

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

**FORM 10-Q**

(Mark one)

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

**For the quarterly period ended April 28, 2012**

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-14678

**Ross Stores, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**94-1390387**

(I.R.S. Employer Identification No.)

**4440 Rosewood Drive, Pleasanton, California**

(Address of principal executive offices)

**94588-3050**

(Zip Code)

Registrant's telephone number, including area code

**(925) 965-4400**

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

N/A

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

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

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

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

The number of shares of Common Stock, with \$.01 par value, outstanding on May 17, 2012 was 225,578,030.

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**Condensed Consolidated Statements of Earnings**

	<b>Three Months Ended</b>	
	<b>April 28, 2012</b>	<b>April 30, 2011</b>
(\$000, except stores and per share data, unaudited)		
<b>Sales</b>	<b>\$ 2,356,841</b>	<b>\$ 2,074,576</b>
<b>Costs and Expenses</b>		
Costs of goods sold	1,679,127	1,481,206
Selling, general and administrative	337,811	309,160
Interest expense, net	2,232	2,495
Total costs and expenses	2,019,170	1,792,861
Earnings before taxes	337,671	281,715
Provision for taxes on earnings	129,058	108,742
Net earnings	<b>\$ 208,613</b>	<b>\$ 172,973</b>
<b>Earnings per share</b>		
Basic	<b>\$ 0.94</b>	<b>\$ 0.75</b>
Diluted	<b>\$ 0.93</b>	<b>\$ 0.74</b>
<b>Weighted average shares outstanding (000)</b>		
Basic	221,104	229,528
Diluted	224,929	233,547
<b>Dividends</b>		
Cash dividends declared per share	\$ -	\$ -
Stores open at end of period	1,146	1,068

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

**Condensed Consolidated Statements of Comprehensive Income**

(\$000, unaudited)	Three Months Ended	
	April 28, 2012	April 30, 2011
Net earnings	\$ 208,613	\$ 172,973
Other comprehensive income:		
Change in unrealized loss on investments, net of tax	(9)	(3)
Comprehensive income	\$ 208,604	\$ 172,970

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

## Condensed Consolidated Balance Sheets

(\$000, unaudited)	April 28, 2012	January 28, 2012	April 30, 2011
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 741,117	\$ 649,835	\$ 671,005
Short-term investments	463	658	3,275
Accounts receivable	66,632	50,848	61,683
Merchandise inventory	1,134,703	1,130,070	1,172,716
Prepaid expenses and other	104,216	87,362	72,900
Deferred income taxes	11,854	5,598	15,662
Total current assets	<u>2,058,985</u>	<u>1,924,371</u>	<u>1,997,241</u>
<b>Property and Equipment</b>			
Land and buildings	342,356	338,027	241,184
Fixtures and equipment	1,471,471	1,408,647	1,281,902
Leasehold improvements	675,796	657,312	595,050
Construction-in-progress	83,291	131,881	85,609
	<u>2,572,914</u>	<u>2,535,867</u>	<u>2,203,745</u>
Less accumulated depreciation and amortization	1,326,313	1,294,145	1,198,071
Property and equipment, net	<u>1,246,601</u>	<u>1,241,722</u>	<u>1,005,674</u>
Long-term investments	5,614	5,602	12,191
Other long-term assets	146,286	129,514	86,888
Total assets	<u>\$ 3,457,486</u>	<u>\$ 3,301,209</u>	<u>\$ 3,101,994</u>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 830,044	\$ 761,717	\$ 742,600
Accrued expenses and other	284,108	304,654	265,586
Accrued payroll and benefits	148,770	248,552	141,268
Income taxes payable	107,715	31,129	89,340
Total current liabilities	<u>1,370,637</u>	<u>1,346,052</u>	<u>1,238,794</u>
Long-term debt	150,000	150,000	150,000
Other long-term liabilities	211,777	203,625	200,575
Deferred income taxes	114,437	108,520	106,519
Commitments and contingencies			
<b>Stockholders' Equity</b>			
Common stock	2,258	2,269	1,171
Additional paid-in capital	826,388	788,895	759,048
Treasury stock	(85,385)	(62,262)	(59,245)
Accumulated other comprehensive income	626	635	485
Retained earnings	866,748	763,475	704,647
Total stockholders' equity	<u>1,610,635</u>	<u>1,493,012</u>	<u>1,406,106</u>
Total liabilities and stockholders' equity	<u>\$ 3,457,486</u>	<u>\$ 3,301,209</u>	<u>\$ 3,101,994</u>

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

## Condensed Consolidated Statements of Cash Flows

	Three Months Ended	
	April 28, 2012	April 30, 2011
(\$000, unaudited)		
<b>Cash Flows From Operating Activities</b>		
Net earnings	\$ 208,613	\$ 172,973
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	43,136	39,934
Stock-based compensation	11,587	9,894
Deferred income taxes	(339)	9,657
Tax benefit from equity issuance	23,123	10,021
Excess tax benefit from stock-based compensation	(22,662)	(9,727)
Change in assets and liabilities:		
Merchandise inventory	(4,633)	(85,799)
Other current assets	(28,890)	(25,392)
Accounts payable	100,177	1,120
Other current liabilities	(33,792)	(80,429)
Other long-term, net	1,010	(1,201)
Net cash provided by operating activities	<u>297,330</u>	<u>41,051</u>
<b>Cash Flows From Investing Activities</b>		
Additions to property and equipment	(57,993)	(70,096)
Increase in restricted cash and investments	(13,410)	-
Purchases of investments	(424)	-
Proceeds from investments	618	1,814
Net cash used in investing activities	<u>(71,209)</u>	<u>(68,282)</u>
<b>Cash Flows From Financing Activities</b>		
Excess tax benefit from stock-based compensation	22,662	9,727
Issuance of common stock related to stock plans	7,955	5,827
Treasury stock purchased	(23,123)	(12,837)
Repurchase of common stock	(110,614)	(112,500)
Dividends paid	(31,719)	(25,905)
Net cash used in financing activities	<u>(134,839)</u>	<u>(135,688)</u>
Net increase (decrease) in cash and cash equivalents	<u>91,282</u>	<u>(162,919)</u>
Cash and cash equivalents:		
Beginning of period	649,835	833,924
End of period	<u>\$ 741,117</u>	<u>\$ 671,005</u>
<b>Supplemental Cash Flow Disclosures</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ 30,258	\$ 54,705
<b>Non-Cash Investing Activities</b>		
Decrease in fair value of investment securities	\$ (13)	\$ (4)

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

## Notes to Condensed Consolidated Financial Statements

Three months ended April 28, 2012 and April 30, 2011  
(Unaudited)

### Note A: Summary of Significant Accounting Policies

**Basis of presentation.** The accompanying unaudited interim condensed consolidated financial statements have been prepared from the records of Ross Stores, Inc. and subsidiaries (the "Company") without audit and, in the opinion of management, include all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the Company's financial position as of April 28, 2012 and April 30, 2011, and the results of operations, comprehensive income, and cash flows for the three month periods then ended. The Condensed Consolidated Balance Sheet as of January 28, 2012, presented herein, has been derived from the Company's audited consolidated financial statements for the fiscal year then ended.

Accounting policies followed by the Company are described in Note A to the audited consolidated financial statements for the fiscal year ended January 28, 2012. Certain information and disclosures normally included in the notes to annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted for purposes of these interim condensed consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including notes thereto, contained in the Company's Annual Report on Form 10-K for the year ended January 28, 2012.

The results of operations for the three month periods ended April 28, 2012 and April 30, 2011 presented herein are not necessarily indicative of the results to be expected for the full fiscal year.

**Stock dividend.** On December 15, 2011 the Company issued a two-for-one stock split in the form of a 100 percent stock dividend. All share and per share amounts have been adjusted for the two-for-one stock split effective December 15, 2011.

**Restricted cash, cash equivalents, and investments.** The Company has restricted cash, cash equivalents, and investments to serve as collateral for certain of the Company's insurance obligations. These restricted funds are invested in bank deposits, money market mutual funds, U.S. Government and agency securities, and corporate securities and cannot be withdrawn from the Company's account without the prior written consent of the secured parties. As of April 28, 2012, the Company had total restricted cash, cash equivalents, and investments of \$80.1 million of which \$22.4 million and \$57.7 million were included in prepaid expenses and other and other long-term assets, respectively, in the Condensed Consolidated Balance Sheet. The classification between current and long-term is based on the timing of expected payments of the secured insurance obligations.

**Estimated fair value of financial instruments.** The carrying value of cash and cash equivalents, short- and long-term investments, restricted cash and cash equivalents, restricted investments, accounts receivable, other long-term assets, accounts payable, and other long-term liabilities approximates their estimated fair value. Cash and cash equivalents were \$741.1 million, \$649.8 million, and \$671.0 million at April 28, 2012, January 28, 2012, and April 30, 2011, respectively, and include bank deposits and money market funds for which the fair value was determined using quoted prices for identical assets in active markets, which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance.

**Sales Mix.** The Company's sales mix is shown below for the three month periods ended April 28, 2012 and April 30, 2011:

	<b>Three Months Ended</b>	
	<b>April 28, 2012</b>	April 30, 2011
Ladies	<b>31%</b>	31%
Home accents and bed and bath	<b>23%</b>	24%
Shoes	<b>14%</b>	14%
Accessories, lingerie, fine jewelry, and fragrances	<b>12%</b>	12%
Men's	<b>12%</b>	11%
Children's	<b>8%</b>	8%
<b>Total</b>	<b>100%</b>	100%

**Dividends.** Dividends included in the Condensed Consolidated Statements of Cash Flows reflect dividends paid during the periods shown. Dividends per share reported on the Condensed Consolidated Statements of Earnings reflect dividends declared during the periods shown. In January 2012, the Company's Board of Directors declared a quarterly cash dividend of \$.14 per common share that was paid in March 2012. In January 2011, the Company's Board of Directors declared a quarterly cash dividend of \$.11 per common share that was paid in March 2011.

In May 2012, the Company's Board of Directors declared a cash dividend of \$.14 per common share, payable on June 29, 2012.

**Revenue recognition.** The Company recognizes revenue at the point of sale and maintains an allowance for estimated future returns. Sales of gift cards are deferred until they are redeemed for the purchase of Company merchandise. The Company's gift cards do not have expiration dates. Based upon historical redemption rates, a small percentage of gift cards will never be redeemed, which represents breakage. The Company recognizes income from gift card breakage as a reduction of operating expenses when redemption by a customer is considered to be remote. Income recognized from breakage was not significant for the three month periods ended April 28, 2012 and April 30, 2011. Sales tax collected is not recognized as revenue and is included in accrued expenses and other.

**Provision for litigation costs and other legal proceedings.** Like many California retailers, the Company has been named in class action lawsuits alleging violation of wage and hour matters and other employment laws. Class action litigation remains pending as of April 28, 2012.

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

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

**Note B: Investments and Restricted Investments**

The amortized cost and fair value of the Company's available-for-sale securities as of April 28, 2012 were:

(\$000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short-term	Long-term
<b>Investments</b>						
Corporate securities	\$ 5,105	\$ 484	\$ (51)	\$ 5,538	\$ 397	\$ 5,141
Mortgage-backed securities	510	29	-	539	66	473
Total investments	5,615	513	(51)	6,077	463	5,614
<b>Restricted Investments</b>						
Corporate securities	1,358	81	-	1,439	258	1,181
U.S. government and agency securities	3,763	421	-	4,184	-	4,184
Total restricted investments	5,121	502	-	5,623	258	5,365
<b>Total</b>	<b>\$ 10,736</b>	<b>\$ 1,015</b>	<b>\$ (51)</b>	<b>\$ 11,700</b>	<b>\$ 721</b>	<b>\$ 10,979</b>

The amortized cost and fair value of the Company's available-for-sale securities as of January 28, 2012 were:

(\$000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short-term	Long-term
<b>Investments</b>						
Corporate securities	\$ 5,080	\$ 501	\$ (78)	\$ 5,503	\$ 401	\$ 5,102
Mortgage-backed securities	728	29	-	757	257	500
Total investments	5,808	530	(78)	6,260	658	5,602
<b>Restricted Investments</b>						
Corporate securities	1,357	94	-	1,451	-	1,451
U.S. government and agency securities	3,769	431	-	4,200	-	4,200
Total restricted investments	5,126	525	-	5,651	-	5,651
<b>Total</b>	<b>\$ 10,934</b>	<b>\$ 1,055</b>	<b>\$ (78)</b>	<b>\$ 11,911</b>	<b>\$ 658</b>	<b>\$ 11,253</b>



The amortized cost and fair value of the Company's available-for-sale securities as of April 30, 2011 were:

(\$000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short-term	Long-term
Corporate securities	\$ 7,170	\$ 608	\$ (33)	\$ 7,745	\$ -	\$ 7,745
U.S. Government and agency securities	6,589	80	-	6,669	2,809	3,860
Mortgage-backed securities	961	91	-	1,052	466	586
Total	\$ 14,720	\$ 779	\$ (33)	\$ 15,466	\$ 3,275	\$ 12,191

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

Investments and restricted investments measured at fair value at April 28, 2012 are summarized below:

(\$000)	April 28, 2012	Fair Value Measurements at Reporting Date		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments</b>				
Corporate securities	\$ 5,538	\$ -	\$ 5,538	\$ -
Mortgage-backed securities	539	-	539	-
Total investments	6,077	-	6,077	-
<b>Restricted Investments</b>				
Corporate securities	1,439	-	1,439	-
U.S. government and agency securities	4,184	4,184	-	-
Total restricted investments	5,623	4,184	1,439	-
Total assets measured at fair value	\$ 11,700	\$ 4,184	\$ 7,516	\$ -

Investments and restricted investments measured at fair value at January 28, 2012 are summarized below:

(\$000)	January 28, 2012	Fair Value Measurements at Reporting Date		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments</b>				
Corporate securities	\$ 5,503	\$ -	\$ 5,503	\$ -
Mortgage-backed securities	757	-	757	-
Total investments	6,260	-	6,260	-
<b>Restricted Investments</b>				
Corporate securities	1,451	-	1,451	-
U.S. government and agency securities	4,200	4,200	-	-
Total restricted investments	5,651	4,200	1,451	-
Total assets measured at fair value	\$ 11,911	\$ 4,200	\$ 7,711	\$ -

Investments measured at fair value at April 30, 2011 are summarized below:

(\$000)	April 30, 2011	Fair Value Measurements at Reporting Date		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Corporate securities	\$ 7,745	\$ -	\$ 7,745	\$ -
U.S. Government and agency securities	6,669	6,669	-	-
Mortgage-backed securities	1,052	-	1,052	-
Total assets measured at fair value	\$ 15,466	\$ 6,669	\$ 8,797	\$ -

The future maturities of investment securities at April 28, 2012 were:

(\$000)	Investments		Restricted Investments	
	Cost basis	Estimated fair value	Cost basis	Estimated fair value
Maturing in one year or less	\$ 450	\$ 463	\$ 248	\$ 258
Maturing after one year through five years	4,066	4,274	1,954	2,138
Maturing after five years through ten years	1,099	1,340	2,919	3,227
	<u>\$ 5,615</u>	<u>\$ 6,077</u>	<u>\$ 5,121</u>	<u>\$ 5,623</u>

The underlying assets in the Company's non-qualified deferred compensation program totaling \$75.3 million and \$72.7 million as of April 28, 2012 and April 30, 2011, respectively (included in other long-term assets and in other long-term liabilities) primarily consist of participant-directed money market, stable value, stock, and bond funds. The fair value measurement for funds with quoted market prices in active markets (Level 1) totaled \$63.8 million and \$62.9 million as of April 28, 2012 and April 30, 2011, respectively. The fair value measurement for funds without quoted market prices in active markets (Level 2) totaled \$11.5 million and \$9.8 million as of April 28, 2012 and April 30, 2011, respectively. Fair market value for these Level 2 funds is considered to be the sum of participant funds invested under a group annuity contract plus accrued interest.

