

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION
13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934 [FEE REQUIRED]
For the fiscal year ended January 29, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15
(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO
FEE REQUIRED]
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.)

8333 Central Avenue, Newark, California
(Address of principal executive offices)

94560-3433

(Zip Code)

(510) 505-4400

Registrant's telephone number, including area code

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

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

Title of each class

Common stock, par value \$.01

Name of each exchange on which registered

NASDAQ/NMS

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of April 1, 1994 was \$329,728,439.25.

The number of shares of Common Stock, with \$.01 par value, outstanding on April 1, 1994 was 24,859,733.

Documents incorporated by reference:

Portions of the Proxy Statement for Registrant's Annual Meeting of Stockholders, to be held Tuesday, June 7, 1994, are incorporated herein by reference into part III.

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PART I

ITEM 1. BUSINESS

Ross Stores, Inc. operates a chain of off-price retail apparel stores which target value conscious men and women between the ages of 25 and 54 and their families. The company offers its merchandise at low everyday prices, generally 20% to 60% below those of most department and specialty stores. The company believes it derives a competitive advantage by offering a wide assortment of quality brand-name apparel within each of its merchandise categories (e.g., shirts, dresses, shoes) in an attractive easy-to-shop environment.

Ross Stores' mission is to offer competitive values to its target customers by focusing on the following key strategic objectives: achieve an appropriate level of brands and labels at strong discounts throughout the store; meet customer needs on a more regional basis; deliver an in-store shopping experience that reflects the expectations of the off-price customer; and manage real estate growth to maintain dominance or achieve parity with the competition in key markets. Ross targets its sales to value-conscious 25-54 year old men and women in white collar, middle-to-upper middle income households, which the company believes to be the largest customer segment in the retailing industry. The decisions of the company, from merchandising, purchasing and pricing, to the location of its stores, are aimed at this customer base.

The original Ross Stores, Inc. was incorporated in California in 1957. In August 1982, the company was purchased by some of its current stockholders and restaffed with a new management team. The six stores acquired at the time were completely refurbished in the company's current off-price format and stocked with new merchandise.

At the stockholders' meeting in May 1989, the company's stockholders approved the reincorporation of Ross Stores, Inc., in the state of Delaware. The reincorporation was completed in June 1989.

Merchandising, Purchasing and Pricing

Ross seeks to provide its target customers with a wide assortment of first quality, in-season, name brand apparel, accessories and footwear for the entire family at everyday savings of 20% to 60% from department and specialty store prices, as well as similar savings on fragrances and gift items for the home. In addition, in 1994 Ross will introduce in certain stores a new department featuring tabletop, bed and bath linens and bath accessories. The company reviews its merchandise mix each week, enabling it to respond to merchandise trends and purchasing opportunities in the market. The company's merchandising strategy is reflected in its television and newspaper advertising, which emphasizes a strong value message: Ross' customers get great prices everyday of the year. Although not a fashion leader, the company sells recognizable branded

merchandise that is current and fashionable in each category.

Merchandising. The Ross merchandising strategy incorporates in-season apparel, shoes and accessories for the entire family, as well as fragrances and giftware for the home. The company's emphasis on brand names reflects management's conviction that brand-name apparel sold at affordable prices will continue to be an important determinant of its success. Ross leaves the brand-name label on the merchandise it sells.

The company has established a merchandise assortment which it believes is attractive to its target customer group. Although Ross Stores offers fewer classifications of merchandise than most department stores, the company generally offers a large selection of brand names within each classification with a wide assortment of vendors, prices, colors, styles and fabrics within each size. During the year ended January 29, 1994, the overall merchandise sales mix was approximately 96% first quality merchandise and 4% irregulars. Ross clears out all in-store seasonal inventory on a semi-annual basis. During the past year, the respective departments accounted for total sales approximately as follows: Ladies 38%, Men's 26%, Accessories, Hosiery and Lingerie 11%, Shoes 10%, Children's 8%, and Fragrances and Home Accents 7%.

Purchasing. During the past three years, no single vendor has accounted for more than 1% of the company's purchases. The company continues to add new vendors and believes it has adequate sources of first quality merchandise to meet its requirements. The company purchases the vast majority of its merchandise directly from manufacturers and has not experienced any difficulty in obtaining sufficient inventory.

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The company believes that its ability to effectively execute certain off-price buying strategies is a key factor in its business. Ross buyers use a number of methods that enable the company to offer customers name brand merchandise at strong everyday discounts relative to department and specialty stores. By purchasing later in the merchandise buying cycle than department and specialty stores, Ross is able to take advantage of imbalances of manufacturer-projected supply of merchandise. This purchasing strategy enables Ross to interpret and react quickly to market conditions and customer demand during the selling season. As a result, Ross is less dependent than department and specialty stores on anticipating such developments.

The company has increased its emphasis in recent years on opportunistic purchases created by manufacturer overruns and canceled orders during and at the end of a season. These buys are referred to as "closeout" or "packaway" purchases. Closeouts can be shipped to stores in season or stored in the company's warehouses until the beginning of the next selling season (i.e., packaway). Purchases of packaway merchandise are goods that are not usually affected by seasonal shifts in fashion trends.

Ross, unlike most department and specialty stores, does not require that manufacturers provide it with promotional and markdown allowances, return privileges and delayed deliveries. In addition, Ross requires only one invoice for each delivery, and deliveries are made to one of the company's two distribution centers. These characteristics enable the company's buyers to obtain significant discounts on in-season purchases.

