

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 November 2, 1996

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 94-1390387  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

8333 Central Avenue, 94560-3433  
Newark, California (Address of principal (Zip Code)  
executive offices)

Registrant's telephone number, (510) 505-4400  
including area code

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

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

The number of shares of Common Stock, with \$.01 par value,  
outstanding on November 30, 1996 was 24,752,157.

2

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

ROSS STORES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

(\$000)	November 2, 1996	February 3, 1996	October 28, 1995
ASSETS			
	(Unaudited)	(Note A)	(Unaudited)

Current Assets

Cash and cash equivalents	\$25,305	\$23,426	\$23,599
Accounts receivable	18,207	9,901	9,197
Merchandise inventory	401,813	295,965	344,004
Prepaid expenses and other	13,269	13,474	11,750
Total Current Assets	<u>458,594</u>	<u>342,766</u>	<u>388,550</u>

Property And Equipment

Land and buildings	24,115	24,102	24,102
Fixtures and equipment	160,539	156,811	149,923
Leasehold improvements	124,783	123,829	116,956
Construction-in-progress	28,922	16,808	13,654
	<u>338,359</u>	<u>321,550</u>	<u>304,635</u>

Less accumulated depreciation and amortization	<u>152,468</u>	<u>140,174</u>	<u>133,581</u>
--	----------------	----------------	----------------

Other assets	15,893	17,010	17,558
--------------	--------	--------	--------

	<u>\$660,378</u>	<u>\$541,152</u>	<u>\$577,162</u>
--	------------------	------------------	------------------

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts payable	\$196,929	\$137,653	\$172,809
Accrued expenses and other	61,936	42,944	47,097
Accrued payroll and benefits	41,891	30,064	25,364
Income taxes payable	14,018	10,555	2,007
Total Current Liabilities	<u>314,774</u>	<u>221,216</u>	<u>247,277</u>

Long-term debt	10,000	9,806	37,874
Deferred income taxes and other liabilities	22,938	18,614	21,465

Stockholders' Equity

Capital stock	249	246	244
Additional paid-in capital	156,542	133,409	127,567
Retained earnings	155,875	157,861	142,735
	<u>312,666</u>	<u>291,516</u>	<u>270,546</u>

	<u>\$660,378</u>	<u>\$541,152</u>	<u>\$577,162</u>
--	------------------	------------------	------------------

<FN>  
 <F1> See notes to condensed consolidated financial statements.  
 </FN>

ROSS STORES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

	Three Months Ended		Nine Months Ended	
	November 2, 1996	October 28, 1995	November 2, 1996	October 28, 1995
(\$000 except per share data, unaudited)				
Sales	\$403,383	\$330,682	\$1,179,987	\$979,319
Costs and Expenses				
Cost of goods sold and occupancy	283,797	237,555	833,472	710,403
General, selling and administrative	85,043	72,634	243,025	209,329
Depreciation and amortization	7,363	6,834	21,788	20,277
Interest	(77)	473	138	2,452
	<u>376,126</u>	<u>317,496</u>	<u>1,098,423</u>	<u>942,461</u>
Earnings before taxes	27,257	13,186	81,564	36,858
Provision for taxes on earnings	10,903	5,277	32,626	14,745
Net earnings	\$16,354	\$7,909	\$48,938	\$22,113

Net earnings per share:

Primary	\$ .64	\$ .32	\$1.90	\$ .89
Fully diluted	\$ .64	\$ .32	\$1.89	\$ .89

Weighted average shares outstanding:

Primary	25,625	24,863	25,757	24,734
Fully diluted	25,677	24,870	25,872	24,851
=====				
Stores open at end of period			313	293
=====				