### Note C: Stock-Based Compensation

**Stock-based compensation.** For the three month periods ended April 28, 2012 and April 30, 2011, the Company recognized stock-based compensation expense as follows:

(\$000)	Three Months Ended	
	April 28, 2012	April 30, 2011
Restricted stock	\$ 6,748	\$ 5,478
Performance awards	4,396	4,074
ESPP	443	342
Total	<u>\$ 11,587</u>	<u>\$ 9,894</u>

Total stock-based compensation recognized in the Company's Condensed Consolidated Statements of Earnings for the three month periods ended April 28, 2012 and April 30, 2011 is as follows:

Statements of Earnings Classification (\$000)	Three Months Ended	
	April 28, 2012	April 30, 2011
Cost of goods sold	\$ 4,991	\$ 4,529
Selling, general and administrative	6,596	5,365
Total	<u>\$ 11,587</u>	<u>\$ 9,894</u>

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

During the quarter ended April 28, 2012, shares purchased by the Company for tax withholding totaled approximately 406,000 shares and are considered treasury shares which are available for reissuance. As of April 28, 2012, shares subject to repurchase related to unvested restricted stock totaled 4.9 million shares.

(000, except per share data)	Number of shares	Weighted average grant date fair value
Unvested at January 28, 2012	5,353	\$ 23.23
Awarded	771	47.02
Released	(1,216)	18.69
Forfeited	(7)	20.38
<b>Unvested at April 28, 2012</b>	<b>4,901</b>	<b>\$ 28.13</b>

The unamortized compensation expense for all plans at April 28, 2012 was \$93.4 million which is expected to be recognized over a weighted-average remaining period of 2.3 years. The unamortized compensation expense for all plans at April 30, 2011 was \$80.0 million which is expected to be recognized over a weighted-average remaining period of 2.4 years.

**Performance shares.** The Company has a performance share award program for senior executives. A performance share award represents a right to receive shares of restricted stock or restricted stock units on a specified settlement date based on the Company's attainment of a profitability-based performance goal during the performance period, which is the Company's fiscal year. If attained, the restricted stock or units then issued vest over a service period, generally two to three years from the date the performance award was granted. Shares related to restricted stock units earned are deferred for release generally one year from the date earned. During the quarter ended April 28, 2012, the Company issued approximately 467,000 restricted shares and 151,000 restricted stock units in settlement of the fiscal 2011 awards. The Company issued approximately 656,000 restricted shares during the quarter ended April 30, 2011 in settlement of the fiscal 2010 awards.

**Employee stock purchase plan.** Under the Employee Stock Purchase Plan ("ESPP"), eligible employees participating in the quarterly offering period can choose to have up to the lesser of 10% or \$21,250 of their annual base earnings withheld to purchase the Company's common stock. The purchase price of the stock is 85% of the closing market price on the date of purchase. In addition, purchases occur on a quarterly basis (on the last trading day of each calendar quarter). The Company recognizes expense for ESPP purchase rights equal to the value of the 15% discount given on the purchase date.

**Stock option activity.** The following table summarizes stock option activity for the three month period ended April 28, 2012:

(000, except per share data)	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 28, 2012	2,418	\$ 13.24		
Granted	-	-		
Exercised	(459)	11.86		
Forfeited	-	-		
<b>Outstanding at April 28, 2012, all vested</b>	<b>1,959</b>	<b>\$ 13.56</b>	<b>2.74</b>	<b>\$ 95,322</b>

No stock options were granted during the three month periods ended April 28, 2012 and April 30, 2011.

The following table summarizes information about the weighted average remaining contractual life (in years) and the weighted average exercise prices for stock options both outstanding and exercisable as of April 28, 2012 (number of shares in thousands):

Exercise price range	Options outstanding and exercisable		
	Number of shares	Remaining life	Exercise price
\$ 8.19 to \$ 13.36	499	1.72	\$ 11.29
13.37 to 13.91	493	3.55	13.84
13.92 to 14.35	513	2.78	14.29
14.36 to 16.43	454	2.95	14.94
\$ 8.19 to \$ 16.43	<u>1,959</u>	2.74	\$ 13.56

#### Note D: Earnings Per Share

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

For the three month period ended April 28, 2012, 4,000 weighted average shares were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive in the period presented. For the three month period ended April 30, 2011 no shares were excluded.

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

Shares in (000s)	Three Months Ended		
	Basic EPS	Effect of dilutive common stock equivalents	Diluted EPS
<b>April 28, 2012</b>			
Shares	221,104	3,825	224,929
Amount	\$ 0.94	\$ (0.01)	\$ 0.93
April 30, 2011			
Shares	229,528	4,019	233,547
Amount	\$ 0.75	\$ (0.01)	\$ 0.74

**Note E: Debt**

The Company has two series of unsecured senior notes with various institutional investors for \$150 million. The Series A notes totaling \$85 million are due in December 2018 and bear interest at a rate of 6.38%. The Series B notes totaling \$65 million are due in December 2021 and bear interest at a rate of 6.53%. The fair value of these notes as of April 28, 2012 of approximately \$186 million is estimated by obtaining comparable market quotes which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance. The senior notes are subject to prepayment penalties for early payment of principal.

The Company has a \$600 million unsecured, revolving credit facility with an expiration date of March 2016. This credit facility contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 150 basis points) and is payable upon maturity but not less than quarterly. The Company had no borrowings outstanding or letters of credit issued under this facility as of April 28, 2012. As of April 28, 2012, the Company's \$600 million credit facility remains in place and available.

Borrowings under the credit facility and the senior notes are subject to certain covenants, including interest coverage and other financial ratios. In addition, the interest rates under the revolving credit facility may vary depending on actual interest coverage ratios achieved. As of April 28, 2012, the Company was in compliance with these covenants.

**Note F: Taxes on Earnings**

As of April 28, 2012 and April 30, 2011, the reserves for unrecognized tax benefits (net of federal tax benefits) were \$53.0 million and \$44.5 million inclusive of \$10.8 million and \$12.5 million of related interest, respectively. The Company accounts for interest and penalties related to unrecognized tax benefits as a part of its provision for taxes on earnings. If recognized, \$35.9 million would impact the Company's effective tax rate. The difference between the total amount of unrecognized tax benefits and the amounts that would impact the effective tax rate relates to amounts attributable to deferred income tax assets and liabilities. These amounts are net of federal and state income taxes.

During the next twelve months, it is reasonably possible that the statute of limitations may lapse pertaining to positions taken by the Company in prior year tax returns. If this occurs, the total amount of unrecognized tax benefits may decrease, reducing the provision for taxes on earnings by up to \$1.1 million.

The Company is generally open to audit by the Internal Revenue Service under the statute of limitations for fiscal years 2008 through 2011. The Company's state income tax returns are generally open to audit under the various statutes of limitations for fiscal years 2007 through 2011. Certain state tax returns are currently under audit by state tax authorities. The Company does not expect the results of these audits to have a material impact on the condensed consolidated financial statements.

## Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of April 28, 2012 and April 30, 2011, and the related condensed consolidated statements of earnings, comprehensive income and cash flows for the three-month periods then ended. These condensed consolidated interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Ross Stores, Inc. and subsidiaries as of January 28, 2012, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 27, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 28, 2012, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/Deloitte & Touche LLP

San Francisco, California  
June 6, 2012

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

This section and other parts of this Form 10-Q contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part II, Item 1A (Risk Factors) below. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for 2011. All information is based on our fiscal calendar.

### Overview

Ross Stores, Inc. operates two brands of off-price retail apparel and home fashion stores -- Ross Dress for Less® ("Ross") and dd's DISCOUNTS®. Ross is the largest off-price apparel and home fashion chain in the United States with 1,051 locations in 30 states, the District of Columbia, and Guam as of April 28, 2012. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family at everyday savings of 20% to 60% off department and specialty store regular prices. We also operate 95 dd's DISCOUNTS stores in eight states that feature a more moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear, and home fashions for the entire family at everyday savings of 20% to 70% off moderate department and discount store regular prices as of April 28, 2012.

### Results of Operations

The following table summarizes the financial results for the three month periods ended April 28, 2012 and April 30, 2011:

	Three Months Ended	
	April 28, 2012	April 30, 2011
<b>Sales</b>		
Sales (millions)	\$ 2,357	\$ 2,075
Sales growth	13.6%	7.2%
Comparable store sales growth	9%	3%
<b>Costs and expenses (as a percent of sales)</b>		
Cost of goods sold	71.3%	71.4%
Selling, general and administrative	14.3%	14.9%
Interest expense, net	0.1%	0.1%
<b>Earnings before taxes (as a percent of sales)</b>		
	14.3%	13.6%
<b>Net earnings (as a percent of sales)</b>		
	8.9%	8.3%



**Stores.** Our expansion strategy is to open additional stores based on market penetration, local demographic characteristics, competition, expected store profitability, and the ability to leverage overhead expenses. We continually evaluate opportunistic real estate acquisitions and opportunities for potential new store locations. We also evaluate our current store locations and determine store closures based on similar criteria.

	<b>Three Months Ended</b>	
	<b>April 28, 2012</b>	April 30, 2011
Stores at the beginning of the period	1,125	1,055
Stores opened in the period	23	16
Stores closed in the period	(2)	(3)
Stores at the end of the period	<b>1,146</b>	<b>1,068</b>

**Sales.** Sales for the three month period ended April 28, 2012 increased \$282.3 million, or 14%, compared to the three month period ended April 30, 2011, due to the opening of 78 net new stores between April 30, 2011 and April 28, 2012 and a 9% increase in “comparable” store sales (defined as stores that have been open for more than 14 complete months).

Our sales mix for the three month periods ended April 28, 2012 and April 30, 2011 is shown below:

	<b>Three Months Ended</b>	
	<b>April 28, 2012</b>	April 30, 2011
Ladies	31%	31%
Home accents and bed and bath	23%	24%
Shoes	14%	14%
Accessories, lingerie, fine jewelry, and fragrances	12%	12%
Men's	12%	11%
Children's	8%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

We intend to address the competitive climate for off-price apparel and home goods by pursuing and refining our existing strategies and by continuing to strengthen our organization, to diversify our merchandise mix, and to more fully develop our organization and systems to improve regional and local merchandise offerings. Although our strategies and store expansion program contributed to sales gains for the three month period ended April 28, 2012, we cannot be sure that they will result in a continuation of sales growth or in an increase in net earnings.

**Cost of goods sold.** Cost of goods sold for the three month period ended April 28, 2012 increased \$197.9 million compared to the same period in the prior year mainly due to increased sales from the opening of 78 net new stores between April 30, 2011 and April 28, 2012 and a 9% increase in comparable store sales.

Cost of goods sold as a percentage of sales for the three month period ended April 28, 2012 decreased approximately 15 basis points from the same period in the prior year. This improvement was driven primarily by a 35 basis point increase in merchandise gross margin, which included a 10 basis point benefit from a lower shrink accrual. In addition, occupancy expense improved by approximately 20 basis points. These favorable trends more than offset higher distribution costs of 20 basis points related to packaway timing and 10 basis point increases each in freight and buying costs.

We cannot be sure that the gross profit margins realized for the three month period ended April 28, 2012 will continue in the future.

**Selling, general and administrative expenses.** For the three month period ended April 28, 2012, selling, general and administrative expenses increased \$28.7 million compared to the same period in the prior year, mainly due to increased store operating costs reflecting the opening of 78 net new stores between April 30, 2011 and April 28, 2012.

Selling, general and administrative expenses as a percentage of sales for the three month period ended April 28, 2012 decreased by approximately 55 basis points over the same period in the prior year primarily due to leverage on both store operating costs and general and administrative expenses from the 9% increase in comparable store sales.

**Interest expense, net.** Net interest expense remained flat for the three month period ended April 28, 2012 compared to the same period in the prior year.

**Taxes on earnings.** Our effective tax rate for the three month periods ended April 28, 2012 and April 30, 2011 was approximately 38% and 39%, respectively, and represents the applicable combined federal and state statutory rates reduced by the federal benefit of state taxes deductible on federal returns. The effective rate is impacted by changes in law, location of new stores, level of earnings, and the resolution of tax positions with various taxing authorities. We anticipate that our effective tax rate for fiscal 2012 will be approximately 38%.

**Earnings per share.** Diluted earnings per share for the three month period ended April 28, 2012 was \$0.93 compared to \$0.74 in the prior year period. The 26% increase in diluted earnings per share is attributable to a 21% increase in net earnings and a 4% reduction in weighted average diluted shares outstanding, largely due to the repurchase of common stock under our stock repurchase program.

All share and per share amounts have been adjusted for the two-for-one stock split effective December 15, 2011.

