springdale, LLC, an affiliate of Schottenstein Stores Corporation, and Shonac Corporation d/b/a DSW Shoe Warehouse, re: Springdale, OH DSW store. Incorporated by reference to Exhibit 10.50 to Retail Ventures' Form 10-K (file no. 001-10767) filed April 14, 2005.
10.10.1	Assignment and Assumption Agreement, dated May 11, 2001, between Shonac Corporation, as assignor, and DSW Shoe Warehouse, Inc., as assignee re: Springdale, OH DSW store. Incorporated by reference to Exhibit 10.50.1 to Retail Ventures' Form 10-K/A (file no. 001-10767) filed May 12, 2005.
10.11	Agreement of Lease, dated 1997, between Shoppes of Beavercreek Ltd., an affiliate of Schottenstein Stores Corporation, and Shonac corporation (assignee of Schottenstein Stores Corporation d/b/a Value City Furniture through Assignment of Tenant's Leasehold Interest and Amendment No. 1 to Agreement of Lease, dated February 28, 2001), re: Beavercreek, OH DSW store. Incorporated by reference to Exhibit 10.51 to Retail Ventures' Form 10-K (file no. 001-10767) filed April 14, 2005.
10.11.1	Assignment and Assumption Agreement, dated May 11, 2001, between Shonac Corporation, as assignor, and DSW Shoe Warehouse, Inc., as assignee re: Beavercreek, OH DSW store. Incorporated by reference to Exhibit 10.51.1 to Retail Ventures' Form 10-K/A (file no. 001-10767) filed May 12, 2005.
10.12	Lease, dated February 28, 2001, by and between JLP-Chesapeake, LLC, an affiliate of Schottenstein Stores Corporation, and Shonac Corporation, re: Chesapeake, VA DSW store. Incorporated by reference to Exhibit 10.52 to Retail Ventures' Form 10-K (file no. 001-10767) filed April 14, 2005.
10.12.1	Assignment and Assumption Agreement, dated May 11, 2001, between Shonac Corporation, as assignor, and DSW Shoe Warehouse, Inc., as assignee re: Chesapeake, VA DSW store. Incorporated by reference to Exhibit 10.52.1 to Retail Ventures' Form 10-K/A (file no. 001-10767) filed May 12, 2005.
10.13	Ground Lease Agreement, dated April 30, 2002, by and between Polaris Mall, LLC, a Delaware limited liability company, and Schottenstein Stores Corporation-Polaris LLC, an affiliate of Schottenstein Stores Corporation, as modified by Sublease Agreement, dated April 30, 2002, by and between Schottenstein Stores Corporation-Polaris LLC, as sublessor, and DSW Shoe Warehouse, Inc., as sublessee (assignee of Shonac Corporation), re: Columbus, OH (Polaris) DSW store. Incorporated by reference to Exhibit 10.53 to Retail Ventures' Form 10-K (file no. 001-10767) filed April 14, 2005.
10.13.1	Assignment and Assumption Agreement, dated August 6, 2002, between Shonac Corporation, as assignor, and DSW Shoe Warehouse, Inc., as assignee, re: Columbus, OH (Polaris) DSW store. Incorporated by reference to Exhibit 10.53.1 to Retail Ventures' Form 10-K/A (file no. 001-10767) filed May 12, 2005.
10.14	Lease, dated August 30, 2002, by and between JLP-Cary, LLC, an affiliate of Schottenstein Stores Corporation, and Shonac Corporation, re: Cary, NC DSW store. Incorporated by reference to Exhibit 10.54 to Retail Ventures' Form 10-K (file no. 001-10767) filed April 14, 2005.
10.14.1	Assignment and Assumption Agreement, dated October 23, 2002, between Shonac Corporation, as assignor, and DSW Shoe Warehouse, Inc., as assignee, re: Cary, NC DSW store. Incorporated by reference to Exhibit 10.54.1 to Retail Ventures' Form 10-K/A (file No. 001-10767) filed May 12, 2005.
10.15	Lease, dated August 30, 2002, by and between JLP-Madison, LLC, an affiliate of Schottenstein Stores Corporation, and Shonac Corporation, re: Madison, TN DSW store. Incorporated by reference to Exhibit 10.55 to Retail Ventures' Form 10-K (file no. 001-10767) filed April 14, 2005.
10.15.1	Assignment and Assumption Agreement, dated October 23, 2002, between Shonac Corporation, as assignor, and DSW Shoe Warehouse, Inc., as assignee, re: Madison, TN DSW store. Incorporated by reference to Exhibit 10.55.1 to Retail Ventures' Form 10-K/A (file no. 001-10767) filed May 12, 2005.
10.16	Sublease, dated May 2000, by and between Schottenstein Stores Corporation, as sublessor, and Shonac Corporation d/b/a DSW Shoe Warehouse, Inc., as sublessee, re: Pittsburgh, PA DSW store. Incorporated by reference to Exhibit 10.48 to Retail Ventures' Form 10-K (file no. 001-10767) filed April 14, 2005.