Ross Stores' buying offices are located in New York City and Los Angeles, the nation's two largest apparel markets. These strategic locations allow buyers to be in the market on a daily basis, sourcing opportunities and negotiating purchases with

vendors and manufacturers. These locations also enable the company's buyers to strengthen vendor relationships, a key determinant in the success of its off-price buying strategies.

The company's buyers have up to 22 years of experience, including experience with other retailers such as Bloomingdale's, Burlington Coat Factory, Dayton Hudson, Lord & Taylor, Macy's, Marshalls and TJ Maxx. The company has recently increased the size of its merchandising staff, which is comprised of divisional merchandise managers, buyers and assistant buyers. Management believes that these increased resources will enable its merchants to spend even more time in the market, which should strengthen the company's ability to procure the most desirable brands at competitive discounts.

The combination of the above off-price buying strategies enables the company to purchase merchandise at net prices which are lower than prices paid by department and specialty stores.

As a summary, important factors in the company's ability to execute its purchasing strategy are the following:

A recently enlarged merchandising staff strategically located in the New York and Los Angeles garment districts;

Experienced buyers who select and price the merchandise for the company's stores and make markdown decisions within pre-arranged budgets;

Off-price buying techniques that enable the company to offer strong discounts everyday on name brand merchandise;

A fully-integrated, on-line management information system which provides buyers with accurate and timely information on a weekly basis; and

The company's ability to pay its vendors quickly.

Pricing. The company's policy is to sell merchandise which can generally be priced at 20% to 60% less than most department and specialty store prices. The Ross pricing policy is to affix to all brand name merchandise a ticket displaying the company's selling price as well as the estimated comparable selling price of that item at department and specialty stores.

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The Ross pricing strategy differs from that of a department or specialty store. Ross purchases its merchandise at lower prices and marks it up less than a department or specialty store. This strategy enables Ross to offer customers consistently low prices. Ticketed prices are not increased and are reviewed weekly for possible markdowns based on the rate of sales to promote faster turnover of inventory and accelerate the flow of fresh merchandise.

Operating Costs

Consistent with the other aspects of its strategy, Ross strives to keep operating costs as low as possible. Among the factors which have enabled the company to operate at low costs to date are:

Reduced in-store labor costs resulting from a store design which directs customers to merchandise, a self-selection retail format and utilization of labor saving technologies;

Economies of scale with respect to general and

administrative costs as a result of centralized merchandising, marketing and purchasing decisions;

Model store layout criteria which facilitate conversion of existing buildings to the Ross format; and

A fully-integrated, on-line management information system which enables the company to respond quickly when making purchasing, merchandising and pricing decisions.

The Ross Store

As of January 29, 1994, the company operated 243 stores. The typical new Ross store is approximately 27,200 square feet plus a mezzanine, yielding approximately 21,000 square feet of selling space. All stores are leased, with the exception of one. They are conveniently located predominantly in community and neighborhood strip shopping centers in heavily populated urban and suburban areas. Where the size of the market permits, the company clusters stores to maximize economies of scale in advertising, distribution and management. During the year, the average Ross store employs approximately 33 full and part-time people.

The company believes a key element of its success is the attractive, easy-to-shop environment in its stores which allows each customer to shop at his or her own pace. The Ross store's sales area is based on a prototype single floor design with a racetrack aisle layout. A customer can locate desired departments by signs displayed just below the ceiling of each department. Ross encourages its customers to select among sizes and prices through prominent category and sizing markers, promoting a self-service atmosphere. Shopping carts are available at the entrance for customer convenience. Checkout stations are located only at store entrances for customer ease and efficient employee assignment.

The Ross store is designed for customer convenience in its merchandise presentation, dressing rooms, and checkout and merchandise return areas. Racks, displays and dressing rooms are kept neat and orderly. It is the company's policy to minimize transaction time for the customer at the checkout counter by opening a new register whenever a line has three or more customers and by using electronic systems for scanning each ticket at the point of sale and authorizing credit for personal checks and credit cards in a matter of seconds. Approximately one-third of payments are made with credit cards. Ross provides full cash or credit card refunds on all merchandise returned with a receipt and believes this policy appeals to its customers.

Distribution

Each Ross store is serviced by the company's two distribution centers, an approximately 494,000 square foot distribution center located in Newark, California, and an approximately 424,000 square foot center located in Carlisle, Pennsylvania. Having two distribution centers, one on each coast, has resulted in faster deliveries, lower freight costs, and decreased turn-around time in getting the merchandise from the vendors to the stores.

Turn-around time between receipt of goods at the distribution centers and when they are staged and ready for shipment to the stores is approximately five days. Shipments are made by contract carriers to each store at least once a week, thereby limiting the requirement for substantial storage space at the stores.

Advertising

During the fiscal years 1993, 1992, and 1991 advertising costs were approximately \$33.8 million, \$34.1 million and \$30.0 million. The company utilizes extensive advertising which emphasizes quality, brand-name merchandise at low everyday prices. For the current year, approximately 83% of its advertising budget was devoted to television, 12% to print, and 5% for production and sales promotion expenses. In 1992, the company allocated approximately 82% of its advertising budget to television. The high percentage of television usage over the past couple of years reflects the company's belief that this is the best medium for presenting Ross' everyday low price message.

Control Systems

The company's management information system fully integrates data from significant phases of its operations, and is a key element in the company's planning, purchasing, distribution and pricing decisions. The system enables Ross to respond to changes in the retail market and to increase speed and accuracy in its merchandise distribution.