## Financial Condition

### Liquidity and Capital Resources

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

(\$000)	Three Months Ended	
	April 28, 2012	April 30, 2011
Cash provided by operating activities	\$ 297,330	\$ 41,051
Cash used in investing activities	(71,209)	(68,282)
Cash used in financing activities	(134,839)	(135,688)
Net increase (decrease) in cash and cash equivalents	\$ 91,282	\$ (162,919)

### Operating Activities

Net cash provided by operating activities was \$297.3 million and \$41.1 million for the three month periods ended April 28, 2012 and April 30, 2011, respectively. The primary sources of cash provided by operating activities for the three month periods ended April 28, 2012 and April 30, 2011 were net earnings excluding non-cash expenses for depreciation and amortization. Our primary source of operating cash flow is the sale of our merchandise inventory. We regularly review the age and condition of our merchandise and are able to maintain current merchandise inventory in our stores through replenishment processes and liquidation of slower-moving merchandise through clearance markdowns.

The increase in cash flow from operating activities for the three month period ended April 28, 2012, compared to the prior year was primarily due to higher accounts payable leverage. The change in total merchandise inventory, net of the related change in accounts payable, resulted in a source of cash of approximately \$96 million for the three months ended April 28, 2012 compared to a use of cash of approximately \$85 million for the three months ended April 30, 2011. Accounts payable leverage (defined as accounts payable divided by merchandise inventory) increased to 73% as of April 28, 2012 from 67% as of January 28, 2012 as a result of lower packaway inventory.

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

Changes in packaway inventory levels impact our operating cash flow. As of April 28, 2012, packaway inventory had decreased to 45% of total inventory from 49% at the end of fiscal 2011. At the end of the first quarter for fiscal 2011, packaway inventory was 48% of inventory compared to 47% at the end of fiscal 2010.

### **Investing Activities**

Net cash used in investing activities was \$71.2 million and \$68.3 million for the three month periods ended April 28, 2012 and April 30, 2011, respectively. The increase in cash used for investing activities for the three month period ended April 28, 2012, compared to the three month period ended April 30, 2011 was primarily due to an increase in restricted accounts to serve as collateral for our insurance obligations, partially offset by a decrease in capital expenditures.

Our capital expenditures were approximately \$58.0 million and \$70.1 million, for the three month periods ended April 28, 2012 and April 30, 2011, respectively. Our capital expenditures include costs for fixtures and leasehold improvements to open new stores, costs to implement information technology systems, build, or expand distribution centers, and various other expenditures related to our stores, buying, and corporate offices. We opened 23 and 16 new stores during the three month periods ended April 28, 2012 and April 30, 2011, respectively. Our buying offices, our corporate headquarters, one distribution center, one trailer parking lot, three warehouse facilities, and all but three of our store locations are leased and, except for certain leasehold improvements and equipment, do not represent capital investments.

We are forecasting between \$480 million to \$490 million in capital expenditures in fiscal year 2012 to fund expenditures for fixtures and leasehold improvements to open both new Ross and dd's DISCOUNTS stores, for the relocation or upgrade of existing stores, for investments in store and merchandising systems, buildings and equipment, for building distribution centers and implementing material handling equipment and related systems, and for various buying and corporate office expenditures. Our planned capital expenditures, as compared to our prior forecast, increased for the year primarily due to additional investments in our distribution network capacity. We expect to fund these expenditures with available cash and cash flows from operations.

We had purchases of investments of \$0.4 million for the three month period ended April 28, 2012. We had no purchases of investments for the three month period ended April 30, 2011. We had proceeds from investments of \$0.6 million and \$1.8 million for the three month periods ended April 28, 2012 and April 30, 2011, respectively.

### **Financing Activities**

Net cash used in financing activities was \$134.8 million and \$135.7 million for the three month periods ended April 28, 2012 and April 30, 2011. For the three month periods ended April 28, 2012 and April 30, 2011, our liquidity and capital requirements were provided by available cash and cash flows from operations.

We repurchased 2.0 million and 3.2 million shares of common stock for aggregate purchase prices of approximately \$110.6 million and \$112.5 million during the three month periods ended April 28, 2012, and April 30, 2011, respectively. In January 2011, our Board of Directors approved a two-year \$900 million stock repurchase program for fiscal 2011 and 2012.

For the three month periods ended April 28, 2012 and April 30, 2011, we paid dividends of \$31.7 million and \$25.9 million, respectively.

Short-term trade credit represents a significant source of financing for merchandise inventory. Trade credit arises from customary payment terms and trade practices with our vendors. We regularly review the adequacy of credit available to us from all sources and expect to be able to maintain adequate trade, bank, and other credit lines to meet our capital and liquidity requirements, including lease payment obligations in 2012.

At April 28, 2012, we had a \$600 million unsecured, revolving credit facility which expires in March 2016. Interest on this facility is based on LIBOR plus an applicable margin (currently 150 basis points) and is payable upon maturity but not less than quarterly. We had no borrowings outstanding on this facility as of April 28, 2012 and April 30, 2011, respectively. As of April 28, 2012, our \$600 million credit facility remains in place and available.

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

### Contractual Obligations

The table below presents our significant contractual obligations as of April 28, 2012:

(\$000)	Less than one year	1 - 3 years	3 - 5 years	After 5 years	Total <sup>1</sup>
Senior notes	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000
Interest payment obligations	9,668	19,335	19,335	30,860	79,198
Operating leases:					
Rent obligations	368,234	711,784	492,238	458,378	2,030,634
Synthetic leases	4,861	682	-	-	5,543
Other synthetic lease obligations	1,172	56,000	-	-	57,172
Purchase obligations	1,690,982	30,561	141	-	1,721,684
Total contractual obligations	<u>\$ 2,074,917</u>	<u>\$ 818,362</u>	<u>\$ 511,714</u>	<u>\$ 639,238</u>	<u>\$ 4,044,231</u>

<sup>1</sup>We have a \$53.0 million liability for unrecognized tax benefits that is included in other long-term liabilities on our interim condensed consolidated balance sheet. This liability is excluded from the schedule above as the timing of payments cannot be reasonably estimated.

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

Borrowings under these notes are subject to certain operating and financial covenants, including interest coverage and other financial ratios. As of April 28, 2012, we were in compliance with these covenants.

## Off-Balance Sheet Arrangements

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

We have lease arrangements for certain equipment in our stores for our point-of-sale ("POS") hardware and software systems. These leases are accounted for as operating leases for financial reporting purposes. The initial terms of these leases are either two or three years, and we typically have options to renew the leases for two to three one-year periods. Alternatively, we may purchase or return the equipment at the end of the initial or each renewal term. We have guaranteed the value of the equipment of \$1.2 million at the end of the respective initial lease terms, which is included in Other synthetic lease obligations in the table above.

We lease a 1.3 million square foot distribution center in Perris, California. The land and building for this distribution center are financed by the lessor under a \$70 million ten-year synthetic lease that expires in July 2013. Rent expense on this center is payable monthly at a fixed annual rate of 5.8% on the lease balance of \$70 million. At the end of the lease term, we have the option to either refinance the \$70 million synthetic lease facility, purchase the distribution center at the amount of the then-outstanding lease obligation, or arrange a sale of the distribution center to a third party. If the distribution center is sold to a third party for less than \$70 million, we have agreed under a residual value guarantee to pay the lessor any shortfall amount up to \$56 million. As of April 28, 2012, we have accrued approximately \$4.6 million related to an estimated shortfall in the residual value guarantee recorded in accrued expenses and other in the accompanying condensed consolidated balance sheets. The synthetic lease agreement includes a prepayment penalty for early payoff of the lease. Our contractual obligation of \$56 million is included in Other synthetic lease obligations in the above table.

We have also recognized a liability and corresponding asset for the inception date estimated fair values of the distribution center and POS synthetic lease residual value guarantees. As of April 28, 2012, we have approximately \$1.2 million of residual value guarantee asset and liability. These residual value guarantees are amortized on a straight-line basis over the original terms of the leases. The current portion of the related asset and liability is recorded in prepaid expenses and accrued expenses, respectively, and the long-term portion of the related assets and liabilities is recorded in other long-term assets and other long-term liabilities, respectively, in the accompanying condensed consolidated balance sheets.

We lease three warehouses. Two of the warehouses are in Carlisle, Pennsylvania with leases expiring in 2013 and 2014. The third warehouse is in Fort Mill, South Carolina, with a lease expiring in 2016. The leases for all three of these warehouses contain renewal provisions. We also own a 423,000 square foot warehouse in Fort Mill, South Carolina and a 449,000 square foot warehouse in Riverside, California. All five of these warehouses are used to store our packaway inventory. We also lease a 10-acre parcel that has been developed for trailer parking adjacent to our Perris, California distribution center.

We lease approximately 188,000 square feet of office space for our corporate headquarters in Pleasanton, California, under several facility leases. The terms for these leases expire between 2014 and 2015 and contain renewal provisions.

We lease approximately 230,000 and 26,000 square feet of office space for our New York City and Los Angeles buying offices, respectively. The lease terms for these facilities expire in 2021 and 2014, respectively, and contain renewal provisions.

**Purchase obligations.** As of April 28, 2012 we had purchase obligations of approximately \$1,722 million. These purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to store fixtures and supplies, and information technology service and maintenance contracts. Merchandise inventory purchase orders of \$1,532 million represent purchase obligations of less than one year as of April 28, 2012.

## Commercial Credit Facilities

The table below presents our significant available commercial credit facilities at April 28, 2012:

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

For additional information relating to this credit facility, refer to note E of Notes to Condensed Consolidated Financial Statements.

**Revolving credit facility.** At April 28, 2012, we had available a \$600 million unsecured, revolving credit facility with our banks. This credit facility expires in March 2016 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 150 basis points) and is payable upon maturity but not less than quarterly. Our borrowing ability under this credit facility is subject to our maintaining certain financial ratios. As of April 28, 2012 we had no borrowings outstanding or letters of credits issued under this facility and were in compliance with the covenants.

The synthetic lease facilities described above, as well as our revolving credit facility and senior notes, have covenant restrictions requiring us to maintain certain interest coverage and other financial ratios. In addition, the interest rates under the revolving credit facility may vary depending on actual interest coverage ratios achieved. As of April 28, 2012 we were in compliance with these covenants.

**Standby letters of credit and collateral trust.** We use standby letters of credit outside of our revolving credit facility and a trust to collateralize our insurance obligations. As of April 28, 2012, we had \$45.3 million in standby letters of credit outstanding which are collateralized by restricted cash and cash equivalents and \$34.8 million in a collateral trust consisting of restricted cash, cash equivalents, and investments.

At April 30, 2011, we had \$80.6 million in standby letters of credit outstanding issued under our revolving credit facility.

**Trade letters of credit.** We had \$43.1 million and \$41.3 million in trade letters of credit outstanding at April 28, 2012 and April 30, 2011, respectively.

**Dividends.** In May 2012, our Board of Directors declared a cash dividend of \$.14 per common share, payable on June 29, 2012.

## Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and on various other factors that management believes to be reasonable. Actual results may differ significantly from these estimates. During the first quarter of fiscal 2012, there have been no significant changes to the policies discussed in our Annual Report on Form 10-K for the year ended January 28, 2012.

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

## Forward-Looking Statements

This report may contain a number of forward-looking statements regarding, without limitation, planned store growth, new markets, expected sales, projected earnings levels, capital expenditures, and other matters. These forward-looking statements reflect our then current beliefs, projections, and estimates with respect to future events and our projected financial performance, operations, and competitive position. The words "plan," "expect," "target," "anticipate," "estimate," "believe," "forecast," "projected," "guidance," "looking ahead" and similar expressions identify forward-looking statements.

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

Other risk factors are detailed in our filings with the Securities and Exchange Commission including, without limitation, our Annual Report on Form 10-K for 2011.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We occasionally use forward contracts to hedge against fluctuations in foreign currency prices. We had no outstanding forward contracts as of April 28, 2012.

Interest that is payable on our revolving credit facility is based on variable interest rates and is, therefore, affected by changes in market interest rates. As of April 28, 2012, we had no borrowings outstanding under our revolving credit facility. In addition, lease payments under certain of our synthetic lease agreements are determined based on variable interest rates and are, therefore, affected by changes in market interest rates.

In addition, we have two outstanding series of unsecured notes held by institutional investors: Series A for \$85 million accrues interest at 6.38% and Series B for \$65 million accrues interest at 6.53%. The amount outstanding under these notes as of April 28, 2012 was \$150 million.

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

A hypothetical 100 basis point increase or decrease in prevailing market interest rates would not have a material impact on our consolidated financial position, results of operations, cash flows, or the fair values of our short- and long-term investments as of and for the three month period ended April 28, 2012. We do not consider the potential losses in future earnings and cash flows from reasonably possible, near-term changes in interest rates to be material.

## ITEM 4. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

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

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

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the first fiscal quarter of 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our management concluded that there was no such change during the 2012 first fiscal quarter.

## **PART II – OTHER INFORMATION**

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

The matters under the caption “Provision for litigation costs and other legal proceedings” in Note A of Notes to Condensed Consolidated Financial Statements are incorporated herein by reference.

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

Our Quarterly Report on Form 10-Q for our first fiscal quarter of 2012, and information we provide in our press releases, telephonic reports, and other investor communications, including those on our corporate website, may contain forward-looking statements with respect to anticipated future events and our projected financial performance, operations, and competitive position that are subject to risks and uncertainties that could cause our actual results to differ materially from those forward-looking statements and our prior expectations and projections. Refer to Management’s Discussion and Analysis for a more complete identification and discussion of “Forward-Looking Statements.”

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

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

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

- An increase in the level of competitive pressures in the apparel or home-related merchandise industry.
- Changes in the level of consumer spending on or preferences for apparel or home-related merchandise.
- The impact from the macro-economic environment and financial and credit markets including but not limited to interest rates, recession, inflation, deflation, energy costs, tax rates and policy, unemployment trends, and fluctuating commodity costs.
- Changes in geopolitical and geoeconomic conditions.
- Unseasonable weather trends that could affect consumer demand for seasonal apparel and apparel-related products.