10.16.1	Assignment and Assumption Agreement, dated January 8, 2001, between Shonac Corporation, as assignor, and DSW Shoe Warehouse, Inc. as assignee, re: Pittsburgh, PA DSW store. Incorporated by reference to Exhibit 10.48.1 to Retail Ventures' Form 10-K/A (file no. 001-10767) filed May 12, 2005.

10.17	Sublease Agreement, dated June 12, 2000, by and between Jubilee Limited Partnership, an affiliate of Schottenstein Stores Corporation, and Shonac Corporation, re: Fairfax, VA DSW store. Incorporated by reference to Exhibit 10.42 to Form S-1 (Registration Statement No. 333-123289) filed with the Securities and Exchange Commission on March 14, 2005 and amended on May 9, 2005, June 7, 2005, June 15, 2005 and June 29, 2005.
10.17.1	Assignment and Assumption Agreement, dated January 8, 2001, between Shonac Corporation, as assignor, and DSW Shoe Warehouse, Inc., as assignee, re: Fairfax, VA DSW store. Incorporated by reference to the Exhibit 10.42.1 to Form S-1 (Registration Statement No. 333-123289) filed with the Securities and Exchange Commission on March 14, 2005 and amended on May 9, 2005, June 7, 2005, June 15, 2005 and June 29, 2005.
10.18	Lease, dated March 1, 1994, between Jubilee Limited Partnership, an affiliate of Schottenstein Stores Corporation, and Value City Department Stores, Inc., as modified by First Lease Modification, dated November 1, 1994, re: Merrillville, IN DSW store. Incorporated by reference to Exhibit 10.44 to Retail Ventures' Form 10-K (file no. 001-10767) filed April 14, 2005.
10.18.1	Assignment and Assumption Agreement, dated January 17, 2008, between Value City Department Stores LLC, as assignor, and DSW Shoe Warehouse, Inc., as assignee, re: Merrillville, IN DSW Store. Incorporated by reference to Exhibit 10.43.1 to Form 10-K (file no. 001-32545) filed April 17, 2008.
10.19	Form of Indemnification Agreement between DSW Inc. and its officers and directors. Incorporated by reference to Exhibit 10.44 to Form S-1 (Registration Statement No. 333-123289) Amendment No. 4 filed June 27, 2005.
10.20	Agreement of Lease, dated April 7, 2006, by and between JLP-Harvard Park, LLC, an affiliate of Schottenstein Stores Corporation, and DSW Inc., re: Chagrin Highlands, Warrendale, Ohio DSW store. Incorporated by reference to Exhibit 10.45 to Form 10-K (file no. 001-32545) filed April 13, 2006.
10.21	Agreement of Lease, dated June 30, 2006, between JLPK – Levittown NY LLC, an affiliate of Schottenstein Stores Corporation and DSW Inc., re: Levittown, NY DSW store. Incorporated by reference to Exhibit 10.1 to Form 10-Q (file no. 001-32545) filed December 6, 2006.
10.22	Agreement of Lease, dated November 27, 2006, between JLP – Lynnhaven VA LLC, an affiliate of Schottenstein Stores Corporation and DSW Inc., re: Lynnhaven, Virginia DSW store. Incorporated by reference to Exhibit 10.2 to Form 10-Q (file no. 001-32545) filed December 6, 2006.