<FN>  
 <F1> See notes to condensed consolidated financial statements.  
 </FN>

4

ROSS STORES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended	
(\$000, unaudited)	November 2, 1996	October 28 1995
Cash Flows From Operating Activities		
Net earnings	\$48,938	\$22,113
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization of property and equipment	21,788	20,277
Other amortization	4,923	3,799
Change in current assets and current liabilities:		
Merchandise inventory	(105,848)	(68,821)
Other current assets - net	(8,102)	(3,431)
Accounts payable	61,012	64,691
Other current liabilities - net	37,227	6,548
Other	5,988	3,624
Net cash provided by operating activities	<u>65,926</u>	<u>48,800</u>
=====		
Cash Flows From Investing Activities		
Additions to property and equipment	(33,188)	(29,871)
Net cash used in investing activities	<u>(33,188)</u>	<u>(29,871)</u>
=====		
Cash Flows From Financing Activities		
Borrowing under line of credit agreement	12,700	5,000
(Repayment) of long-term debt	(9,835)	(13,241)
Issuance of common stock related to stock plans	29,352	1,812
Repurchase of common stock	(57,797)	(8,054)
Dividends paid	(5,279)	(4,428)
Net cash (used in) financing activities	<u>(30,859)</u>	<u>(18,911)</u>
Net Increase In Cash	<u>1,879</u>	<u>18</u>
Cash		
Beginning of year	23,426	23,581
End of quarter	<u>\$25,305</u>	<u>\$23,599</u>
=====		
Interest Paid	\$660	\$2,822
Income Taxes Paid	\$29,163	\$17,476
=====		

<FN>  
 <F1> See notes to condensed consolidated financial statements.  
 </FN>

## ROSS STORES, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended November 2, 1996 and October 28, 1995  
(Unaudited)

## NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared from the records of the company without audit and, in the opinion of management, include all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position at November 2, 1996 and October 28, 1995; the interim results of operations for the three and nine months ended November 2, 1996 and October 28, 1995; and cash flows for the nine months ended November 2, 1996 and October 28, 1995. The balance sheet at February 3, 1996, presented herein, has been derived from the audited financial statements of the company 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 February 3, 1996. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted for purposes of the 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, for the year ended February 3, 1996.

The results of operations for the three and nine month periods herein presented are not necessarily indicative of the results to be expected for the full year.

The condensed consolidated financial statements at November 2, 1996 and October 28, 1995, and for the three and nine months then ended have been reviewed, prior to filing, by the registrant's independent accountants whose report covering their review of the financial statements is included in this report on page 6.

## INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors and Stockholders of Ross Stores, Inc.  
Newark, California

We reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. (the "Company") as of November 2, 1996 and October 28, 1995, and the related condensed consolidated statements of earnings for the three-month and nine-month periods then ended and the related condensed consolidated statements of cash flows for the nine-month periods then ended. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objectives 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 financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Ross Stores, Inc. as of February 3, 1996, 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 15, 1996, 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 February 3, 1996 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Deloitte & Touche LLP  
San Francisco, CA

November 22, 1996

7

I

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

RESULTS OF OPERATIONS

PERCENTAGE OF SALES

	Three Months Ended		Nine Months Ended	
	November 2, 1996	October 28, 1995	November 2, 1996	October 28, 1995
<b>SALES</b>				
Sales (\$000)	\$403,383	\$330,682	\$1,179,987	\$979,319
Sales growth	22%	12%	20%	12%
Comparable store sales growth	14%	4%	12%	2%
<b>COSTS AND EXPENSES</b>				
Cost of goods sold and occupancy	70.4%	71.8%	70.6%	72.5%
General, selling and administrative	21.1%	22.0%	20.6%	21.4%
Depreciation and amortization	1.8%	2.1%	1.8%	2.1%
Interest	0%	0.1%	0%	0.3%
<b>NET EARNINGS</b>	<b>4.1%</b>	<b>2.4%</b>	<b>4.1%</b>	<b>2.3%</b>

Sales

The results of operations for the three and nine months ended November 2, 1996, over the same periods last year, reflect an increase in the level of sales which was due to the increase in comparable store sales as well as a greater number of open stores during the current period.

Costs and Expenses

The declines from the prior year in cost of goods sold and occupancy expense as a percentage of sales for the three and nine month periods ended November 2, 1996 were primarily due to stronger than planned comparable store increases which contributed to (i) lower markdowns as a percentage of sales and (ii) increased leverage on occupancy expenses.

General, selling and administrative expenses as a percentage of sales also declined from the comparable periods in the prior year. This improvement was due to the company's continued focus on strict expense controls combined with the leverage realized on the strong increase in comparable store sales, which more than offset higher accruals for the company's incentive plan.