Data from the current and last fiscal year can be monitored on levels ranging from merchandise classification units to overall totals for the company. Data important to the decision-making process is on-line, real time data to all authorized users. Merchandise is tracked by the system from the creation of its purchase order, through its receipt at the distribution center, through the distribution planning process, and ultimately to the point of sale.

Stores

From August 1982 to January 29, 1994, the company expanded from six stores in California to 243 stores in 18 states: Arizona, California, Colorado, Florida, Georgia, Hawaii, Idaho, Maryland, Nevada, New Jersey, New Mexico, Oklahoma, Oregon, Pennsylvania, Texas, Utah, Virginia and Washington.

The company's real estate strategy is to open additional stores in existing market areas to increase its market penetration and reduce overhead and advertising expenses as a percentage of sales in each market. Important considerations in evaluating a new market are the availability of potential sites, demographic characteristics, competition, and population density of the market. The company plans to open new stores primarily in existing markets through the end of 1995.

Competition

The national apparel retail market is highly fragmented. Ross faces intense competition for business from its target customer segment from department stores, specialty stores, discount stores, other off-price retailers, and manufacturer-owned outlet stores, many of which are units of large national or regional chains that have substantially greater resources than the company. The retail apparel business may become even more competitive in the future. The company believes that the principal competitive factors in the off-price retail apparel industry are offering everyday low prices on name brand merchandise appealing to its target customer, making buying decisions based on regional and/or local factors, and consistently providing a store environment that is convenient, easy to shop, and time efficient for the customer. The company believes that it is well positioned to compete on the basis of each of these factors.

Employees

At January 29, 1994, the company had 8,949 employees which includes an estimated 5,025 part-time employees. Of the full-time employees, approximately 410 are administrative employees, 340 are distribution center employees and 3,174 are store employees. The company's employees are non-union. Management of the company considers the relationship between the company and its employees to be excellent.

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Seasonality

The combined sales of the company for the third and fourth (holiday) quarters are higher than the combined sales for the first two quarters. The company has realized a significant portion of its profits in each fiscal year during the fourth quarter. Intensified price competition, lower-than-anticipated consumer demand or other seasonal factors, if they were to occur during the last six months, and in particular during the fourth quarter, could adversely affect the company's fiscal year results.

ITEM 2. PROPERTIES

The company currently leases its Newark, California distribution center, corporate and buying offices, store facilities, and some of its fixtures and equipment. The company owns its distribution center in Carlisle, Pennsylvania, which has an outstanding mortgage value of \$10.3 million at the end of the 1993 fiscal year. As of January 29, 1994, the company's 243 stores generally range in size from 18,000 to 40,000 gross square feet, and have an average of 21,442 square feet of selling space. During the fiscal year ended January 29, 1994, no one store accounted for more than 2% of the company's sales.

Where possible, the company has obtained sites in existing buildings requiring minimal alterations. This has allowed Ross to establish stores in new locations in a relatively short period of time at reasonable costs in a given market.

At January 29, 1994, the majority of the company's stores had unexpired original lease terms ranging from one to ten years with two to three renewal options of five years each. The average unexpired original lease term of its leased stores is six years, or 19 years if renewal options are included. See Note D of notes to consolidated financial statements. Most of the company's store leases contain provisions for percentage rental payments after a specified sales level has been achieved. To date, the company has been able to secure leases in suitable locations for its stores.

The company's two distribution centers provide the company with the potential warehouse/distribution capacity to support its growth for several years.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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The following list sets forth the names and ages of all executive officers of the company indicating each person's principal occupation or employment during the past five years. The term of office is at the pleasure of the Board of Directors.

Name	Age	Position
Norman A. Ferber	45	Director, Chairman of the Board and Chief Executive Officer
Melvin A. Wilmore	48	Director, President and Chief Operating Officer
Michael A. Balmuth	43	Executive Vice President, Merchandising
Earl T. Benson	46	Senior Vice President, Chief Financial Officer and Corporate Secretary
Michael J. Bush	33	Senior Vice President, Marketing and Strategic Planning
James S. Fassio	39	Senior Vice President, Property Development
Barry S. Gluck	41	Senior Vice President and General Merchandise Manager
Peter C.M. Hart	43	Senior Vice President, Management Information Systems and Distribution
James S. Jacobs	49	Senior Vice President, Store Operations
Stephen F. Joyce	52	Senior Vice President, Human Resources
Barbara Levy	39	Senior Vice President and General Merchandise Manager
John M. Vuko	43	Senior Vice President and Controller

Mr. Ferber has served as Chairman of the Board of Directors and Chief Executive Officer since March 1993. Prior to March 1993, he served as President and Chief Executive Officer since January 1988. From February 1987 to January 1988, he served as President and Chief Operating Officer. Prior to February 1987, Mr. Ferber was Executive Vice President, Merchandising, Marketing and Distribution of the company. Mr. Ferber joined the company in October 1982.

Mr. Wilmore has served as President, Chief Operating Officer and a member of the Board of Directors since March 1993. Prior to this, he served as Executive Vice President and Chief Operating Officer since December 1991. From October 1989 to December 1991, he was Chief Executive Officer of Live Specialty Retail, a division of LIVE Entertainment, Inc. From March 1988 to June 1989, he was President/General Partner of Albert's Acquisition Corporation. From March 1987 to March 1988, Mr. Wilmore was engaged in the acquisition of Albert's Hosiery and Bodywear by Albert's Acquisition Corporation. From April 1984 to March 1987, he was the President and Chief Operating Officer of Zale Jewelry Stores, a division of Zale Corporation.