10.23	Management Agreement, dated November 1, 2012, between Schottenstein Property Group, LLC and 810 AC LLC, a wholly owned subsidiary of DSW. Incorporated by reference to Exhibit 10.2 to Form 8-K (file no. 001-32545) filed November 1, 2012.
10.24	Amendment to Master Separation Agreement between DSW Inc. and Retail Ventures, Inc., dated May 26, 2011. Incorporated by reference to Exhibit 10.1 to Form 8-K (file No. 001-32545) filed May 26, 2011.
10.25	Amended and Restated Supply Agreement dated May 30, 2006, between DSW Inc. and Stein Mart, Inc. Incorporated by reference to Exhibit 10.1 to Form 8-K (file no. 001-32545) filed June 5, 2006.
10.26#	Nonqualified Deferred Compensation Plan. Incorporated by reference to Exhibit 10.1 to Form 10-Q (file no. 001-32545) filed December 13, 2007.
10.27	Agreement of Lease, dated October 1, 2007, between 4300 Venture 34910 LLC, an affiliate of Schottenstein Stores Corporation and eTailDirect LLC re: fulfillment center. Incorporated by reference to Exhibit 10.1 to Form 8-K (file no. 001-32545) filed March 6, 2008.
10.27.1	Lease Amendment to Agreement of Lease, dated September 29, 2009, between 4300 Venture 34910 LLC, an affiliate of Schottenstein Stores Corporation and eTailDirect LLC re: fulfillment center. Incorporated by reference to Exhibit 10.1 to Form 10-Q (file no. 001-32545) filed December 3, 2009.
10.27.2	Second Lease Amendment to Agreement of Lease, dated November 30, 2010, between 4300 Venture 34910 LLC, an affiliate of Schottenstein Stores Corporation and eTailDirect LLC re: fulfillment center. Incorporated by reference to Exhibit 10.56.2 to Form 10-K (file no. 001-32545) filed March 22, 2011.
10.28	Guaranty by DSW Inc. to 4300 Venture 34910 LLC, an affiliate of Schottenstein Stores Corporation re: Lease, dated October 1, 2007 between 4300 Venture 34910 LLC, an affiliate of Schottenstein Stores Corporation and eTailDirect LLC re: new fulfillment center for the business of dsw.com. Incorporated by reference to Exhibit 10.5 to Form 8-K (file no. 001-32545) filed March 6, 2008.
10.29#	Employment Agreement, dated March 27, 2009, between William L. Jordan and DSW Inc. Incorporated by reference to Exhibit 10.61 to Form 10-K (file no. 001-32545) filed April 1, 2009.
10.29.1#*	

	First Amendment to Employment Agreement, dated November 9, 2015, between William L. Jordan and DSW Inc.
10.30	Lease, dated August 26, 2010, by and between JLP Nashua NH LLC, an affiliate of Schottenstein Stores Corporation, and DSW Shoe Warehouse, Inc., re: Nashua, NH store. Incorporated by reference to Exhibit 10.1 to Form 10-Q (file no. 001-32545) filed December 1, 2010.