Net earnings for the three months ended November 2, 1996, totaled \$16.4 million, or \$.64 per share, compared to net earnings of

\$7.9 million, or \$.32 per share, for the three months ended October 28, 1995.

8

#### Taxes on Earnings

The company's effective tax rate for the third quarter of 1996 and 1995 was 40%. The rate for both periods reflects the applicable statutory tax rates.

#### LIQUIDITY AND CAPITAL RESOURCES

The primary uses of cash during the first nine months of fiscal 1996 were for (i) an increase in inventory somewhat offset by a related increase in accounts payable; (ii) repurchase of the company's common stock; (iii) capital expenditures for new stores, improvements to existing locations and improvements in operating systems; and (iv) reduction in long-term debt.

Total consolidated inventories were up 17% at the end of the third quarter from last year due mainly to an increase in the number of new stores and higher levels of seasonal packaway merchandise.

The increase in accounts receivable reflects an increase in deferred compensation and credit card sales driven by the higher volume of business. The increase in accrued payroll reflects the accruals for the company's deferred compensation plan and incentive plan. The increase in accrued expenses primarily results from the timing of payments for expenses related to the volume of business.

The decline in interest expense reflects lower borrowings which resulted primarily from (i) higher earnings levels; (ii) increases in accounts payable, accrued expenses and other liabilities; and (iii) receipts from stock option exercises.

The company believes it can fund its capital needs for the remainder of the fiscal year and the next twelve months and complete the current stock repurchase program through internally generated cash, trade credit, established bank lines and lease financing.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

##### (a) Exhibits

Incorporated herein by reference to the list of Exhibits contained in the Exhibit Index which begins on page 10 of this Report.

##### (b) Reports on Form 8-K

None.

9

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed by the undersigned thereunto duly authorized.

ROSS STORES, INC.  
Registrant

Date: December 13, 1996 /s/John M. Vuko  
John M. Vuko, Senior Vice President,  
Controller and Principal Accounting  
Officer

10

INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Certificate of Incorporation, as amended, incorporated by reference to Exhibit 3.1 to the Registration Statement on Form 8-B (the "Form 8-B") filed September 1, 1989 by Ross Stores, Inc., a Delaware corporation ("Ross Stores").
3.2	Amended By-laws, dated August 25, 1994, incorporated by reference to Exhibit 3.2 to the Form 10-Q filed by Ross Stores for its quarter ended July 30, 1994.
10.1	Agreement of Lease, dated November 24, 1986, for Ross Stores' corporate headquarters and distribution center in Newark, CA, incorporated by reference to Exhibit 10.5 to the Form 8-B.
10.2	Revolving Credit Agreement, dated July 31, 1993, among Ross Stores, Wells Fargo Bank, National Association, Bank of America, National Trust and Savings Association, and Security Pacific National Bank ("Banks"); and Wells Fargo Bank, National Association, as agent for Banks, incorporated by reference to Exhibit 10.17 on the Form 10-Q filed by Ross Stores for its quarter ended July 31, 1993.
10.3	First Amendment to Revolving Credit Agreement, effective on July 31, 1994, by and among Ross Stores, Banks and Wells Fargo Bank, National Association, as agent for Banks, incorporated by reference to Exhibit 10.5 to the Form 10-Q filed by Ross Stores for its quarter ended July 30, 1994.
10.4	Second Amendment to Revolving Credit Agreement, effective on June 15, 1995, by and among Ross Stores, Banks and Wells Fargo Bank, National Association, as agent for Banks, incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by Ross Stores for its quarter ended July 29, 1995.
10.5	Credit Agreement, dated as of June 22, 1994, among Ross Stores, Bank of America National Trust and Savings Association as Agent, the Industrial Bank of Japan as Co-Agent and the other financial institutions party thereto, incorporated by reference to Exhibit 10.6 to the Form 10-Q filed by Ross Stores for its quarter ended July 30, 1994.
10.6	First Amendment to Credit Agreement, dated as of June 20, 1995, among Ross Stores, Bank of America National Trust and Savings Association as Agent, the Industrial Bank of Japan as Co-Agent, incorporated by reference to Exhibit 10.6 to the Form 10-Q filed by Ross Stores for its quarter ended July 29, 1995.
10.7	Second Amendment to Credit Agreement, dated as of June 12, 1996, Ross Stores, Bank of America National Trust and Savings Association as Agent, the Industrial Bank of Japan as Co-Agent, incorporated by reference to Exhibit 10.7 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.