- A change in the availability, quantity, or quality of attractive brand name merchandise at desirable discounts that could impact our ability to purchase product and continue to offer customers a wide assortment of merchandise at competitive prices.
- Potential disruptions in the supply chain that could impact our ability to deliver product to our stores in a timely and cost-effective manner.
- A change in the availability, quality, or cost of new store real estate locations.
- A downturn in the economy or a natural disaster in California or in another region where we have a concentration of stores or a distribution center. Our corporate headquarters, Los Angeles buying office, two distribution centers, one warehouse, and 26% of our stores are located in California.

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

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

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

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

Information regarding shares of common stock we repurchased during the first quarter of fiscal 2012 is as follows:

<b>Period</b>	<b>Total number of shares (or units) purchased<sup>1, 2</sup></b>	<b>Average price paid per share (or unit)</b>	<b>Total number of shares (or units) purchased as part of publicly announced plans or programs</b>	<b>Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (\$000)<sup>3</sup></b>
February (1/29/2012-2/25/2012)	687,522	\$ 51.95	677,443	\$ 414,800
March (2/26/2012-3/31/2012)	954,386	\$ 56.64	663,943	\$ 377,100
April (4/01/2012-4/28/2012)	738,080	\$ 59.57	632,298	\$ 339,400
<b>Total</b>	<b>2,379,988</b>	<b>\$ 56.19</b>	<b>1,973,684</b>	<b>\$ 339,400</b>

<sup>1</sup>All share and per share amounts have been adjusted for the two-for-one stock split effective December 15, 2011.

<sup>2</sup>We purchased 406,304 of these shares during the quarter ended April 28, 2012 from employees for tax withholding purposes related to vesting of restricted stock grants. All remaining shares were repurchased under our publicly announced stock repurchase program.

<sup>3</sup>In January 2011 our Board of Directors approved a two-year \$900 million stock repurchase program for fiscal 2011 and 2012.

## ITEM 6. EXHIBITS

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

## SIGNATURES

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

**ROSS STORES, INC.**

(Registrant)

Date: June 6, 2012

By: /s/ J. Call

John G. Call

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

## INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Amendment of Certificate of Incorporation dated May 21, 2004 and Amendment of Certificate of Incorporation dated June 5, 2002 and Corrected First Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores for its quarter ended July 31, 2004.
3.2	Amended and Restated By-laws, as last amended November 16, 2011, incorporated by reference to Exhibit 3.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended October 29, 2011.
3.3	Amendment of Certificate of Incorporation dated July 18, 2011 incorporated by reference to Exhibit 3.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2011.
10.1	Executive Employment Agreement effective February 6, 2012 between John G. Call and Ross Stores, Inc.
15	Letter re: Unaudited Interim Financial Information from Deloitte & Touche LLP dated June 6, 2012.
31.1	Certification of Chief Executive Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
31.2	Certification of Chief Financial Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

## EXECUTIVE EMPLOYMENT AGREEMENT

**THIS EXECUTIVE EMPLOYMENT AGREEMENT** (this "Agreement") is made effective February 6, 2012 (the "Effective Date") by and between Ross Stores, Inc. (the "Company"), a Delaware corporation, and John G. Call (the "Executive").

### RECITALS

A. The Company wishes to employ the Executive, and the Executive is willing to accept such employment, as Group Senior Vice President.

B. It is now the mutual desire of the Company and the Executive to enter into a written employment agreement to govern the terms of the Executive's employment by the Company as of and following the Effective Date on the terms and conditions set forth below.

### TERMS AND CONDITIONS

In consideration for the promises of the parties set forth below, the Company and the Executive hereby agree as follows:

1. **Term.** Subject to the provisions of Section 6 of this Agreement, the term of employment of the Executive by the Company under this Agreement (the "Term of Employment") shall be as follows:

(a) **Initial Term.** The initial Term of Employment of the Executive by the Company under this Agreement shall begin on the Effective Date and end on March 31, 2016 (the "Initial Term"), unless extended or terminated earlier in accordance with this Agreement.

(b) **Renewal Term.** Upon the timely written request of the Executive to extend the Term of Employment, the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of the Company shall consider extending the Executive's employment with the Company under this Agreement. To be timely, such request must be delivered to the Company's Chief Executive Officer not earlier than twelve (12) months prior to the end of the then effective Initial Term or Renewal Term and, in any case, while the Executive remains an employee of the Company. Such request must contain no proposed modification to the provisions of this Agreement other than an extension of the Term of Employment as then in effect for an additional two (2) years. Within thirty (30) days following the receipt of such notice, the Chief Executive Officer will discuss such request with the Committee and advise the Executive, in writing, within thirty (30) days following its consideration of the Executive's written request, of the approval or disapproval of such extension request. The failure to provide such written advice shall constitute a denial of the Executive's request for extension. If the Executive's request for an extension is approved, the Term of Employment shall be extended for two (2) additional years commencing on the date immediately following the date of expiration of the Term of Employment in effect at the time of the Executive's written request. Such additional two-year period is referred to herein as a "Renewal Term."

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2. **Position and Duties.** During the Term of Employment, the Executive shall serve as Group Senior Vice President. As used in this Agreement, the term "Company" includes Ross Stores, Inc. and each and any of its divisions, affiliates or subsidiaries (except that, where the term relates to stock, stockholders, stock options or other stock-based awards or the Board, it means Ross Stores, Inc.). The Executive's employment may be transferred, assigned, or re-assigned to Ross Stores, Inc. or a division, affiliate or subsidiary of Ross Stores, Inc., and such transfer, assignment, or re-assignment will not constitute a termination of employment or "Good Reason" for the Executive's termination of employment under this Agreement. During the Term of Employment, the Executive may engage in outside activities provided those activities (including but not limited to membership on boards of directors of not-for-profit and for-profit organizations) do not conflict with the Executive's duties and responsibilities hereunder, and provided further that the Executive gives written notice to the Board of any significant outside business activity in which the Executive plans to become involved, whether or not such activity is pursued for profit.

3. **Principal Place of Employment.** The Executive shall be employed at the Company's offices in Pleasanton, California, except for required travel on the Company's business to an extent substantially consistent with present business travel obligations of the Executive's position.

#### 4. **Compensation and Related Matters.**

(a) **Salary.** During the Term of Employment, the Company shall pay to the Executive a salary at a rate of not less than Six Hundred Thousand Dollars (\$600,000) per annum. The Executive's salary shall be payable in substantially equal installments in accordance with the Company's normal payroll practices applicable to senior executives. Subject to the first sentence of this Section 4(a), the Executive's salary may be adjusted from time to time by the Committee in accordance with normal business practices of the Company.

(b) **Bonus.** During the Term of Employment, the Executive shall be eligible to receive an annual bonus paid under the Company's existing incentive bonus plan under which the Executive is eligible (which is currently the Incentive Compensation Plan) or any replacement plan that may subsequently be established and in effect during the Term of Employment. The current target annual bonus the Executive is eligible to earn upon achievement of 100% of all applicable performance targets under such incentive bonus plan is 60% of the Executive's then effective annual salary rate. The Executive's termination for Cause or Voluntary Termination (as described in Sections 6(c) and 6(f), respectively) prior to the Company's payment of the bonus for a fiscal year of the Company will cause the Executive to be ineligible for any annual bonus for that fiscal year or any pro-rata portion of such bonus.

(c) **Expenses.** During the Term of Employment, the Executive shall be entitled to receive prompt reimbursement for all other reasonable expenses incurred by the Executive in performing services hereunder, including all reasonable expenses of travel and living while away from home, provided that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company.

(d) **Benefits.** During the Term of Employment, the Executive shall be entitled to participate in all of the Company's employee benefit plans and arrangements in which senior executives of the Company are eligible to participate. The Company shall not make any changes in such plans or arrangements which would adversely affect the Executive's rights or benefits thereunder, unless such change occurs pursuant to a program applicable to all senior executives of the Company and does not result in a proportionately greater reduction in the rights or benefits of the Executive as compared with any other similarly situated senior executive of the Company. The Executive shall be entitled to participate in, or receive benefits under, any employee benefit plan or arrangement made available by the Company in the future to its senior executives, subject to, and on a basis consistent with, the terms, conditions and overall administration of such plans and arrangements. Except as otherwise specifically provided herein, nothing paid to the Executive under any plan or arrangement presently in effect or made available in the future shall be in lieu of the salary or bonus otherwise payable under this Agreement.

(e) **Vacations.** During the Term of Employment, the Executive shall be entitled to twenty-five (25) vacation days in each calendar year, and to compensation in respect of earned but unused vacation days, determined in accordance with the Company's vacation plan. The Executive shall also be entitled to all paid holidays given by the Company to its senior executives. Unused vacation days shall not be forfeited once they have been earned and, if still unused at the time of the Executive's termination of employment with the Company, shall be promptly paid to the Executive at their then-current value, based on the Executive's daily salary rate at the time of the Executive's termination of employment.

(f) **Services Furnished.** The Company shall furnish the Executive with office space and such services as are suitable to the Executive's position and adequate for the performance of the Executive's duties during the Term of Employment.

#### **5. Confidential Information and Intellectual Property.**

(a) Other than in the performance of the Executive's duties hereunder, the Executive agrees not to use in any manner or disclose, distribute, publish, communicate or in any way cause to be used, disclosed, distributed, published, or communicated in any way or at any time, either while in the Company's employ or at any time thereafter, to any person not employed by the Company, or not engaged to render services to the Company, any Confidential Information (as defined below) obtained while in the employ of the Company.

(b) Confidential Information includes any written or unwritten information which relates to and/or is used by the Company or its subsidiaries, affiliates or divisions, including, without limitation (i) the names, addresses, buying habits and other special information regarding past, present and potential customers, employees and suppliers of the Company, (ii) customer and supplier contracts and transactions or price lists of the Company and suppliers, (iii) methods of distribution, (iv) all agreements, files, books, logs, charts, records, studies, reports, processes, schedules and statistical information, (v) data, figures, projections, estimates, pricing data, customer lists, buying manuals or procedures, distribution manuals or procedures, other policy and procedure manuals or handbooks, (vi) supplier information, tax records, personnel histories and records, sales information, and property information, (vii) information regarding the present or future phases of business, (viii) ideas, inventions, trademarks, business information, know-how, processes, techniques, improvements, designs, redesigns, creations, discoveries, trade secrets, and developments, (ix) all computer software licensed or developed by the Company or its subsidiaries, affiliates or divisions, computer programs, computer-based and web-based training programs, and systems, and (x) finances and financial information, but Confidential Information will not include information of the Company or its subsidiaries, affiliates or divisions that (1) became or becomes a matter of public knowledge through sources independent of the Executive, (2) has been or is disclosed by the Company or its subsidiaries, affiliates or divisions without restriction on its use, or (3) has been or is required or specifically permitted to be disclosed by law or governmental order or regulation. The Executive also agrees that, if there is any reasonable doubt whether an item is public knowledge, to not regard the item as public knowledge until and unless the Company's Chief Executive Officer confirms to the Executive that the information is public knowledge.

(c) The provisions of this Section 5 shall not preclude the Executive from disclosing such information to the Executive's professional tax advisor or legal counsel solely to the extent necessary to the rendering of their professional services to the Executive if such individuals agree to keep such information confidential.

(d) The Executive agrees that upon leaving the Company's employ the Executive will remain reasonably available to answer questions from Company officers regarding the Executive's former duties and responsibilities and the knowledge the Executive obtained in connection therewith.

(e) The Executive agrees that upon leaving the Company's employ the Executive will not communicate with, or give statements to, any member of the media (including print, television, or radio or social media) relating to any matter (including pending or threatening lawsuits or administrative investigations) about which the Executive has knowledge or information (other than knowledge or information that is not Confidential Information) as a result of employment with the Company. The Executive further agrees to notify the Chief Executive Officer or his or her designee immediately after being contacted by any member of the media with respect to any matter affected by this section.

(f) The Executive agrees that all information, inventions, and discoveries, whether or not patented or patentable, made or conceived by the Executive, either alone or with others, at any time while employed by the Company, which arises out of such employment or is pertinent to any field of business or research in which, during such employment, the Company, its subsidiaries, affiliates or divisions is engaged or (if such is known to or ascertainable by the Executive) is considering engaging ("Intellectual Property") shall (i) be and remain the sole property of the Company and the Executive shall not seek a patent with respect to such Intellectual Property without the prior consent of an authorized representative of the Company and (ii) be disclosed promptly to an authorized representative of the Company along with all information the Executive possesses with regard to possible applications and uses. Further, at the request of the Company, and without expense or additional compensation to the Executive, the Executive agrees to execute such documents and perform such other acts as the Company deems necessary to obtain patents on such Intellectual Property in a jurisdiction or jurisdictions designated by the Company, and to assign to the Company or its designee such Intellectual Property and all patent applications and patents relating thereto.



(g) The Executive and the Company agree that the Executive intends all original works of authorship within the purview of the copyright laws of the United States authored or created by the Executive in the course of the Executive's employment with the Company will be works for hire within the meaning of such copyright law.

(h) Upon termination of the Executive's employment, or at any time upon request of the Company, the Executive will return to the Company all Confidential Information and Intellectual Property, in any form, including but not limited to letters, memoranda, reports, notes, notebooks, books of account, drawings, prints, specifications, formulae, data printouts, microfilms, magnetic tapes, disks, recordings, documents, and all copies thereof.

6. **Termination.** The Executive's employment may be terminated during the Term of Employment only as follows:

(a) **Death.** The Executive's employment shall terminate upon the Executive's death.

(b) **Disability.** If, as a result of the Executive's Disability (as defined below), the Executive shall have been absent from the Executive's duties hereunder on a full-time basis for the entire period of six consecutive months, and, within thirty days after written notice of termination is given by the Company (which may occur before or after the end of such six-month period), the Executive shall not have returned to the performance of the Executive's duties hereunder on a full-time basis, the Executive's employment shall terminate. For purposes of this Agreement, the term "Disability" shall mean a physical or mental illness, impairment or condition reasonably determined by the Board that prevents the Executive from performing the duties of the Executive's position under this Agreement.