10.31#	Employment Agreement, dated December 11, 2007, between Carrie S. McDermott and DSW Inc. Incorporated by reference to Exhibit 10.66 to Form 10-K (file no. 001-32545) filed March 22, 2011.
10.31.1#*	First Amendment to Employment Agreement, dated February 24, 2016, between Carrie S. McDermott and DSW Inc.
10.32	Lease, dated July 19, 2000, by and between Jubilee Limited Partnership, an affiliate of Schottenstein Stores Corporation, and Value City Department Stores, Inc., as modified by Lease Modification Agreement, dated November 2, 2000, re: 3704 W. Dublin-Granville Rd., Columbus, OH DSW/Filene's combo store. Incorporated by reference to Exhibit 10.56 to Retail Ventures' Form 10-K (file no. 001-10767) filed April 14, 2005.
10.32.1	Assignment and Assumption of Lease Agreement, dated January 22, 2008, between Value City Department Stores LLC, Retail Ventures, Inc. and Jubilee-Sawmill LLC, an affiliate of Schottenstein Stores Corporation, re: 3704 W. Dublin-Granville Rd., Columbus, OH DSW/Filene's combo store. Incorporated by reference to Exhibit 10.55.1 to Retail Ventures' Form 10-K (file no. 001-10767) filed April 25, 2008.
10.32.2	Lease Amendment to Agreement of Lease, by and between Jubilee-Sawmill LLC, an Ohio limited liability company, successor in interest to Jubilee Limited Partnership ("Landlord"), and DSW Shoe Warehouse, Inc. Incorporated by reference to Exhibit 10.2 to Form 10-Q (file no. 001-32545) filed December 6, 2013.
10.33	Consulting Agreement, dated January 10, 2013, between DSW Inc. and SB Capital Group, LLC. Incorporated by reference to Exhibit 10.45 to Form 10-K (file no. 001-32545) filed March 28, 2013.
10.34	Third Lease Amendment to Agreement of Lease, dated March 1, 2013, between 4300 Venture 34910 LLC, a Schottenstein Affiliate, and eTailDirect LLC re: fulfillment center. Incorporated by reference to Exhibit 10.2 to Form 10-Q (file no. 001-32545) filed June 7, 2013.
10.35	Letter of Credit Agreement dated as of August 2, 2013 among, DSW Inc. as the lead borrower, Wells Fargo Bank, National Association, as L/C Issuer. Incorporated by reference to Exhibit 10.2 to Form 10-Q (file no. 001-32545) filed September 6, 2013.
10.35.1*	Amendment to Letter of Credit Agreement dated as of January 11, 2016 among, DSW Inc. as the lead borrower and PNC Bank as the Lender.
10.36#	Amended Employment Agreement, dated March 19, 2014, between Roger Rawlins and DSW Inc. Incorporated by reference to Exhibit 10.50 to Form 10-K (file no. 001-32545) filed March 27, 2014.
10.36.1#	Employment Agreement, dated December 21, 2015, between Roger Rawlins and DSW Inc. Incorporated by reference to Exhibit 10.1 to Form 8-K (file no. 001-32545) filed December 22, 2015.
10.37	Summary of Director Compensation. Incorporated by reference to Exhibit 10.1 to Form 10-Q filed September 5, 2014.
10.37.1*	Amended Summary of Director Compensation
10.38#	Employment Agreement, dated April 28, 2014, between Mary Meixelsperger and DSW Inc. Incorporated by reference to Exhibit 10.44 to Form 10-K (file no. 001-32545) filed March 26, 2015.
10.38.1#*	First Amendment to Employment Agreement, dated February 12, 2016, between Mary Meixelsperger and DSW Inc.
10.39#*	Employment Agreement, dated January 4, 2016, between Simon Nankervis and DSW Inc.
18.1	Preferability letter on change in classification of tax interest and penalties from Deloitte & Touche, LLP, dated June 4, 2015. Incorporated by reference to Exhibit 18.1 to Form 10-Q (file no. 001-32545) filed June 4, 2015.
21.1*	List of Subsidiaries.
23.1*	Consent of Independent Registered Public Accounting Firm.
24.1*	Powers of Attorney.
31.1*	Rule 13a-14(a)/15d-14(a) Certification - Principal Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification - Principal Financial Officer.
32.1*	Section 1350 Certification - Principal Executive Officer.
32.2*	Section 1350 Certification - Principal Financial Officer.
101*	XBRL Instance documents

* Filed herewith.
\# Management contract or compensatory plan or arrangement.