11

Exhibit

Number Exhibit

MANAGEMENT CONTRACTS AND COMPENSATORY PLANS  
(EXHIBITS 10.8 - 10.33)

- 10.8 Amended and Restated 1992 Stock Option Plan, incorporated by reference to the appendix to the Proxy Statement filed by Ross Stores on April 24, 1995 for its Annual Stockholders Meeting held May 25, 1995 ("1995 Proxy Statement").
- 10.9 Third Amended and Restated Ross Stores Employee Stock Purchase Plan, incorporated by reference to the appendix to the 1995 Proxy Statement.
- 10.10 Third Amended and Restated Ross Stores 1988 Restricted Stock Plan, incorporated by reference to the appendix to the Proxy Statement filed by Ross Stores on April 24, 1996 for its Annual Stockholders Meeting held May 30, 1996 ("1996 Proxy Statement").
- 10.11 1991 Outside Directors Stock Option Plan, incorporated by reference to the appendix to the 1996 Proxy Statement.
- 10.12 Ross Stores Executive Medical Plan, incorporated by reference to Exhibit 10.13 to the 1993 Form 10-K filed by Ross Stores for its year ended January 29, 1994 ("1993 Form 10-K").
- 10.13 Third Amended and Restated Ross Stores Executive Supplemental Retirement Plan, incorporated by reference to Exhibit 10.14 to the 1993 Form 10-K.
- 10.14 Ross Stores Non-Qualified Deferred Compensation Plan, incorporated by reference to Exhibit 10.15 to the 1993 Form 10-K.
- 10.15 Ross Stores Incentive Compensation Plan, incorporated by reference to the appendix to the 1996 Proxy Statement.
- 10.16 Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of June 1, 1995, incorporated by reference to Exhibit 10.17 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.17 Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, entered into July 29, 1996, incorporated by reference to Exhibit 10.17 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
- 10.18 Agreement between Ross Stores and Norman A. Ferber, dated August 22, 1995, incorporated by reference to Exhibit 10.18 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.19 Employment Agreement between Ross Stores and Melvin A. Wilmore, effective as of March 15, 1994, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended April 30, 1994.

12  
Exhibit  
Number

Exhibit

- 10.20 Amendment to Employment and Stock Grant Agreement by and between Ross Stores and Melvin A. Wilmore, effective as of March 16, 1995, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.21 Second Amendment to Employment Agreement by and between



Ross Stores and Melvin A. Wilmore, effective as of June 1, 1995, incorporated by reference to Exhibit 10.21 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.

- 10.22 Third Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, entered into July 29, 1996, incorporated by reference to Exhibit 10.22 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
- 10.23 Agreement between Ross Stores and Melvin A. Wilmore, dated August 22, 1995, incorporated by reference to Exhibit 10.22 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.24 Employment Agreement between Ross Stores and Michael Balmuth, effective as of February 1, 1995, incorporated by reference to Exhibit 10.15 to the Form 10-Q filed by Ross Stores for its quarter ended April 29, 1995.
- 10.25 Amendment to Employment Agreement between Ross Stores and Michael Balmuth, effective as of June 1, 1995, incorporated by reference to Exhibit 10.24 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.26 Second Amendment to Employment Agreement between Ross Stores and Michael Balmuth, entered July 29, 1996, incorporated by reference to Exhibit 10.26 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
- 10.27 Employment Agreement between Ross Stores and Barry S. Gluck, effective as of March 1, 1996, incorporated by reference to Exhibit 10.23 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
- 10.28 First Amendment to Employment Agreement between Ross Stores and Barry S. Gluck, dated September 1, 1996.
- 10.29 Employment Agreement between Ross Stores and Irene S. Jamieson, effective as of March 1, 1996, incorporated by reference to Exhibit 10.24 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
- 10.30 First Amendment to Employment Agreement between Ross Stores and Irene A. Jamieson, dated September 1, 1996.
- 10.31 Employment Agreement between Ross Stores and Barbara Levy, effective as of March 1, 1996, incorporated by reference to Exhibit 10.25 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.