Mr. Balmuth became Executive Vice President, Merchandising in July 1993. Prior to this he served as Senior Vice President and General Merchandise Manager since November 1989. Before joining Ross, he was Senior Vice President and General Merchandise Manager at Bon Marche in Seattle from September 1988

through November 1989. From April 1986 to September 1988, he served as Executive Vice President and General Merchandise Manager for Karen Austin Petites.

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Mr. Benson has served as Senior Vice President, Chief Financial Officer, and Corporate Secretary since May 1988. He joined the company in June 1984 as Controller, Treasurer and Assistant Secretary and became a Vice President in October 1987.

Mr. Bush has served as Senior Vice President, Marketing and Strategic Planning since March 1993. He joined the company in April 1991 as Vice President, Strategic Planning. Prior to joining Ross, Mr. Bush was affiliated with the consulting firm, Bain & Company, Inc.

Mr. Fassio has served as Senior Vice President, Property Development since March 1991. He joined the company in June 1988 as Vice President of Real Estate. Prior to joining Ross, Mr. Fassio was Vice President, Real Estate and Construction at Craftmart and Property Director of Safeway Stores, Inc.

Mr. Gluck became Senior Vice President and General Merchandise Manager in August 1993. From February 1989 to August 1993, he served as Vice President and Divisional Merchandise Manager. Prior to joining Ross, Mr. Gluck served as General Merchandise Manager, Vice President and Member of Executive Committee for Today's Man from May 1987 to February 1989.

Mr. Hart has served as Senior Vice President, Management Information Systems (MIS) and Distribution since November 1988. From January 1987 to November 1988, he served as Senior Vice President of MIS.

Mr. Jacobs has served as Senior Vice President, Store Operations since November 1988. From November 1986 to October 1988, he served as Regional Vice President, Director of Stores for the J.W. Robinson's division of May Department Stores.

Mr. Joyce has served as Senior Vice President, Human Resources since July 1988. Before joining Ross, he was Vice President, Human Resources at Denny's, Inc. since February 1983.

Ms. Levy became Senior Vice President and General Merchandise Manager in May 1993. Prior to joining Ross, Ms. Levy was with R. H. Macy & Co., Inc. most recently as Senior Vice President and General Merchandise Manager from January 1992 to April 1993 and before that as their Regional Director - Stores from May 1989 to January 1992 and from August 1985 to May 1989 she was their Divisional Merchandise Manager - Better Sportswear.

Mr. Vuko has served as Senior Vice President and Controller since June 1992. He joined the company in October 1989 as Vice President, Treasurer and Controller. Before joining Ross, he was an executive with The Cooper Companies from May 1988 to January 1989. He was Vice President, Treasurer and Controller of Cooper Lasersonics, Inc., from December 1986 to May 1988. In 1989, prior to his employment with Ross, the SEC alleged that Mr. Vuko traded on inside information involving a company that then employed Mr. Vuko's wife and that he realized profits of \$9,990. Mr. Vuko informed the company of these allegations prior to joining the company. In order to avoid costly and prolonged legal action by the SEC, without admitting or denying the allegations, Mr. Vuko consented to the entry on March 27, 1990 of an order against him in the U.S. District Court for the Northern District of California permanently enjoining him from violations of federal securities laws.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

See information set forth under the caption "Quarterly Financial Data (Unaudited)" under Note I of notes to consolidated financial statements in Item 8 of this document which is incorporated herein by reference. The company's stock is traded on the NASDAQ national market system under the symbol ROST. The number of stockholders of record as of April 18, 1994 was 1,252. On January 27, 1994, the company's Board of Directors declared an initial quarterly cash dividend of \$0.05 per share of common stock. The first record date was set at March 11, 1994.

ITEM 6. SELECTED FINANCIAL DATA

(\$000, except per share data)	1993	1992	1991	1990	1989<F1>	1988
Operating Results						
Sales	\$1,122,033	1,043,062	926,377	798,350	733,469	626,409
Cost of goods sold and occupancy	814,745	742,749	656,504	568,896	508,788	438,862
Percent of sales	72.6%	71.2%	70.9%	71.3%	69.4%	70.1%
General, selling and administrative	235,558	221,795	203,120	184,140	159,560	136,825
Percent of sales	21.0%	21.3%	21.9%	23.1%	21.8%	21.8%
Depreciation and amortization	20,539	18,740	15,922	13,140	11,961	10,418
Interest	2,318	3,071	5,395	6,955	5,907	3,332
Earnings before taxes	48,873	56,707	45,436	25,219	47,253	36,972
Percent of sales	4.4%	5.4%	4.9%	3.2%	6.4%	5.9%
Provision for taxes on earnings	19,549	22,683	17,720	8,574	17,413	10,722
Net earnings	29,324	34,024	27,716	16,645	29,840	26,250
Percent of sales	2.6%	3.3%	3.0%	2.1%	4.1%	4.2%
Earnings per fully-diluted common share	\$1.14	\$1.30	\$1.09	\$.72	\$1.24	\$.97

<FN>

<F1>Fiscal 1989 is a 53-week year; all other fiscal years are 52 weeks.