Exhibit B

Trademarks > Trademark Electronic Search System (TESS)

TESS was last updated on Mon May 2 03:21:18 EDT 2016

 Record 20 out of 80

KELLY & KATIE

Word Mark	KELLY & KATIE
Goods and Services	IC 014. US 002 027 028 050. G & S: Jewelry. FIRST USE: 20121108. FIRST USE IN COMMERCE: 20121108
Standard Characters Claimed	
Mark Drawing Code	(4) STANDARD CHARACTER MARK
Serial Number	85863179
Filing Date	February 28, 2013
Current Basis	1A
Original Filing Basis	1A
Published for Opposition	May 28, 2013
Registration Number	4384064
Registration Date	August 13, 2013
Owner	(REGISTRANT) **DSW** Shoe Warehouse, Inc. CORPORATION MISSOURI 810 **DSW** Drive Columbus OHIO 43219
Attorney of Record	Theodore R. Remaklus
Prior Registrations	3024236;4042385
Type of Mark	TRADEMARK
Register	PRINCIPAL
Live/Dead Indicator	**LIVE**

Trademarks > Trademark Electronic Search System (TESS)

TESS was last updated on Mon May 2 03:21:18 EDT 2016

AUDREY BROOKE

Word Mark	AUDREY BROOKE
Goods and Services	IC 018. US 001 002 003 022 041. G & S: Handbags [, backpacks, waist packs, sport bags, luggage, wallets, purses and shoulder bags]. FIRST USE: 20090629. FIRST USE IN COMMERCE: 20090629
Standard Characters Claimed	
Mark Drawing Code	(4) STANDARD CHARACTER MARK
Serial Number	77581478
Filing Date	September 29, 2008
Current Basis	1A
Original Filing Basis	1B
Published for Opposition	February 10, 2009
Registration Number	3729625
Registration Date	December 22, 2009
Owner	(REGISTRANT) **DSW** Shoe Warehouse, Inc. CORPORATION MISSOURI 4150 E. Fifth Avenue Columbus OHIO 43219
Prior Registrations	3130435

Type of Mark	TRADEMARK
Register	PRINCIPAL
Affidavit Text	SECT 15. SECT 8 (6-YR).
Other Data	The name "AUDREY BROOKE" does not identify a living individual.
Live/Dead Indicator	**LIVE**

Trademarks > Trademark Electronic Search System (TESS)

TESS was last updated on Mon May 2 03:21:18 EDT 2016

 Record 12 out of 80

 (Use the "Back" button of the Internet Browser to return to TESS)

ONE WINK

Word Mark	ONE WINK
Goods and Services	IC 014. US 002 027 028 050. G & S: Jewelry. FIRST USE: 20140203. FIRST USE IN COMMERCE: 20140203
Standard Characters Claimed	
Mark Drawing Code	(4) STANDARD CHARACTER MARK
Serial Number	86037297
Filing Date	August 14, 2013
Current Basis	1A
Original Filing Basis	1B
Published for Opposition	January 7, 2014
Registration Number	4720936
Registration Date	April 14, 2015
Owner	(REGISTRANT) **DSW** Shoe Warehouse, Inc. CORPORATION MISSOURI 810 **DSW** Drive Columbus OHIO 43219
Attorney of Record	Theodore R. Remaklus
Type of Mark	TRADEMARK
Register	PRINCIPAL
Live/Dead Indicator	**LIVE**