13

Exhibit  
Number

Exhibit

- 10.32 First Amendment to Employment Agreement between Ross Stores and Barbara Levy, dated September 1, 1996.
- 10.33 Consulting Agreement between Ross Stores and Stuart G. Moldaw, effective as of March 16, 1995, incorporated by reference to Exhibit 10.16 to the Form 10-Q filed by Ross Stores for its quarter ended April 29, 1995.
- 11 Statement re: Computation of Per Share Earnings.
- 15 Letter re: Unaudited Interim Financial Information.
- 27 Financial Data Schedules (submitted for SEC use

only).

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT TO EMPLOYMENT AGREEMENT (the "Amendment") is made and entered into this 1st day of September, 1996, by and between ROSS STORES, INC. (the "Company") and BARRY S. GLUCK (the "Executive"). The Executive and the Company previously entered into an Employment Agreement effective as of March 1, 1996, and it is now the intention of the Executive and the Company to amend the Agreement as set forth below. Accordingly, the Executive and the Company now enter into this Amendment.

I. The Executive and the Company hereby amend the Agreement effective as of September 1, 1996, as follows:

A. Place of Performance. Paragraph 3 shall be amended to provide that the Company's buying office shall be located in the metropolitan New York area.

B. Termination. Paragraph 6(e) of the Agreement is hereby amended to provide that the Executive may terminate his employment for Good Reason (as defined therein) if the Company requires the Executive to relocate his place of employment or residence outside of the New York metropolitan area.

C. Arbitration. Paragraph 18 of the Agreement is hereby amended to provide that in the event of any dispute relating to the parties' employment relationship or the Agreement will be resolved by binding arbitration conducted in New York City, New York.

D. No Other Modifications. Except as modified by this Amendment, the Agreement shall remain in full force and effect.

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

ROSS STORES, INC.

EXECUTIVE

By: /s/Stephen Joyce  
Stephen Joyce

/s/Barry S. Gluck  
Barry S. Gluck

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT TO EMPLOYMENT AGREEMENT (the "Amendment") is made and entered into this 1st day of September, 1996, by and between ROSS STORES, INC. (the "Company") and IRENE JAMIESON (the "Executive"). The Executive and the Company previously entered into an Employment Agreement effective as of March 1, 1996, and it is now the intention of the Executive and the Company to amend the Agreement as set forth below. Accordingly, the Executive and the Company now enter into this Amendment.

I. The Executive and the Company hereby amend the Agreement effective as of September 1, 1996, as follows:

A. Place of Performance. Paragraph 3 shall be amended to provide that the Company's buying office shall be located in the metropolitan New York area.

B. Termination. Paragraph 6(e) of the Agreement is hereby amended to provide that the Executive may terminate her employment for Good Reason (as defined therein) if the Company requires the Executive to relocate her place of employment or residence outside of the New York metropolitan area.

C. Arbitration. Paragraph 18 of the Agreement is hereby amended to provide that in the event of any dispute relating to the parties' employment relationship or the Agreement will be resolved by binding arbitration conducted in New York City, New York.

D. No Other Modifications. Except as modified by this Amendment, the Agreement shall remain in full force and effect.

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

ROSS STORES, INC.

EXECUTIVE

By: /s/Stephen Joyce  
Stephen Joyce

/s/Irene A. Jamieson  
Irene A. Jamieson

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT TO EMPLOYMENT AGREEMENT (the "Amendment") is made and entered into this 1st day of September, 1996, by and between ROSS STORES, INC. (the "Company") and BARBARA LEVY (the "Executive"). The Executive and the Company previously entered into an Employment Agreement effective as of March 1, 1996, and it is now the intention of the Executive and the Company to amend the Agreement as set forth below. Accordingly, the Executive and the Company now enter into this Amendment.

I. The Executive and the Company hereby amend the Agreement effective as of September 1, 1996, as follows:

A. Place of Performance. Paragraph 3 shall be amended to provide that the Company's buying office shall be located in the metropolitan New York area.