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(\$000, except per share data)	1993	1992	1991	1990	1989<F1>	1988
Financial Position						
Merchandise inventory	\$228,929	\$221,048	\$185,041	\$157,899	\$129,413	\$117,200
Property and equipment, net	144,152	128,070	126,848	114,913	88,342	71,948
Total assets	437,371	419,870	357,690	309,543	249,766	260,726
Working capital	125,047	121,012	77,448	67,002	60,373	68,790
Current ratio	1.8:1	1.8:1	1.6:1	1.6:1	1.7:1	1.7:1
Total debt, including current installments	33,308	33,525	40,723	57,600	53,900	45,000
Stockholders' equity	228,222	209,595	162,583	123,064	103,768	114,286
Book value per common share						

outstanding at year-end	\$9.24	\$8.23	\$6.64	\$5.33	\$4.53	\$4.52
Total debt as a percent of total capitalization	13%	14%	20%	32%	34%	28%
Return on average stockholders' equity	13%	18%	19%	15%	27%	23%

Other Statistics

Number of stores opened	22	23	20	29	17	9
Number of stores closed	2	3	2		1	
Number of stores at year-end	243	223	203	185	156	140
Comparable store sales growth (decline) (52-week basis)	(1%)	3%	2%	(3%)	7%	5%
Sales per square foot of selling space (52-week basis)<F2>	\$222	\$222	\$214	\$208	\$215	\$196
Square feet of selling space at year-end (000)	5,210	4,879	4,518	4,155	3,590	3,315
Number of employees at year-end	8,949	8,156	7,397	7,164	6,054	5,280
Number of average fully-diluted shares at year-end (000)	25,791	26,249	25,496	23,251	24,142	27,123
Number of common stockholders of record at year-end	1,275	1,381	1,340	1,715	1,511	1,395

<FN>

<F1> Fiscal 1989 is a 53-week year; all other fiscal years are 52 weeks.

<F2> Based on average annual selling square footage.

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

For the fiscal years ended January 29, 1994, January 30, 1993 and February 1, 1992 (referred to as 1993, 1992 and 1991).

Results of Operations

Stores. Total stores open at the end of 1993, 1992 and 1991 were 243, 223 and 203. During 1993, the company opened 22 stores and closed 2 stores. During 1992, the company opened 23 stores and closed 3 stores. In 1991, the company opened 20 stores and closed 2 stores.

Sales. Sales were \$1.122 billion, \$1.043 billion and \$.926 billion in 1993, 1992 and 1991, with each year consisting of 52 weeks. Comparable store sales decreased 1% for 1993, increased 3% for 1992 and increased 2% for 1991. Thus, in 1993 the increase in sales was due to a greater number of stores in operation. The increases in sales for 1992 and 1991 were due to an increase in comparable store sales and a greater number of stores in operation. The company believes that both the 1992 and 1991 comparable store sales increases resulted from the emphasis on quality brand name merchandise at low everyday prices. During 1993, the company continued to increase the percentage of quality brand name merchandise in its stores. The company believes the decline in comparable store sales from 1992 was due to an increasingly competitive environment for apparel retailers in 1993, which narrowed the value differential the company normally offers compared to department and specialty stores. In 1994, the company plans to offer larger discounts on key name brand items throughout the store to improve productivity as defined by sales per square foot. Therefore, the company is not relying on increasing gross margins in 1994; rather, the company intends to generate earnings growth primarily through sales increases and leveraging down expenses as a percentage of sales.

Cost of Goods Sold and Occupancy. Cost of goods sold and occupancy as a percentage of sales increased to 73% in 1993 from

71% for 1992 and 1991. This change was primarily due to increased pressures on price points and markdown levels, resulting from the more competitive retail climate in 1993.

General, Selling and Administrative Expenses. General, selling and administrative expenses for 1993, 1992 and 1991 were 21%, 21% and 22% of sales. In 1993, management focused store growth primarily in existing markets and also maintained strong expense controls. These actions offset the unfavorable percentage increase normally associated with a same store sales decline. The percentage decrease in general, selling and administrative expenses between 1992 and 1991 was due to increased efficiencies at the store and corporate levels.

The largest component of general, selling and administrative expenses is payroll. The total number of employees, including both full and part-time, at year-end 1993, 1992 and 1991 was approximately 8,900, 8,200 and 7,400.

Depreciation and Amortization. Depreciation and amortization as a percentage of sales has remained relatively constant over the last three years, due primarily to the consistent level of assets in each store.

Interest. The decrease in interest expense in 1993 from 1992 was due to lower interest rates from the prior year partially offset by increased borrowings due primarily to the company's repurchases of its common stock. The decrease in interest expense in 1992 from 1991 was due to lower average borrowings and a decline in interest rates from the prior year.

Taxes on Earnings. The company's effective rate for 1993, 1992 and 1991 was 40%, 40% and 39%, which represents the applicable statutory rates reduced by the federal benefit received for state taxes and targeted jobs tax credits. In 1992, the company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes. The adoption of this standard did not have an effect on the company's earnings or financial position. See Notes A and E of Notes to Consolidated Financial Statements.

In August 1993, the federal government enacted a new income tax law which raised the 34% corporate income tax rate to 35%. The change in both the mix of state income taxes and available tax credits allowed the company to maintain its 40% effective tax rate.

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Financial Condition

Liquidity and Capital Resources. During 1993, 1992 and 1991, liquidity and capital requirements were provided by cash flows from operations, bank borrowings and trade credit. The company's store sites, central office, and California distribution center, as well as the buying offices, are leased and, except for certain leasehold improvements and equipment, do not represent fixed capital investments. Commitments related to operating leases are described in Note D of Notes to Consolidated Financial Statements. The company's east coast distribution center is owned by the company and was financed by a ten-year mortgage (see Note C of Notes to Consolidated Financial Statements). Short-term trade credit represents a significant source of financing for investments in merchandise inventories. Trade credit arises from customary practices with the company's vendors. Management regularly reviews the adequacy of credit available to the company from all sources and has been able to maintain adequate lines to meet the capital and liquidity requirements of the company.