(c) **For Cause.** The Company may terminate the Executive's employment for Cause. For this purpose, "Cause" means the occurrence of any of the following (i) the Executive's continuous failure to substantially perform the Executive's duties hereunder (unless such failure is a result of a Disability as defined in Section 6(b)), (ii) the Executive's theft, dishonesty, breach of fiduciary duty for personal profit or falsification of any documents of the Company, (iii) the Executive's material failure to abide by the applicable code(s) of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct) of the Company, (iv) knowing or intentional misconduct by the Executive as a result of which the Company is required to prepare an accounting restatement, (v) the Executive's unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of the Company (including, without limitation, the Executive's improper use or disclosure of confidential or proprietary information of the Company), (vi) any intentional misconduct or illegal or grossly negligent conduct by the Executive which is materially injurious to the Company monetarily or otherwise, (vii) any material breach by the Executive of the provisions of Section 9 [Certain Employment Obligations] of this Agreement, or (viii) the Executive's conviction (including any plea of guilty or nolo contendere) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which materially impairs the Executive's ability to perform his or her duties with the Company. A termination for Cause shall not take effect unless: (1) the Executive is given written notice by the Company of its intention to terminate the Executive for Cause; (2) the notice specifically identifies the particular act or acts or failure or failures to act which are the basis for such termination; (3) where practicable, the notice is given within sixty (60) days of the Company's learning of such act or acts or failure or failures to act; and (4) only in the case of clause (i), (iii), (v), (vi) or (vii) of the second sentence of this Section 6(c), the Executive fails to substantially cure such breach, to the extent such cure is possible, within sixty (60) days after the date that such written notice is given to the Executive.

(d) **Without Cause.** The Company may terminate the Executive's employment at any time Without Cause. A termination "Without Cause" is a termination by the Company of the Executive's employment with the Company for any reasons other than the death or Disability of the Executive or the termination by the Company of the Executive for Cause as described in Section 6(c).

(e) **Termination by the Executive for Good Reason.** The Executive may terminate the Executive's employment with the Company for "Good Reason," which shall be deemed to occur if, within sixty (60) business days after receipt of written notice to the Company by the Executive of the occurrence of one or more of the following conditions, any of the following condition(s) have not been cured: (1) a failure by the Company to comply with any material provision of this Agreement (including but not limited to the reduction of the Executive's salary or the target annual bonus opportunity set forth in Section 4(b)), (2) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which the Executive currently maintains without the express written consent of the Executive, provided however that the Company's assignment of the title or the responsibilities of "Chief Financial Officer" and/or "Principal Financial Officer" to another Company executive does not constitute "Good Reason" within the meaning of this Agreement; or (3) the relocation of the Executive's Principal Place of Employment as described in Section 3 to a location that increases the regular one-way commute distance between the Executive's residence and Principal Place of Employment by more than 25 miles without the Executive's prior written consent. In order to constitute a termination of employment for Good Reason, the Executive must provide written notice to the Company of the existence of the condition giving rise to the Good Reason termination within sixty (60) days of the initial existence of the condition, and in the event such condition is timely cured by the Company, the termination shall not constitute a termination for Good Reason.

(f) **Voluntary Termination.** The Executive may voluntarily resign from the Executive's employment with the Company at any time (a "Voluntary Termination"). A voluntary resignation from employment by the Executive for Good Reason pursuant to Section 6(e) shall not be deemed a Voluntary Termination.

(g) **Non-Renewal Termination.** If the Executive fails to request an extension of the Term of Employment in accordance with Section 1(b) or if the Committee fails to approve such request, this Agreement shall automatically expire at the end of the then current Term of Employment (a "Non-Renewal Termination").

## 7. Notice and Effective Date of Termination

(a) **Notice.** Any termination of the Executive's employment by the Company or by the Executive during the Term of Employment (other than as a result of the death of the Executive or a Non-Renewal Termination described in Section 6(g)) shall be communicated by written notice of termination to the other party hereto. Such notice shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under that provision.

(b) **Date of Termination.** The date of termination of the Executive's employment shall be:

(i) if the Executive's employment is terminated by the Executive's death, the date of the Executive's death;

(ii) if the Executive's employment is terminated due to Disability pursuant to Section 6(b), the date of termination shall be the last to occur of the 31st day following delivery of the notice of termination to the Executive by the Company or the end of the consecutive six-month period referred to in Section 6(b).

(iii) if the Executive's employment is terminated for any other reason by either party, the date on which a notice of termination is delivered to the other party; and

(iv) if the Agreement expires pursuant to a Non-Renewal Termination described in Section 6(g), the parties' employment relationship shall terminate on the last day of the then current Term of Employment without any notice.

## 8. Compensation and Benefits Upon Termination.

(a) **Termination Due To Disability, Without Cause or For Good Reason.** If the Executive's employment terminates pursuant to Section 6(b) [Disability], Section 6(d) [Without Cause], or Section 6(e) [Termination by Executive for Good Reason], then, subject to Section 22 [Compliance with Section 409A], in addition to all salary, annual bonuses, expense reimbursements, benefits and accrued vacation days earned by the Executive pursuant to Section 4 through the date of the Executive's termination of employment, the Executive shall be entitled to the following, provided that within sixty (60) days following the Executive's termination of employment the Executive executes a general release of claims against the Company and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents, successors and assigns in the current form approved by the Company and attached as Exhibit A (subject to any amendments required by law or regulation) (the "Release") and the period for revocation, if any, of such Release has expired without the Release having been revoked:

(i) **Salary.** The Company shall continue to pay to the Executive the Executive's salary, at the rate in effect immediately prior to such termination of employment, through the remainder of the Term of Employment then in effect.

(ii) **Bonus.** The Company shall continue to pay to the Executive an annual bonus through the remainder of the Term of Employment then in effect; provided, however, that the amount of the annual bonus determined in accordance with this Section 8(a) (ii) for the fiscal year of the Company in which such Term of Employment ends shall be prorated on the basis of the number of days of such Term of Employment occurring within such fiscal year. The amount of each annual bonus payable pursuant to this Section 8(a)(ii), prior to any proration, shall be equal to the annual bonus that the Executive would have earned had no such termination under Section 8(a)(i) occurred, contingent on the relevant annual bonus plan performance goals for the respective year having been obtained. However, in no case shall any such post-termination annual bonus exceed 100% of the Executive's target bonus for the fiscal year of the Company in which the Executive's termination of employment occurs. Such bonuses shall not be paid until due under the applicable Company bonus plan.

(iii) **Stock Options.** Stock options granted to the Executive by the Company and which remain outstanding immediately prior to the date of termination of the Executive's employment, as provided in Section 7(b), shall immediately become vested in full upon such termination of employment.

(iv) **Restricted Stock.** Shares of restricted stock granted to the Executive by the Company which have not become vested as of the date of termination of the Executive's employment, as provided in Section 7(b), shall immediately become vested on a pro rata basis. The number of such additional shares of restricted stock that shall become vested as of the date of the Executive's termination of employment shall be that number of additional shares that would have become vested through the date of such termination of employment at the rate(s) determined under the vesting schedule applicable to such shares had such vesting schedule provided for the accrual of vesting on a daily basis (based on a 365 day year). The pro rata amount of shares vesting through the date of termination shall be calculated by multiplying the number of unvested shares scheduled to vest in each respective vesting year by the ratio of the number of days from the date of grant through the date of termination, and the number of days from the date of grant through the original vesting date of the respective vesting tranche. Any shares of restricted stock remaining unvested after such pro rata acceleration of vesting shall automatically be reacquired by the Company in accordance with the provisions of the applicable restricted stock agreement, and the Executive shall have no further rights in such unvested portion of the restricted stock. In addition, the Company shall waive any reacquisition or repayment rights for dividends paid on restricted stock prior to Executive's termination of employment.

(v) **Other Equity Awards.** Except as set forth in Sections 8(a)(iii), 8(a)(iv) and 8(c), performance share awards and all other equity awards granted to the Executive by the Company which remain outstanding immediately prior to the date of termination of the Executive's employment, as provided in Section 7(b), shall vest and be settled in accordance with their terms.

(vi) **Health Care Coverage.** The Company shall continue to provide Executive with health care coverage (including medical, dental, vision and mental coverage) at or equivalent to the level of coverage which the Executive had at the time of the termination of employment (including coverage for the Executive's dependents to the extent such dependents were covered immediately prior to such termination of employment) for the remainder of the Term of Employment, **provided however** that in the event such coverage may no longer be extended to Executive following termination of Executive's employment either by the terms of the Company's health care plans or under then applicable law, the Company shall instead reimburse Executive for the amount equivalent to the Company's cost of substantially equivalent health care coverage to Executive under ERISA Section 601 and thereafter and Section 4980B of the Internal Revenue Code ("COBRA coverage") for a period not to exceed the lesser of [A] eighteen (18) months after the termination of Executive's employment, or [B] the remainder of the Term of Employment, and **provided further** that any such health care coverage or reimbursement for health care coverage shall cease at such time that Executive becomes eligible for health care coverage through another employer.

The Company shall have no further obligations to the Executive as a result of termination of employment described in this Section 8(a) except as set forth in Section 12.

(b) **Termination for Cause or Voluntary Termination.** If the Executive's employment terminates pursuant to Section 6(c) [For Cause] or Section 6(f) [Voluntary Termination], the Executive shall be entitled to receive only the salary, annual bonuses, expense reimbursements, benefits and accrued vacation days earned by the Executive pursuant to Section 4 through the date of the Executive's termination of employment. The Executive shall not be entitled to any bonus not paid prior to the date of the Executive's termination of employment, and the Executive shall not be entitled to any prorated bonus payment for the year in which the Executive's employment terminates. Any stock options granted to the Executive by the Company shall continue to vest only through the date on which the Executive's employment terminates, and unless otherwise provided by their terms, any restricted stock, performance share awards or other equity awards that were granted to the Executive by the Company that remain unvested as of the date on which the Executive's employment terminates shall automatically be forfeited and the Executive shall have no further rights with respect to such awards. The Company shall have no further obligations to the Executive as a result of termination of employment described in this Section 8(b) except as set forth in Section 12.

(c) **Death.** If the Executive's employment terminates pursuant to Section 6(a) [Death], (i) the Executive's designated beneficiary or the Executive's estate shall be entitled to receive only the salary, expense reimbursements, benefits and accrued vacation earned by the Executive pursuant to Section 4 through the date of the Executive's death; (ii) at the time payable under the applicable Company bonus plan, an annual bonus shall be paid to the Executive's designated beneficiary or the Executive's estate for the fiscal year of the Executive's death based on the annual bonus that the Executive would have earned under the Company's bonus plan for such fiscal year had the Executive not died, contingent on the relevant annual bonus plan performance goals for said year having been obtained, capped at 100% of the Executive's target bonus for such fiscal year and pro-rated for the number of days the Executive is employed during such fiscal year until the Executive's death; (iii) any restricted stock previously granted to the Executive by the Company that remain unvested as of the date of the Executive's death shall automatically be forfeited and the Executive shall have no further rights with respect to such restricted stock; and (iv) the Company shall waive any reacquisition or repayment rights for dividends paid on restricted stock prior to the Executive's death.

(d) **Non-Renewal Termination.** If the Agreement expires as set forth in Section 6(g) [Non-Renewal Termination], then, subject to Section 22 [Compliance with Section 409A], in addition to all salary, annual bonuses, expense reimbursements, benefits and accrued vacation days earned by the Executive pursuant to Section 4 through the date of the Executive's termination of employment, the Executive shall be entitled to the following, provided that within sixty (60) days following the Executive's termination of employment the Executive executes the Release and the period for revocation, if any, of such Release has expired without the Release having been revoked:

(i) **Bonus.** The Company shall pay the Executive an annual bonus for the fiscal year of the Company in which the date of the Executive's termination of employment occurs, which shall be prorated for the number of days of such fiscal year that the Executive is employed by the Company. The amount of such annual bonus, prior to proration, shall be equal to the annual bonus that the Executive would have earned under the Company's bonus plan for the fiscal year of the Company in which the Executive's termination of employment occurs had the Executive remained in its employment, contingent on the relevant annual bonus plan performance goals for the year in which Executive terminates having been obtained. However, in no case shall any such post-termination annual bonus exceed 100% of the Executive's target bonus for the fiscal year of the Company in which the Executive's termination of employment occurs. Such bonus shall not be paid until due under the applicable Company bonus plan.

(ii) **Stock Options.** Stock options granted to the Executive by the Company and which remain outstanding immediately prior to the date of termination of the Executive's employment, as provided in Section 7(b), shall be vested and exercisable in accordance with their terms.

(iii) **Restricted Stock.** Shares of restricted stock granted to the Executive by the Company which have not become vested as of the date of termination of the Executive's employment, as provided in Section 7(b), shall immediately become vested on a pro rata basis. The number of such additional shares of restricted stock that shall become vested as of the date of the Executive's termination of employment shall be that number of additional shares that would have become vested through the date of such termination of employment at the rate(s) determined under the vesting schedule applicable to such shares had such vesting schedule provided for the accrual of vesting on a daily basis (based on a 365 day year). The pro rata amount of shares vesting through the date of non-renewal shall be calculated by multiplying the number of unvested shares scheduled to vest in each respective vesting year by the ratio of the number of days from the date of grant through the date of non-renewal, and the number of days from the date of grant through the original vesting date of the respective vesting tranche. Any shares of restricted stock remaining unvested after such pro rata acceleration of vesting shall automatically be reacquired by the Company in accordance with the provisions of the applicable restricted stock agreement, and the Executive shall have no further rights in such unvested portion of the restricted stock. In addition, the Company shall waive any reacquisition or repayment rights for dividends paid on restricted stock prior to Executive's termination of employment.

(iv) **Other Equity Awards.** Except as set forth in Sections 8(d)(ii) and 8(d)(iii), performance share awards and all other equity awards granted to the Executive by the Company which remain outstanding immediately prior to the date of termination of the Executive's employment, as provided in Section 7(b), shall vest and be settled in accordance with their terms.

The Company shall have no further obligations to the Executive as a result of termination of employment described in this Section 8(d) except as set forth in Section 12.

(e) **Special Change in Control Provisions.**

(i) **Change in Control Benefits.**

(1) **Without Regard to Termination of Employment.** In the event of a Change in Control (as defined below), all shares of restricted stock granted to the Executive by the Company shall become vested in full immediately prior to the consummation of such Change in Control. Except as set forth in this Section 8(e)(i)(1) or Section 8(e)(i)(2) below, the treatment of stock options, performance share awards and all other equity awards granted to the Executive by the Company which remain outstanding immediately prior to the date of such Change in Control shall be determined in accordance with their terms.