TESS HOME | NEW USER | STRUCTURED | FREE FORM | BROWSE DICT | SEARCH OG | TOP | HELP | PREV LIST | CURR LIST
NEXT LIST | FIRST DOC | PREV DOC | NEXT DOC | LAST DOC

| .HOME | SITE INDEX | SEARCH | eBUSINESS | HELP | PRIVACY POLICY

Exhibit C

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Oakland, CA 94607
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VIA CERTIFIED MAIL (RETURN RECEIPT REQUESTED)

May 27, 2016

Michael R. MacDonald, President and CEO
DSW, Inc.
810 DSW Drive
Columbus, OH 43219

Corporation Service Company
d/b/a CSC- Lawyers Incorporating Service
2710 Gateway Oaks Drive, Suite 150N
Sacramento, CA 95833

Re: Notice Concerning Deceptive Practices under the California Consumers Legal Remedies Act

To Whom It May Concern:

Pursuant to the California Consumers Legal Remedies Act, California Civil Code Section 1750 et seq. (the "CLRA"), and specifically, Sections 1782(a)(1) and (2), Amy Evans, on behalf of herself and all others similarly situated, through her undersigned counsel, hereby notifies you that DSW, Inc. ("DSW") is alleged to have violated Civil Code Section 1770 by affixing price tags to merchandise sold exclusively at DSW (DSW Exclusive Products) that included a higher "Compare At" price and a lower selling price, despite the fact that the items were never offered for sale anywhere but DSW and were never offered for sale anywhere at the "Compare At" price.

DSW's "Compare At" price tags affirmatively misrepresented the properties, characteristics, and discounts available for its DSW Exclusive Products in a manner violative of the CLRA. In particular, DSW's use of "Compare At" prices on DSW Exclusive Products violated Section 1770 of the California Civil Code, as follows: .

1. DSW misrepresented the characteristics and quality of DSW Exclusive Products by representing that they were comparable to items sold at much higher prices when in fact they were not (Section 1770(a)(5), (7)); and

2. DSW made false or misleading statements of fact concerning the existence and/or amounts of price reductions by including a higher "Compare At" price on price tags for DSW Exclusive Products when DSW knew those products were only ever sold at DSW and only ever offered for sale at the lower "discounted" price (Section 1770(a)(13)).

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Oakland, CA 94607
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Based on the foregoing, Ms. Evans, on behalf of herself and all others similarly situated (the "Class"), demands that DSW cease the above-described misconduct and agree to refund all monies received by DSW from California consumers who purchased DSW Exclusive Products labeled with "Compare At" prices.

Please be advised that should DSW refuse this demand, Ms. Evans will seek monetary damages for herself and a proposed Class of others similarly situated, as well as an award of injunctive relief, restitution, punitive damages, costs, attorneys' fees, and any other relief the court deems proper. Please have your attorney contact us to discuss this notice and demand.

Very truly yours,

Kristen L Sagafi

Kristen Law Sagafi

Cc: Stephanie Sheridan (via email)

Exhibit D

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Facsimile: (954) 525-4300
(pro hac vice to be filed)

Attorneys for Plaintiff

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

AMY EVANS, individually and on behalf of all others similarly situated, Plaintiff, vs. DSW, INC., Defendant.	**DECLARATION OF AMY EVANS**

I, Amy Evans, declare as follows:

1. I am a named plaintiff in the above-captioned litigation.

2. I have personal knowledge of the matters set forth below except to those matters stated herein which are based on information and belief, which matters I believe to be true.

3. If called as a witness I could and would competently testify to the matters included herein.

4. I reside in Sherman Oaks, CA in the County of Los Angeles.

5. I purchased five pairs of Kelly & Katie brand shoes from DSW between March 11, 2016 and April 6, 2016.

6. I am informed and believe that venue is proper in this Court under California Civil Code §1780(c) because I reside in this District and Defendant DSW, Inc. conducts business in this District.

I declare under penalty of perjury under the laws of California and the United States that the foregoing is true and correct and that this declaration was executed on May 31, 2016 in Sherman Oaks, California.

By: ______________________

Amy Evans