During 1993, the primary uses of cash, other than current operating expenditures, were for merchandise inventory and property and equipment to open 22 stores, timing of accounts payable payments, and repurchases in the open market of 1.2 million shares of the company's common stock. The primary uses of cash in 1992, other than operating expenditures, were for merchandise inventory and property and equipment to open 23 stores, prepaying \$7 million of senior debt, and making opportunistic inventory purchases, thereby increasing the level of packaway inventory. In 1991, the primary uses of cash, other than operating expenditures, were for merchandise inventory and property and equipment to open 20 stores, constructing the east coast distribution center, repaying borrowings under the company's long-term debt agreements, and higher levels of opportunistic inventory purchases, thereby increasing the level of packaway inventory. In 1993, 1992 and 1991, the company spent approximately \$35 million, \$22 million and \$32 million for capital expenditures, net of leased equipment, that included fixtures and leasehold improvements to open 22, 23 and 20 stores, construction costs for the east coast distribution center and modifications to our New York buying office, purchase of previously leased equipment and various expenditures for existing stores and the central office.

The company currently intends to open about 20 to 25 stores annually through 1995. The company anticipates that this growth will be financed primarily from cash flows from operating activities and available credit facilities.

On January 27, 1994, the company's Board of Directors declared an initial quarterly cash dividend of \$0.05 per common share payable on or about April 1, 1994 to stockholders of record as of the close of business on March 11, 1994. The company intends to use cash flows from operations and available cash resources to provide for the dividends.

The company has available under its principal bank credit agreement a \$110 million revolving credit facility, which expires in July 1996. At the company's option, the bank credit agreement can be extended in two one-year increments, or until July 1998. In March 1992, the company obtained two short-term revolving credit facilities of \$10 million and \$15 million each. A third short-term credit facility of \$15 million was added in November 1992. These facilities are available until canceled by either party. At year-end 1993, 1992 and 1991, there were no outstanding balances under any revolving credit facility. In addition, at year-end 1993, 1992 and 1991, the company had outstanding a term loan of \$23 million, which will mature in November 1994. The company has the ability and intention to refinance this facility with a long-term financing arrangement. During 1991, the company issued a ten-year mortgage note in the amount of \$10.8 million on the east coast distribution center. For additional information relating to these obligations, refer to Note C of Notes to Consolidated Financial Statements.

Working capital was approximately \$125 million at the end of 1993 compared to \$121 million at the end of 1992 and \$77 million at the end of 1991. At year-end 1993, 1992 and 1991, the company's current ratios were 1.8:1, 1.8:1 and 1.6:1. The percentage of long-term debt to total capitalization at year-end 1993, 1992 and 1991 was 13%, 14% and 20%.

The company's primary source of liquidity is the sale of its merchandise inventories. Management regularly reviews the age and condition of the merchandise and is able to maintain current inventory in its stores through the replenishment processes and liquidation of non-current merchandise through markdowns and clearances.

In March 1994, a section of the roof at the company's distribution center in Carlisle, Pennsylvania collapsed due to unusually heavy snow accumulation. The distribution center in Newark, California has been utilized to support

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the flow of goods to the stores. The company expects the east coast distribution center to be operating at normal capacity by June 1994. The company believes that it is fully insured for costs related to this situation.

The company believes that cash flows from operations, bank credit lines and trade credit are adequate to meet operating cash needs as well as to complete the two million share repurchase plan authorized by the Board of Directors and to provide for dividend payments and planned capital additions during the upcoming year.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED BALANCE SHEETS

(\$000, except per share data)	January 29, 1994	January 30, 1993
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 32,307	\$ 40,457
Accounts receivable	4,016	5,848
Merchandise inventory	228,929	221,048
Prepaid expenses and other	15,224	10,323
Total Current Assets	280,476	277,676
PROPERTY AND EQUIPMENT		
Land and buildings	22,502	20,004
Fixtures and equipment	120,493	101,751
Leasehold improvements	89,588	82,506
Construction-in-progress	10,739	4,319
	243,322	208,580
Less accumulated depreciation and amortization	99,170	80,510
	144,152	128,070
Lease rights	1,804	2,185
Other assets	7,039	7,890
Excess of cost over net assets of acquired subsidiary	3,900	4,049
	\$ 437,371	\$ 419,870
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 89,561	\$ 95,731
Accrued expenses	43,262	30,339
Accrued payroll and benefits	16,202	19,350
Income taxes payable	6,404	11,244
Total Current Liabilities	155,429	156,664
Long-term debt	33,308	33,525
Deferred income taxes and other	20,412	20,086

liabilities		
STOCKHOLDERS' EQUITY		
Common stock, par value \$.01 per share		
Authorized 100,000,000 shares		
Issued and outstanding 24,695,000 and 25,461,000 shares	247	255
Additional paid-in capital	122,073	119,743
Retained earnings	105,902	89,597
	228,222	209,595
	\$ 437,371	\$ 419,870