(2) **Upon Certain Termination of Employment.** In addition to the benefits provided by Section 8(e)(i)(1) above, if the Executive's employment is terminated either by the Company Without Cause (as defined in Section 6(d)) or by the Executive for Good Reason (as defined in Section 6(e)), in either case within a period commencing one (1) month prior to and ending twelve (12) months following a Change in Control, then, subject to Section 22 [Compliance with Section 409A], the Executive shall be entitled to the following (in addition to any other payments or benefits provided under this Agreement), provided that within sixty (60) days following the Executive's termination of employment the Executive executes the Release and the period for revocation, if any, of such Release has expired without the Release having been revoked:

a. **Salary.** The Executive shall be entitled to a cash payment equal to 2.99 times the Executive's then-current annual base salary. Such payment shall be payable in full to Executive within sixty (60) days following such termination of employment, provided that within sixty (60) days following the Executive's termination of employment the Executive executes a general release of claims against the Company and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents, successors and assigns in the current form approved by the Company and attached as Exhibit A (subject to any amendments required by law or regulation) (the "Release") and the period for revocation, if any, of such Release has expired without the Release having been revoked. The payment under this Section 8(e)(i)(2)(a) shall take the place of any payment under Section 8(a)(i) and the Executive shall not be entitled to receive a payment under Section 8(a)(i) if the Executive is entitled to a payment under this Section 8(e)(i)(2)(a).

b. **Bonus.** The Executive shall be entitled to a cash payment equal to 2.99 times the Executive's target annual bonus for the Company's fiscal year then in effect on the date termination of employment occurs. Such payment shall be payable in full to Executive within sixty (60) days following such termination of employment, provided that within sixty (60) days following the Executive's termination of employment the Executive executes a general release of claims against the Company and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents, successors and assigns in the current form approved by the Company and attached as Exhibit A (subject to any amendments required by law or regulation) (the "Release") and the period for revocation, if any, of such Release has expired without the Release having been revoked. The payment under this Section 8(d)(i)(2)(b) shall take the place of any payment under Section 8(a)(ii) and the Executive shall not be entitled to receive a payment under Section 8(a)(ii) if the Executive is entitled to a payment under this Section 8(d)(i)(2)(b).

c. **Estate Planning.** The Executive shall be entitled to reimbursement of the Executive's estate planning expenses (including attorneys' fees) on the same basis, if any, as to which the Executive was entitled to such reimbursements immediately prior to such termination of employment for the remainder of the Term of Employment then in effect.

d. **Health Care Coverage.** The Company shall continue to provide Executive with health care coverage (including medical, dental, vision and mental coverage) at or equivalent to the level of coverage which the Executive had at the time of the termination of employment (including coverage for the Executive's dependents to the extent such dependents were covered immediately prior to such termination of employment) for the remainder of the Term of Employment, **provided however** that in the event such coverage may no longer be extended to Executive following termination of Executive's employment either by the terms of the Company's health care plans or under then applicable law, the Company shall instead reimburse Executive for Executive's cost of substantially equivalent health care coverage available to Executive under ERISA Section 601 and thereafter and Section 4980B of the Internal Revenue Code ("COBRA coverage") for a period not to exceed eighteen (18) months after the termination of Executive's employment, and **provided further** that any such health care coverage or reimbursement for health care coverage shall cease at such time that Executive becomes eligible for health care coverage through another employer.

(ii) **Change in Control Defined.** A "Change in Control" shall be deemed to have occurred if: (1) any person or group (within the meaning of Rule 13d-3 of the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended) shall acquire during the twelve-month period ending on the date of the most recent acquisition by such person or group, in one or a series of transactions, whether through sale of stock or merger, ownership of stock of the Company that constitutes 35% or more of the total voting power of the stock of the Company or any successor to the Company; (2) a merger in which the Company is a party pursuant to which any person or such group acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company, or (3) the sale, exchange, or transfer of all or substantially all of the Company's assets (other than a sale, exchange, or transfer to one or more corporations where the stockholders of the Company before and after such sale, exchange, or transfer, directly or indirectly, are the beneficial owners of at least a majority of the voting stock of the corporation(s) to which the assets were transferred).



(iii) **Excise Tax - Best After-Tax Result.** In the event that any payment or benefit received or to be received by Executive pursuant to this Agreement or otherwise (“Payments”) would (a) constitute a “parachute payment” within the meaning of Section 280G of the Code and (b) but for this section, be subject to the excise tax imposed by Section 4999 of the Code, any successor provisions, or any comparable federal, state, local or foreign excise tax (“Excise Tax”), then, subject to the provisions of Section 8(e)(iv), such Payments shall be either (1) provided in full pursuant to the terms of this Agreement or any other applicable agreement, or (2) provided as to such lesser extent which would result in no portion of such Payments being subject to the Excise Tax (“Reduced Amount”), whichever of the foregoing amounts, taking into account the applicable federal, state, local and foreign income, employment and other taxes and the Excise Tax (including, without limitation, any interest or penalties on such taxes), results in the receipt by Executive, on an after-tax basis, of the greatest amount of payments and benefits provided for hereunder or otherwise, notwithstanding that all or some portion of such Payments may be subject to the Excise Tax. Unless the Company and Executive otherwise agree in writing, any determination required under this Section shall be made by an independent advisor designated by the Company and reasonably acceptable to Executive (“Independent Advisor”), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required under this Section, Independent Advisor may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code; provided that Independent Advisor shall assume that Executive pays all taxes at the highest marginal rate. The Company and Executive shall furnish to Independent Advisor such information and documents as Independent Advisor may reasonably request in order to make a determination under this Section. The Company shall bear all costs that Independent Advisor may incur in connection with any calculations contemplated by this Section. In the event that Section 8(e)(iii)(b)(2) above applies, then based on the information provided to Executive and the Company by Independent Advisor, Executive may, in Executive’s sole discretion and within 30 days of the date on which Executive is provided with the information prepared by Independent Advisor, determine which and how much of the Payments (including the accelerated vesting of equity compensation awards) to be otherwise received by Executive shall be eliminated or reduced (as long as after such determination the value (as calculated by Independent Advisor in accordance with the provisions of Sections 280G and 4999 of the Code) of the amounts payable or distributable to Executive equals the Reduced Amount). If the Internal Revenue Service (the “IRS”) determines that any Payment is subject to the Excise Tax, then Section 8(e)(iv) hereof shall apply, and the enforcement of Section 8(e)(iv) shall be the exclusive remedy to the Company.

(iv) **Adjustments.** If, notwithstanding any reduction described in Section 8(e)(iii) (or in the absence of any such reduction), the IRS determines that Executive is liable for the Excise Tax as a result of the receipt of one or more Payments, then Executive shall be obligated to surrender or pay back to the Company, within 120 days after a final IRS determination, an amount of such payments or benefits equal to the "Repayment Amount." The Repayment Amount with respect to such Payments shall be the smallest such amount, if any, as shall be required to be surrendered or paid to the Company so that Executive's net proceeds with respect to such Payments (after taking into account the payment of the excise tax imposed on such Payments) shall be maximized. Notwithstanding the foregoing, the Repayment Amount with respect to such Payments shall be zero if a Repayment Amount of more than zero would not eliminate the Excise Tax imposed on such Payments or if a Repayment Amount of more than zero would not maximize the net amount received by Executive from the Payments. If the Excise Tax is not eliminated pursuant to this Section, Executive shall pay the Excise Tax.

## 9. Certain Employment Obligations.

(a) **Employee Acknowledgment.** The Company and the Executive acknowledge that (i) the Company has a special interest in and derives significant benefit from the unique skills and experience of the Executive; (ii) as a result of the Executive's service with the Company, the Executive will use and have access to some of the Company's proprietary and valuable Confidential Information during the course of the Executive's employment; (iii) the Confidential Information has been developed and created by the Company at substantial expense and constitutes valuable proprietary assets of the Company, and the Company will suffer substantial damage and irreparable harm which will be difficult to compute if, during the term of the Executive's employment or thereafter, the Executive should disclose or improperly use such Confidential Information in violation of the provisions of this Agreement; (iv) the Company will suffer substantial damage and irreparable harm which will be difficult to compute if the Executive competes with the company in violation of this Agreement; (v) the Company will suffer substantial damage which will be difficult to compute if, the Executive solicits or interferes with the Company's employees, clients, or customers; (vi) the provisions of this Agreement are reasonable and necessary for the protection of the business of the Company; and (vii) the provisions of this Agreement will not preclude the Executive from obtaining other gainful employment or service.

### (b) **Non-Compete.**

(i) During the Term of Employment and for a period of twenty-four (24) months following the Executive's termination of employment with the Company, the Executive shall not, directly or indirectly, own, manage, control, be employed by, consult with, participate in, or be connected in any manner with the ownership, management, operation, control of, or otherwise become involved with, any Competing Business, nor shall the Executive undertake any planning to engage in any such activity.

For purposes of this Agreement, a Competing Business shall mean any of the following: (1) any off-price retailer or retailer of discount merchandise, including without limitation, Burlington Coat Factory Warehouse Corporation, TJX Companies Inc., Stein Mart, Inc., (2) Macy's, Inc. and Kohl's Corporation, and (3) any affiliates, subsidiaries or successors of businesses identified above.

(ii) The foregoing restrictions in Section 9(b)(i) shall have no force or effect in the event that: (i) the Executive's employment with the Company is terminated either by the Company pursuant to Section 6(d) [Without Cause] or by the Executive pursuant to Section 6(e) [Termination by the Executive for Good Reason]; or (ii) the Company fails to approve or grant an extension of this Agreement in accordance with Section 1 hereof.

(iii) Section 9(b)(i) shall not prohibit the Executive from making any investment of 1% or less of the equity securities of any publicly-traded corporation which is considered to be a Competing Business.

(c) **Non-Solicitation of Employees.** During the Term of Employment and for a period of 24 months following the Executive's termination of that employment with the Company, the Executive shall not, without the written permission of the Company or an affected affiliate, directly or indirectly (i) solicit, employ or retain, or have or cause any other person or entity to solicit, employ or retain, any person who is employed by the Company or was employed by the Company during the 6-month period prior to such solicitation, employment, or retainer, (ii) encourage any such person not to devote his or her full business time to the Company, or (iii) agree to hire or employ any such person.

(d) **Non-Solicitation of Third Parties.** During the Term of Employment and for a period of 24 months following the Executive's termination of employment with the Company, the Executive shall not directly or indirectly solicit or otherwise influence any entity with a business arrangement with the Company, including, without limitation, suppliers, sales representatives, lenders, lessors, and lessees, to discontinue, reduce, or otherwise materially or adversely affect such relationship.

(e) **Non-Disparagement.** The Executive acknowledges and agrees that the Executive will not defame or criticize the services, business, integrity, veracity, or personal or professional reputation of the Company or any of its directors, officers, employees, affiliates, or agents of any of the foregoing in either a professional or personal manner either during the term of the Executive's employment or thereafter.

#### **10. Company Remedies for Executive's Breach of Certain Obligations.**

(a) The Executive acknowledges and agrees that in the event that the Executive breaches or threatens to breach Sections 5 or 9 of this Agreement, all compensation and benefits otherwise payable pursuant to this Agreement and the vesting and/or exercisability of all stock options, restricted stock, performance shares and other forms of equity compensation previously awarded to the Executive, notwithstanding the provisions of any agreement evidencing any such award to the contrary, shall immediately cease.

(b) The Company shall give prompt notice to the Executive of its discovery of a breach by the Executive of Sections 5 or 9 of this Agreement. If it is determined by a vote of not less than two-thirds of the members of the Board that the Executive has breached Section 9 of this Agreement and has not cured such breach within ten (10) business days of such notice, then:

(i) the Executive shall forfeit to the Company (A) all stock options, stock appreciation rights, performance shares and other equity compensation awards (other than shares of restricted stock, restricted stock units or similar awards) granted to the Executive by the Company which remain outstanding and unexercised or unpaid as of the date of such determination by the Board (the "Breach Determination Date") and (B) all shares of restricted stock, restricted stock units and similar awards granted to the Executive by the Company which continue to be held by the Executive as of the Breach Determination Date to the extent that such awards vested during the Forfeiture Period (as defined below); and

(ii) the Executive shall pay to the Company all gains realized by the Executive upon (A) the exercise by or payment in settlement to the Executive on and after the commencement of the Forfeiture Period of stock options, stock appreciation rights, performance shares and other equity compensation awards (other than shares of restricted stock, restricted stock units or similar awards) granted to the Executive by the Company and (B) the sale on and after the commencement of the Forfeiture Period of shares or other property received by the Executive pursuant to awards of restricted stock, restricted stock units or similar awards granted to the Executive by the Company and which vested during the Forfeiture Period.

(c) For purposes of this Section, the gain realized by the Executive upon the exercise or payment in settlement of stock options, stock appreciation rights, performance shares and other equity compensation awards shall be equal to (A) the closing sale price on the date of exercise or settlement (as reported on the stock exchange or market system constituting the principal market for the shares subject to the applicable award) of the number of vested shares issued to the Executive upon such exercise or settlement, reduced by the purchase price, if any, paid by the Executive to acquire such shares, or (B) if any such award was settled by payment in cash to the Executive, the gain realized by the Executive shall be equal to the amount of cash paid to the Executive. Further, for purposes of this Section, the gain realized by the Executive upon the sale of shares or other property received by the Executive pursuant to awards of restricted stock, restricted stock units or similar awards shall be equal to the gross proceeds of such sale realized by the Executive. Gains determined for purposes of this Section shall be determined without regard to any subsequent increase or decrease in the market price of the Company's stock or taxes paid by or withheld from the Executive with respect to such transactions.

(d) For the purposes of this Section, the "Forfeiture Period" shall be the period ending on the Breach Determination Date and beginning on the earlier of (A) the date six months prior to the Breach Determination Date or (B) the business day immediately preceding the date of the Executive's termination of employment with the Company.

(e) The Company shall have the right (but not the obligation) to deduct from any amounts payable from time to time to the Executive by the Company pursuant to this Agreement or otherwise (including wages or other compensation, vacation pay or other benefits, and any other amounts owed to the Executive by the Company) any and all amounts the Executive is required to pay to the Company pursuant to this Section. The Executive agrees to pay to the Company immediately upon the Breach Determination Date the amount payable by the Executive to the Company pursuant to this Section which the Company has not recovered by means of such deductions.