B. Termination. Paragraph 6(e) of the Agreement is hereby amended to provide that the Executive may terminate her employment for Good Reason (as defined therein) if the Company requires the Executive to relocate her place of employment or residence outside of the New York metropolitan area.

C. Arbitration. Paragraph 18 of the Agreement is hereby amended to provide that in the event of any dispute relating to the parties' employment relationship or the Agreement will be resolved by binding arbitration conducted in New York City, New York.

D. No Other Modifications. Except as modified by this Amendment, the Agreement shall remain in full force and effect.

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

ROSS STORES, INC.

EXECUTIVE

By: /s/Stephen Joyce  
Stephen Joyce

/s/Barbara Levy  
Barbara Levy

## ROSS STORES, INC.

STATEMENT RE: COMPUTATION OF EARNINGS PER SHARE  
(Amounts in thousands, except per share amounts)

	Three Months Ended			
	November 2, 1996		October 28, 1995	
	Primary	Fully Diluted	Primary	Fully Diluted
Net earnings	\$16,354	\$16,354	\$7,909	\$7,909
	=====	=====	=====	=====
Weighted average shares outstanding:				
Common shares	25,048	25,048	24,578	24,578
Common equivalent shares:				
Stock options	577	629	285	292
	---	---	---	---
Weighted average common and common equivalent shares outstanding	25,625	25,677	24,863	24,870
	=====	=====	=====	=====
Earnings per common and common equivalent share	\$.64	\$.64	\$.32	\$.32
	=====	=====	=====	=====

	Nine Months Ended			
	November 2, 1996		October 28, 1995	
	Primary	Fully Diluted	Primary	Fully Diluted
Net earnings	\$48,938	\$48,938	\$22,113	\$22,113
	=====	=====	=====	=====
Weighted average shares outstanding:				
Common shares	25,125	25,125	24,559	24,559
Common equivalent shares:				
Stock options	632	747	175	292
	---	---	---	---
Weighted average common and common equivalent shares outstanding	25,757	25,872	24,734	24,851
	=====	=====	=====	=====
Earnings per common and common equivalent share	\$1.90	\$1.89	\$.89	\$.89
	=====	=====	=====	=====

December 12, 1996

Ross Stores, Inc.  
Newark, California

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim condensed consolidated financial statements of Ross Stores, Inc. for the three-month and nine-month periods ended November 2, 1996 and October 28, 1995, as indicated in our independent accountants' report dated November 22, 1996; 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 November 2, 1996, is incorporated by reference in Registration Statements Nos. 333-06119, 33-61373, 33-51916, 33-51896, 33-51898, 33-41415, 33-41413 and 33-29600 of Ross Stores, Inc. on Form S-8.

We are also aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement 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,

Deloitte & Touche LLP  
San Francisco, CA

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE  
CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS FOR THE NINE  
MONTHS ENDED NOVEMBER 2, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO  
SUCH FINANCIAL STATEMENTS

</LEGEND>

<CIK> 0000745732

<NAME> ROSS STORES, INC.

<MULTIPLIER> 1,000

<PERIOD-TYPE>	9-MOS	
<FISCAL-YEAR-END>		FEB-01-1997
<PERIOD-START>		FEB-04-1996
<PERIOD-END>		NOV-02-1996
<CASH>		25,305
<SECURITIES>		0
<RECEIVABLES>		18,207
<ALLOWANCES>		0
<INVENTORY>		401,813
<CURRENT-ASSETS>		458,594
<PP&E>		338,359
<DEPRECIATION>		152,468
<TOTAL-ASSETS>		660,378
<CURRENT-LIABILITIES>		314,774
<BONDS>		10,000
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		249
<OTHER-SE>		312,417
<TOTAL-LIABILITY-AND-EQUITY>		660,378
<SALES>		1,179,987
<TOTAL-REVENUES>		1,179,987
<CGS>		833,472
<TOTAL-COSTS>		1,098,423
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		138
<INCOME-PRETAX>		81,564
<INCOME-TAX>		32,626
<INCOME-CONTINUING>		48,938
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		48,938
<EPS-PRIMARY>		1.90
<EPS-DILUTED>		1.89