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF EARNINGS

(\$000, except per share data)	Year Ended January 29, 1994	Year Ended January 30, 1993	Year Ended February 1, 1992
SALES	\$ 1,122,033	\$ 1,043,062	\$ 926,377
COSTS AND EXPENSES			
Cost of goods sold and occupancy	814,745	742,749	656,504
General, selling and administrative	235,558	221,795	203,120
Depreciation and amortization	20,539	18,740	15,922
Interest	2,318	3,071	5,395
	1,073,160	986,355	880,941
Earnings before taxes	48,873	56,707	45,436
Provision for taxes on earnings	19,549	22,683	17,720
Net earnings	\$ 29,324	\$ 34,024	\$ 27,716
EARNINGS PER SHARE			
Primary	\$ 1.14	\$ 1.32	\$ 1.13
Fully-diluted	\$ 1.14	\$ 1.30	\$ 1.09
WEIGHTED AVERAGE SHARES OUTSTANDING (000)			
Primary	25,715	25,683	24,549
Fully-diluted	25,791	26,249	25,496

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(\$000)	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Total
BALANCE AT FEBRUARY 2, 1991	23,099	\$ 231	\$ 94,976	\$ 27,857	\$ 123,064
Common stock issued under stock plans,					

including tax benefit	1,392	14	11,516		11,530
Payment on stock purchased			273		273
Net earnings				27,716	27,716
BALANCE AT FEBRUARY 1, 1992	24,491	245	106,765	55,573	162,583
Common stock issued under stock plans, including tax benefit	970	10	12,957		12,967
Payment on stock purchased			21		21
Net earnings				34,024	34,024
BALANCE AT JANUARY 30, 1993	25,461	255	119,743	89,597	209,595
Common stock issued under stock plans, including tax benefit	414	4	8,101		8,105
Stock repurchased	(1,180)	(12)	(5,771)	(11,791)	(17,574)
Net earnings				29,324	29,324
Dividends declared				(1,228)	(1,228)
BALANCE AT JANUARY 29, 1994	24,695	\$ 247	\$ 122,073	\$ 105,902	\$ 228,222

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$000)	Year Ended January 29, 1994	Year Ended January 30, 1993	Year Ended February 1, 1992
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	\$29,324	\$34,024	\$27,716
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	20,539	18,740	15,922
Other amortization	9,077	8,433	8,160
Deferred income taxes	669	2,911	(2,908)
Change in current assets and current liabilities:			
Increase in merchandise inventory	(7,881)	(36,007)	(27,142)
Increase in other current assets - net	(6,528)	(5,385)	(4,003)
Increase (decrease) in accounts payable	(7,398)	5,427	14,771
Increase (decrease) in other current liabilities - net	(361)	11,615	14,523
Other	2,466	3,609	3,501
Net cash provided by operating activities	39,907	43,367	50,540
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	(34,777)	(21,657)	(31,729)
Net cash used in investing activities	(34,777)	(21,657)	(31,729)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of senior notes		(7,000)	(23,000)
Repayment under line of credit agreement			(27,600)
Proceeds (repayment) of long-term debt	(303)	(296)	33,941
Issuance of common stock related to stock plan	4,597	9,669	8,948
Repurchase of common stock	(17,574)		
Net cash provided by (used in) financing activities	(13,280)	2,373	(7,711)
Net increase (decrease) in cash and cash equivalents	(8,150)	24,083	11,100
Cash and cash equivalents:			
Beginning of year	40,457	16,374	5,274
End of year	\$32,307	\$40,457	\$16,374

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Years Ended January 29, 1994, January 30, 1993 and February 1, 1992 (referred to as 1993, 1992 and 1991).

Note A: Summary of Significant Accounting Policies

Business. The company is an off-price retailer of first quality, in-season, branded apparel, shoes, gift items for the home, fragrances and accessories for the entire family. At January 29, 1994, the company operated 243 stores.

Principles of Consolidation. The consolidated financial statements include the accounts of all subsidiaries. Intercompany transactions and accounts have been eliminated. Certain reclassifications have been made in the 1992 and 1991 financial statements to conform to the 1993 presentation. The years 1993, 1992 and 1991 consisted of 52 weeks.

Cash Equivalents. Cash equivalents are highly liquid, fixed income instruments purchased with a maturity of three months or less.

Merchandise Inventory. Merchandise inventory is stated at the lower of cost or market determined under the unit cost method.

Deferred Store Opening Expenses. During 1992 and 1991 expenses incurred in opening new stores were deferred until stores were opened and then amortized over a period of 18 months. During 1993, this accounting treatment was changed, resulting in all pre-opening expenses for 1993 new stores and any prior year deferred costs being expensed in 1993. The effect of this change in accounting principle did not have a material impact on any of the periods presented.

Beginning with 1994, pre-opening expenses will be deferred until the store's grand opening date. At that time, the deferred costs will be expensed.

Deferred Rent. Many of the company's leases signed since 1988 contain fixed escalations of the minimum annual lease payments during the original term of the lease. For these leases, the company recognizes rental expense on a straight-line basis and records the difference between the average rental amount charged to expense and the amount payable under the lease as deferred rent. At the end of 1993 and 1992, the balance of deferred rent was \$6.4 million and \$5.1 million.

Intangible Assets. Lease rights and interests, consisting of payments made to acquire store leases, are amortized over the remaining applicable life of the lease.

The excess of cost over the acquired net assets is amortized on a straight-line basis over a period of 40 years.

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

lease term, whichever is less. Hardware and software costs are included in fixtures and equipment and are amortized over their useful life of five years.

Taxes on Earnings. In 1992, the company adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), Accounting for Income Taxes. SFAS 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the company's financial statements or tax returns. In estimating future tax consequences, SFAS 109 generally considers all expected future events other than enactments of changes in the tax law or rates.

The adoption of SFAS 109 did not have an impact on the company's earnings or financial position.