(f) The Executive acknowledges that money will not adequately compensate the Company for the substantial damages that will arise upon the breach or threatened breach of Sections 5 or 9 of this Agreement and that the Company will not have any adequate remedy at law. For this reason, such breach or threatened breach will not be subject to the arbitration clause in Section 19; rather, the Company will be entitled, in addition to other rights and remedies, to specific performance, injunctive relief, and other equitable relief to prevent or restrain such breach or threatened breach. The Company may obtain such relief from (1) any court of competent jurisdiction, (2) an arbitrator pursuant to Section 19 hereof, or (3) a combination of the two (e.g., by simultaneously seeking arbitration under Section 19 and a temporary injunction from a court pending the outcome of the arbitration). It shall be the Company's sole and exclusive right to elect which approach to use to vindicate its rights. The Executive further agrees that in the event of a breach or threatened breach, the Company shall be entitled to obtain an immediate injunction and restraining order to prevent such breach and/or threatened breach and/or continued breach, without posting a bond or having to prove irreparable harm or damages, and to obtain all costs and expenses, including reasonable attorneys' fees and costs. In addition, the existence of any claim or cause of action by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the restrictive covenants in this Agreement.

(g) **Recoupment.** Executive hereby understands and agrees that the Executive is subject to the Company's recoupment policy. Under the current policy applicable to the Company's senior executives, subject to the discretion and approval of the Company's Board of Directors (the "Board"), the Company may, to the extent permitted by governing law, require reimbursement of any cash payments and reimbursement and/or cancellation of any Performance Share or Common Shares issued in settlement of a Performance Share to the Executive where all of the following factors are present: (1) the award was predicated upon the achievement of certain financial results that were subsequently the subject of a material restatement, (2) the Board determines that the Executive engaged in fraud or intentional misconduct that was a substantial contributing cause to the need for the restatement, and (3) a lower award would have been made to the Executive based upon the restated financial results. In each instance, the Company may seek to recover the Executive's entire gain received by the Executive within the relevant period, plus a reasonable rate of interest.

**11. Exercise of Stock Options Following Termination.** If the Executive's employment terminates, Executive (or the Executive's estate) may exercise the Executive's right to purchase any vested stock under the stock options granted to Executive by the Company as provided in the applicable stock option agreement or Company plan. All such purchases must be made by the Executive in accordance with the applicable stock option plans and agreements between the parties.

12. **Successors; Binding Agreement.** This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to the Executive hereunder, all such amounts shall be paid in accordance with the terms of this Agreement and applicable law to the Executive's beneficiary pursuant to a written designation of beneficiary, or, if there is no effective written designation of beneficiary by the Executive, to the Executive's estate.

13. **Insurance and Indemnity.** The Company shall, to the extent permitted by law, include the Executive during the Term of Employment under any directors and officers' liability insurance policy maintained for its directors and officers, with coverage at least as favorable to the Executive in amount and each other material respect as the coverage of other officers covered thereby. The Company's obligation to provide insurance and indemnify the Executive shall survive expiration or termination of this Agreement with respect to proceedings or threatened proceedings based on acts or omissions of the Executive occurring during the Executive's employment with the Company. Such obligations shall be binding upon the Company's successors and assigns and shall inure to the benefit of the Executive's heirs and personal representatives.

14. **Notice.** For the purposes of this Agreement, notices, demands and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: John G. Call  
Ross Stores, Inc.  
4440 Rosewood Drive  
Pleasanton, CA 94588

If to the Company: Ross Stores, Inc.  
4440 Rosewood Drive  
Pleasanton, CA 94588  
Attention: General Counsel

or to such other address as any party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

15. **Complete Agreement; Modification, Waiver; Entire Agreement.** This Agreement, along with any Compensation and Benefits Summary, stock option, restricted stock, performance share or other equity compensation award agreements between the parties, represents the complete agreement of the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, promises or representations of the parties, except those relating to repayment of signing and related bonuses, or relocation expense reimbursements. To the extent that the bonus payment provisions (i.e., post-termination bonus payments) provided in this Agreement differ from the provisions of the Company's incentive bonus plans (currently the Incentive Compensation Plan) or any replacement plans, such bonus payments shall be paid pursuant to the provisions of this Agreement except to the extent expressly prohibited by law. Except as provided by Section 22 [Compliance with Section 409A], no provision of this Agreement may be amended or modified except in a document signed by the Executive and the chairman of the Committee or such other person as may be designated by the Board. No waiver by the Executive or the Company of any breach of, or lack of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or the same condition or provision at another time. To the extent that this Agreement is in any way deemed to be inconsistent with any prior or contemporaneous Compensation and Benefits Summary, stock option, restricted stock, performance share or other equity compensation award agreements between the parties, or term sheet referencing such specific awards, the terms of this Agreement shall control. No agreements or representations, oral or otherwise, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

16. **Governing Law - Severability.** The validity, interpretation, construction, performance, and enforcement of this Agreement shall be governed by the laws of the state in which the Executive's principal place of employment described in Section 3 is located without reference to that state's choice of law rules. If any provision of this Agreement shall be held or deemed to be invalid, illegal, or unenforceable in any jurisdiction, for any reason, the invalidity of that provision shall not have the effect of rendering the provision in question unenforceable in any other jurisdiction or in any other case or of rendering any other provisions herein unenforceable, but the invalid provision shall be substituted with a valid provision which most closely approximates the intent and the economic effect of the invalid provision and which would be enforceable to the maximum extent permitted in such jurisdiction or in such case.

17. **Mitigation Not Required.** In the event the Executive's employment with the Company terminates for any reason, the Executive shall not be obligated to seek other employment following such termination. However, any amounts due the Executive under Sections 8(a)(i); 8(a)(ii); 8(e)(i)(2)(a),(b),(c) or (d); and/or any additional salary provided under Section 8(e)(i)(1) of this Agreement shall be offset by any cash remuneration, health care coverage and/or estate planning reimbursements attributable to any subsequent employment that the Executive may obtain during the period of payment of compensation under this Agreement following the termination of the Executive's employment with the Company.

18. **Withholding.** All payments required to be made by the Company hereunder to the Executive or the Executive's estate or beneficiaries shall be subject to the withholding of such amounts as the Company may reasonably determine it should withhold pursuant to any applicable law. To the extent permitted, the Executive may provide all or any part of any necessary withholding by contributing Company stock with value, determined on the date such withholding is due, equal to the number of shares contributed multiplied by the closing price per share as reported on the securities exchange constituting the primary market for the Company's stock on the date preceding the date the withholding is determined.

19. **Arbitration.** In the event of any dispute or claim relating to or arising out of the parties' employment relationship or this Agreement (including, but not limited to, any claims of breach of contract, wrongful termination, or age, race, sex, disability or other discrimination), all such disputes shall be fully, finally and exclusively resolved by binding arbitration conducted by the American Arbitration Association in the city in which the Executive's principal place of employment is located by an arbitrator mutually agreed upon by the parties hereto or, in the absence of such agreement, by an arbitrator selected in accordance with the Employment Arbitration Rules of the American Arbitration Association, provided, however, that this arbitration provision shall not apply, unless the Company elects otherwise, to any disputes or claims relating to or arising out of the Executive's breach of Sections 5 or 9 of this Agreement. If either the Company or the Executive shall request, arbitration shall be conducted by a panel of three arbitrators, one selected by the Company, one selected by the Executive, and the third selected by agreement of the first two, or, in the absence of such agreement, in accordance with such Rules. The Company shall pay all costs of any arbitration; provided, however, that each party shall pay its own attorney and advisor fees.

If there is termination of the Executive's employment with the Company followed by a dispute as to whether the Executive is entitled to the benefits provided under this Agreement, then, during the period of that dispute the Company shall pay the Executive fifty percent (50%) of the amount specified in Section 8 hereof (except that the Company shall pay one hundred percent (100%) of any insurance premiums provided for in Section 8), if, and only if, the Executive agrees in writing that if the dispute is resolved against the Executive, the Executive shall promptly refund to the Company all such payments received by, or made by the Company on behalf of, the Executive. If the dispute is resolved in the Executive's favor, promptly after resolution of the dispute the Company shall pay the Executive the sum that was withheld during the period of the dispute plus interest at the rate provided in Section 1274(d) of the Code, compounded quarterly.

20. **Attorney's Fees.** Each party shall bear its own attorney's fees and costs incurred in any action or dispute arising out of this Agreement.

21. **Miscellaneous.** No right or interest to, or in, any payments shall be assignable by the Executive; provided, however, that the Executive shall not be precluded from designating in writing one or more beneficiaries to receive any amount that may be payable after the Executive's death and the legal representative of the Executive's estate shall not be precluded from assigning any right hereunder to the person or persons entitled thereto. This Agreement shall be binding upon and shall inure to the benefit of the Executive, the Executive's heirs and legal representatives and, the Company and its successors.



22. **Compliance with Section 409A.** Notwithstanding any other provision of this Agreement to the contrary, the provision, time and manner of payment or distribution of all compensation and benefits provided by this Agreement that constitute nonqualified deferred compensation subject to and not exempted from the requirements of Code Section 409A ("Section 409A Deferred Compensation") shall be subject to, limited by and construed in accordance with the requirements of Code Section 409A and all regulations and other guidance promulgated by the Secretary of the Treasury pursuant to such Section (such Section, regulations and other guidance being referred to herein as "Section 409A"), including the following:

(a) **Separation from Service.** Payments and benefits constituting Section 409A Deferred Compensation otherwise payable or provided pursuant to Section 8 upon the Executive's termination of employment shall be paid or provided only at the time of a termination of the Executive's employment which constitutes a Separation from Service. For the purposes of this Agreement, a "Separation from Service" is a separation from service within the meaning of Treasury Regulation Section 1.409A-1(h).

(b) **Six-Month Delay Applicable to Specified Employees.** If, at the time of a Separation from Service of the Executive, the Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) (a "Specified Employee"), then any payments and benefits constituting Section 409A Deferred Compensation to be paid or provided pursuant to Section 8 upon the Separation from Service of the Executive shall be paid or provided commencing on the later of (i) the date that is six (6) months after the date of such Separation from Service or, if earlier, the date of death of the Executive (in either case, the "Delayed Payment Date"), or (ii) the date or dates on which such Section 409A Deferred Compensation would otherwise be paid or provided in accordance with Section 8. All such amounts that would, but for this Section 22(b), become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

(c) **Health Care and Estate Planning Benefits.** In the event that all or any of the health care or estate planning benefits to be provided pursuant to Sections 8(e)(i)(2)(c) or 8(e)(i)(2)(d) as a result of a Participant's Separation from Service constitute Section 409A Deferred Compensation, the Company shall provide for such benefits constituting Section 409A Deferred Compensation in a manner that complies with Section 409A. To the extent necessary to comply with Section 409A, the Company shall determine the health care premium cost necessary to provide such benefits constituting Section 409A Deferred Compensation for the applicable coverage period and shall pay such premium cost which becomes due and payable during the applicable coverage period on the applicable due date for such premiums; provided, however, that if the Executive is a Specified Employee, the Company shall not pay any such premium cost until the Delayed Payment Date. If the Company's payment pursuant to the previous sentence is subject to a Delayed Payment Date, the Executive shall pay the premium cost otherwise payable by the Company prior to the Delayed Payment Date, and on the Delayed Payment Date the Company shall reimburse the Executive for such Company premium cost paid by the Executive and shall pay the balance of the Company's premium cost necessary to provide such benefit coverage for the remainder of the applicable coverage period as and when it becomes due and payable over the applicable period.

(d) **Stock-Based Awards.** The vesting of any stock-based compensation awards which constitute Section 409A Deferred Compensation and are held by the Executive, if the Executive is a Specified Employee, shall be accelerated in accordance with this Agreement to the extent applicable; provided, however, that the payment in settlement of any such awards shall occur on the Delayed Payment Date. Any stock-based compensation which vests and becomes payable upon a Change in Control in accordance with Section 8(e)(i)(1) shall not be subject to this Section 22(d).

(e) **Installments.** Executive's right to receive any installment payments payable hereunder shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment for purposes of Section 409A.

(f) **Reimbursements.** To the extent that any reimbursements payable to Executive pursuant to this Agreement are subject to the provisions of Section 409A of the Code, such reimbursements shall be paid to Executive no later than December 31 of the year following the year in which the cost was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(g) **Rights of the Company; Release of Liability.** It is the mutual intention of the Executive and the Company that the provision of all payments and benefits pursuant to this Agreement be made in compliance with the requirements of Section 409A. To the extent that the provision of any such payment or benefit pursuant to the terms and conditions of this Agreement would fail to comply with the applicable requirements of Section 409A, the Company may, in its sole and absolute discretion and without the consent of the Executive, make such modifications to the timing or manner of providing such payment and/or benefit to the extent it determines necessary or advisable to comply with the requirements of Section 409A; provided, however, that the Company shall not be obligated to make any such modifications. Any such modifications made by the Company shall, to the maximum extent permitted in compliance with the requirements of Section 409A, preserve the aggregate monetary face value of such payments and/or benefits provided by this Agreement in the absence of such modification; provided, however, that the Company shall in no event be obligated to pay any interest or other compensation in respect of any delay in the provision of such payments or benefits in order to comply with the requirements of Section 409A. The Executive acknowledges that (i) the provisions of this Section 22 may result in a delay in the time at which payments would otherwise be made pursuant to this Agreement and (ii) the Company is authorized to amend the this Agreement, to void or amend any election made by the Executive under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with Section 409A (including any transition or grandfather rules thereunder) without prior notice to or consent of the Executive. The Executive hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Executive as a result of the application of Code Section 409A.

**23. Future Equity Compensation.** The Executive understands and acknowledges that all awards, if any, of stock options, restricted stock, performance shares and other forms of equity compensation by the Company are made at the sole discretion of the Board of Directors of the Company or a committee thereof. The Executive further understands and acknowledges, however, that unless the Executive has executed this Agreement and each successive amendment extending the Initial Term or any subsequent Renewal Term of the Agreement as may be agreed to by the Company and the Executive, it is the intention of the Board of Directors and the Executive that, notwithstanding any continued employment with the Company, (a) the Company shall have no obligation to grant any award of stock options, restricted stock, performance shares or any other form of equity compensation which might otherwise have been granted to the Executive on or after the intended commencement of the Initial Term or such successive Renewal Term for which the Executive has failed to sign the Agreement or the applicable Term of Employment extension amendment and (b) any such award which is nevertheless granted to the Executive after the intended commencement of the Initial Term or Renewal Term for which the Executive has failed to sign such Agreement or applicable extension amendment shall not vest unless and until the Executive has executed the Agreement or applicable extension amendment, notwithstanding the provisions of any agreement evidencing such award to the contrary.

**IN WITNESS WHEREOF**, the parties have executed this Executive Employment Agreement effective as of the date and year first above written.

**ROSS STORES, INC.**

**EXECUTIVE**

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By: Michael Balmuth  
Vice Chairman and Chief  
Executive Officer

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John G. Call  
Group Senior Vice President

**Exhibit A to Executive Employment Agreement**

**CONFIDENTIAL SEPARATION AGREEMENT AND GENERAL RELEASE**

This is an Agreement between \_\_\_\_\_ (“Executive”) and Ross Stores, Inc. (“Ross”). The parties agree to the following terms and conditions:

1. Executive \_\_\_\_\_ employment with Ross effective \_\_\_\_\_ (the “Separation Date”).
2. Any inquiries by prospective employers or others should be referred to Ross’ third party provider The Work Number, phone number 1-800-367-5690 or <http://www.theworknumber.com>.
3. Executive understands that the Executive Employment Agreement, effective \_\_\_\_\_ (“Executive Agreement”), requires Executive to execute this General Release as a condition to receiving cash payments, benefits and equity as may be provided under the terms of the Executive Agreement.
4. In consideration for Ross’ promises herein, Executive knowingly and voluntarily releases and forever discharges Ross, and all parent corporations, affiliates, subsidiaries, divisions, successors and assignees, as well as the current and former employees, attorneys, officers, directors and agents thereof (collectively referred to throughout the remainder of this Agreement as “Releases”), of and from any and all claims, judgments, promises, agreements, obligations, damages, losses, costs, expenses (including attorneys’ fees) or liabilities of whatever kind and character, known and unknown, which Executive may now have, has ever had, or may in the future have, arising from or in any way connected with any and all matters from the beginning of time to the date hereof, including but not limited to any alleged causes of action for:
  - Title VII of the Civil Rights Act of 1964, as amended
  - The Civil Rights Act of 1991
  - Sections 1981 through 1988 of Title 42 of the United States Code, as amended
  - The Employee Retirement Income Security Act of 1974, as amended
  - The Immigration Reform and Control Act, as amended
  - The Americans with Disabilities Act of 1990, as amended
  - The Age Discrimination in Employment Act of 1967, as amended
  - The Workers Adjustment and Retraining Notification Act, as amended
  - The Occupational Safety and Health Act, as amended
  - The Sarbanes-Oxley Act of 2002
  - California Family Rights Act – Cal. Govt. Code § 12945.2 et seq.
  - California Fair Employment and Housing Act – Cal. Gov’t Code § 12900 et seq.
  - Statutory Provision Regarding Retaliation/Discrimination for Filing a Workers Compensation Claim – Cal. Lab. Code §132a (1) to (4)
  - Statutory Provision Regarding Representations and Relocation of Employment (Cal. Lab. Code §970 et seq.)

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Executive’s Initials

Ross’ Initials

**Exhibit A to Executive Employment Agreement**

- California Unruh Civil Rights Act – Civ. Code § 51 et seq.
- California Sexual Orientation Bias Law – Cal. Lab. Code §1101 et seq.
- California AIDS Testing and Confidentiality Law – Cal. Health & Safety Code §199.20 et seq.
- California Confidentiality of Medical Information – Cal. Civ. Code §56 et seq.
- California Smokers' Rights Law – Cal. Lab. Code §96
- California Parental Leave Law – Cal. Lab. Code §230.7 et seq.
- California Apprenticeship Program Bias Law – Cal. Lab. Code §3070 et seq.
- California Wage Payment Act, as amended
- California Equal Pay Law – Cal. Lab. Code §1197.5 et seq.
- California Whistleblower Protection Law – Cal. Lab. Code § 1102-5(a) to (c)
- California Military Personnel Bias Law – Cal. Mil. & Vet. Code §394 et seq.
- California Family and Medical Leave – Cal. Lab. Code §233
- California Parental Leave for School Visits Law – Cal. Lab. Code §230.7 et seq.
- California Electronic Monitoring of Employees – Cal. Lab. Code §435 et seq.
- Cal/OSHA law, as amended
- California Consumer Reports: Discrimination Law – Cal. Civ. Code §1786.10 et seq.
- California Political Activities of Employees Act – Cal. Lab. Code §1101 et seq.
- California Domestic Violence Victim Employment Leave Act – Cal. Lab. Code §230.1
- California Voting Leave Law – Cal. Elec. Code §14350 et seq.
- California Court Leave Law – Cal. Lab. Code §230
- California Labor Code sections 2698 and 2699
- Any other federal, state or local civil or human rights law or any other local, state or federal law, regulation or ordinance
- Any public policy, contract, tort, or common law, or
- Any claim for costs, fees, or other expenses including attorneys' fees incurred in these matters

5. **Claims Excluded from this Release:** However, notwithstanding the foregoing, nothing in this Agreement shall be construed to waive any right that is not subject to waiver by private agreement, including, without limitation, any claims arising under state unemployment insurance or workers compensation laws or California Labor Code section 2802. Executive understands that rights or claims under the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621, *et seq.*) that may arise after the date of this Agreement are not waived. Likewise, nothing in this Agreement shall be construed to prohibit Executive from filing a charge or complaint challenging the validity of this Agreement with the Equal Employment Opportunity Commission or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission.

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Executive's Initials

Ross' Initials

**Exhibit A to Executive Employment Agreement**

6. Subject to the continuing viability of the Claims Excluded from this Agreement, as described in the paragraph above, Executive expressly waives and relinquishes all rights and benefits of section 1542 of the Civil Code of the State of California, and Executive does so understanding and acknowledging the significance and consequence of specifically waiving section 1542. Section 1542 of the Civil Code of the State of California states as follows:

**A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.**

Executive warrants he or she has read this Agreement, including this waiver of California Civil Code section 1542, and that Executive has consulted counsel or has had the opportunity to consult counsel about this Agreement and specifically about the waiver of section 1542. Executive understands this Agreement and the section 1542 waiver, and so Executive freely and knowingly enters into this Agreement. Executive acknowledges he or she may later discover facts different from or in addition to those he or she now knows or believes to be true regarding the matters released or described in this Agreement, and even so Executive agrees the releases and agreements contained in this Agreement shall remain effective in all respects notwithstanding any later discovery of any different or additional facts. Executive assumes any and all risk of mistake in connection with the true facts involved in the matters, disputes, or controversies described in this Agreement or with regard to any facts now unknown to Executive relating to those matters.

7. Executive affirms that he or she has been paid and/or has received all leave (paid or unpaid), compensation, wages, bonuses, commissions, and/or benefits to which he or she may be entitled and that no other leave (paid or unpaid), compensation, wages, bonuses, commissions and/or benefits are due to him or her, except as provided in this Agreement. Executive furthermore affirms that he or she has no known workplace injuries or occupational diseases and has been provided and/or has not been denied any leave requested, including any under the Family and Medical Leave Act or any other leaves authorized by federal or state law, and that Executive has not reported any purported improper, unethical or illegal conduct or activities to any supervisor, manager, executive human resources representative or agent of Ross Stores and has no knowledge of any such improper, unethical or illegal conduct or activities. Executive additionally represents and affirms that during the course of employment at Ross, Executive has taken no actions contrary to or inconsistent with Executive's job responsibilities or the best interests of Ross' business.
8. During the course of employment at Ross, Executive has become aware of a variety of confidential information related to Ross business and competitive position. Executive acknowledges that this confidential information includes information regarding Ross associate compensation, performance, and other terms of employment as to Ross associates. Executive agrees not to use or disclose in any manner such confidential, or trade secret information (which includes but is not limited to, marketing and profit information, potential site location, or other concepts or materials of Ross).

In furtherance of maintaining the confidentiality of such information, and in consideration for the payments and benefits provided by Ross under this Agreement, Executive also agrees to not directly or indirectly solicit any other employee of Ross for a competing business or induce or attempt to induce any other employee of Ross to terminate his or her employment with Ross for a period of twelve (12) months following Separation Date.

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Executive's Initials

Ross' Initials

**Exhibit A to Executive Employment Agreement**

The parties agree that any violation of the provisions in this paragraph and the below provisions regarding confidentiality and non-disparagement would cause Ross significant, immediate and irreparable harm, entitling Ross to injunctive relief in an appropriate court of law. Further, the parties agree that in event of Executive's violation of such provisions, Ross will be entitled to recover its reasonable attorney's fees and costs incurred in successfully enforcing such provisions.

- 9. Executive agrees that this is a private agreement and that he or she will not discuss the fact that it exists or its terms with anyone else except with his or her spouse, attorney, accountant, or as required by law. Further, Executive agrees not to defame, disparage or demean Ross in any way (excluding actions or communications expressly required or permitted by law
- 10. Any party to this Agreement may bring an action in law or equity for its breach. Unless otherwise ordered by the Court, only the provisions of this Agreement alleged to have been breached shall be disclosed.
- 11. This Agreement has been made in the State of California and the law of said State shall apply to it. If any part of this Agreement is found to be invalid, the remaining parts of the Agreement will remain in effect as if no invalid part existed.
- 12. Executive further agrees to make him or herself available as needed and fully cooperate with Ross in defending any anticipated, threatened, or actual litigation that currently exists, or may arise subsequent to the execution of this Agreement. Such cooperation includes, but is not limited to, meeting with internal Ross employees to discuss and review issues which Executive was directly or indirectly involved with during employment with Ross, participating in any investigation conducted by Ross either internally or by outside counsel or consultants, signing declarations or witness statements, preparing for and serving as a witness in any civil or administrative proceeding by both depositions or a witness at trial, reviewing documents and similar activities that Ross deems necessary. Executive further agrees to make him or herself available as needed and cooperate in answering questions regarding any previous or current project Executive worked on while employed by Ross so as to insure a smooth transition of responsibilities and to minimize any adverse consequences of Executive's departure.
- 13. This Agreement sets forth the entire agreement between the parties hereto, and fully supersedes any prior agreements or understandings between the parties, except for any confidentiality, trade secrets and inventions agreements previously entered into with the company (which will remain in full force and effect), and may not be modified except in a writing agreed to and signed by both parties, providing however that Employer may modify this form of agreement from time to time solely as needed to comply with federal, state or local laws in effect that the time this Agreement is to be executed. Executive acknowledges that he or she has not relied on any representations, promises, or agreements of any kind made to him or her in connection with his or her decision to accept this Agreement except for those set forth in this Agreement.

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Executive's Initials

Ross' Initials

**Exhibit A to Executive Employment Agreement**

FOR 40+

14. **Waiver:** By signing this Agreement, Executive acknowledges that he or she:

- (a) Has carefully read and understands this Agreement;
- (b) Has been given a full twenty-one (21) days within which to consider the terms of this Agreement and consult with an attorney of his or her choice, and to the extent he or she executes this Agreement prior to expiration of the full twenty-one (21) days, knowingly and voluntarily waives that period following consultation with an attorney of his or her choice;
- (c) Is, through this Agreement, releasing Ross from any and all claims he or she may have against it that have arisen as of the date of this Agreement, including but not limited to, rights or claims arising under the Age Discrimination in Employment Act of 1967 (29 U.S.C. §621, *et seq.*);
- (d) Knowingly and voluntarily agrees to all of the terms set forth in this Agreement;
- (e) Knowingly and voluntarily intends to be legally bound by the same;
- (f) Is hereby advised in writing to consider the terms of this Agreement and to consult with an attorney of his or her choice prior to executing this Agreement;
- (g) Has consulted with an attorney of his or her choosing prior to signing this Agreement;
- (h) Understands that rights or claims under the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621, *et seq.*) that may arise after the date of this Agreement are not waived;
- (i) Has a full seven (7) days following the execution of this Agreement to revoke this Agreement ("the Revocation Period") in writing and hereby is advised that this Agreement shall not become effective or enforceable until the Revocation Period has expired.

Executive fully understands the final and binding effect of the Agreement. Executive acknowledges that he or she signs this Agreement voluntarily of his or her own free will.

The parties hereto knowingly and voluntarily executed this Agreement as of the date set forth below:

Dated: \_\_\_\_\_ By: \_\_\_\_\_  
("Executive")

Dated: \_\_\_\_\_ By: \_\_\_\_\_  
ROSS STORES, INC. ("Ross")

\_\_\_\_\_  
Executive's Initials

\_\_\_\_\_  
Ross' Initials



**EXHIBIT 15**

June 6, 2012

Ross Stores, Inc.  
Pleasanton, California

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Ross Stores, Inc. and subsidiaries for the periods ended April 28, 2012 and April 30, 2011, as indicated in our report dated June 6, 2012; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended April 28, 2012, is incorporated by reference in Registration Statements No. 333-151116, No. 33-61373, No. 33-51916, No. 33-51896, No. 33-51898, No. 33-41415, No. 33-41413, No. 33-29600, No. 333-56831, No. 333-06119, No. 333-34988, No. 333-51478, and No. 333-115836 of Ross Stores, Inc. and subsidiaries, all on Form S-8.

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

Yours truly,

/s/Deloitte & Touche LLP  
San Francisco, California

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## EXHIBIT 31.1

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

I, Michael Balmuth, certify that:

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

Date: June 6, 2012

/s/Michael Balmuth  
Michael Balmuth  
Vice Chairman and Chief Executive Officer

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## EXHIBIT 31.2

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

I, John G. Call, certify that:

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

Date: June 6, 2012

/s/J. Call

John G. Call  
Group Senior Vice President, Chief Financial Officer  
and Principal Accounting Officer

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**EXHIBIT 32.1**

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended April 28, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Balmuth, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

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

Date: June 6, 2012

/s/Michael Balmuth

\_\_\_\_\_  
Michael Balmuth

Vice Chairman and Chief Executive Officer

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## EXHIBIT 32.2

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended April 28, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John G. Call, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

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

Date: June 6, 2012

/s/J. Call

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John G. Call

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

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