Earnings Per Share. Earnings per share are based on primary and fully-diluted weighted average common shares and common stock equivalents outstanding during the year, as calculated under the treasury stock method. The company's common stock equivalents consist of outstanding stock options.

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Note B: Statements of Cash Flows Supplemental Disclosures

Total cash paid for interest and taxes is as follows:

(\$000)	1993	1992	1991
Interest	\$ 2,850	\$ 3,229	\$ 6,234
Income taxes	\$21,014	\$14,871	\$13,717

Note C: Long-Term Debt

Long-term debt consists of the following:

(\$000)	1993	1992
Mortgage	\$10,308	\$10,525
Term loan	23,000	23,000
	\$33,308	\$33,525

Mortgage. On August 8, 1991, the company obtained a \$10.8 million mortgage at 9.5% interest, collateralized by the land and building of its east coast distribution center. Interest and principal are based on a 20-year amortization period. The mortgage is due in 2001 with principal payments of \$239,000, \$263,000, \$288,000, \$318,000 and \$349,000 due in 1994, 1995, 1996, 1997 and 1998, respectively. In 1996, the interest rate will be reset at the lender's best prevailing interest rate or repaid, at the company's option.

Term Loan. On September 16, 1991, the company signed a term loan credit agreement with a bank for \$23 million due November 1994. The interest rate, which is based on the London Interbank Offered Rate (LIBOR), was 4.375% at January 29, 1994. The company has the ability and the intent to refinance this note in 1994 with a long-term financing arrangement.

Bank Credit Facilities. The company has available under its principal credit agreement a \$110 million revolving credit facility which expires in July 1996 and is renewable at the

company's option for two one-year periods. The credit facility is also available for the issuance of letters of credit. Interest is payable monthly under several pricing options, including the bank's prime rate. At year-end 1993 and 1992, the company had \$11.7 million and \$11.0 million in outstanding letters of credit. Borrowing under the credit facility is subject to the company maintaining certain levels of tangible net worth, pretax earnings and leverage ratios.

In addition, the company has \$40 million in short-term bank lines of credit which are available until canceled by either party. When utilized, interest is payable monthly under several pricing options.

Included in accounts payable are checks outstanding in excess of cash balances of approximately \$13.9 million and \$26.0 million at year-end 1993 and 1992. The company can utilize its revolving line of credit to cover payment of these checks as they clear the bank.

Note D: Leases

The company leases its distribution center and corporate office located in Newark, California under a 15-year, noncancelable lease agreement expiring 2002. The lease contains six renewal options of five years each. In addition, the company leases its store sites, selected computer and related equipment, certain store fixtures and distribution center equipment under operating leases with original, noncancelable terms that in general range from three to fifteen years, expiring through 2008. Store leases typically contain provisions for two to three renewal options of five years each. Most store leases also provide for minimum annual rentals, with provisions for additional rent based on percentage of sales and for payment of certain expenses.

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The aggregate future minimum annual lease payments under leases in effect at year-end 1993 are as follows:

(\$000)	Amounts
1994	\$ 76,271
1995	75,231
1996	70,314
1997	64,187
1998	61,196
Later years	226,162
Total	\$ 573,361

Total rent expense for all operating leases is as follows:

(\$000)	1993	1992	1991
Minimum rentals	\$70,589	\$65,061	\$55,607
Percentage rentals	267	268	295
	\$70,856	\$65,329	\$55,902

Note E: Taxes on Earnings

The provision for taxes consists of the following:

(\$000)	1993	1992	1991
---------	------	------	------

CURRENTLY PAYABLE

Federal	\$14,885	\$14,342	\$14,396
State	3,995	3,660	3,603
	18,880	18,002	17,999
DEFERRED			
Federal	506	4,065	(279)
State	163	616	
	669	4,681	(279)
	\$19,549	\$22,683	\$17,720

In 1993, 1992 and 1991, tax benefits of \$2.7 million, \$2.9 million and \$2.3 million related to stock options exercised and the vesting of restricted stock have been credited to additional paid-in capital.

The provisions for income taxes for financial reporting purposes are different from the tax provision computed by applying the statutory federal income tax rate. The differences are reconciled as follows:

	1993	1992	1991
Federal income taxes at the statutory rate	35%	34%	34%
Increase (decrease) in income taxes resulting from:			
Utilization of credits			(1)
State income taxes, net of federal benefit	5	5	5
Other, net		1	1
	40%	40%	39%

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In August of 1993, the federal government enacted a new income tax law which increased the 34% corporate income tax rate to 35%. The 1% federal income tax rate increase did not result in an increase in the company's overall tax rate as it was offset by a change in the mix of state income taxes and available tax credits.

The components of the net deferred tax liability at year-end are as follows:

(\$000)	1993	1992
DEFERRED TAX ASSETS:		
California franchise taxes	\$ 688	\$ 789
Inventory	203	333
Straight-line rent	2,737	2,140
Deferred compensation	2,625	2,055
Reserve for uninsured losses	1,615	1,100
Employee benefits	2,346	1,116
All other	1,230	544
Valuation allowance	0	0
	\$11,444	\$8,077
DEFERRED TAX LIABILITIES:		
Depreciation	(\$11,382)	(\$10,411)
Prepaid expenses	(5,811)	(2,626)
Other	(29)	(149)
	(17,222)	(13,186)

NET DEFERRED TAX LIABILITIES

(\$5,778) (\$5,109)

Note F: Employee Benefit Plans

The company has available to certain employees a profit sharing retirement plan. Under the Plan, employee and company contributions and accumulated plan earnings qualify for favorable tax treatment under Section 401(k) of the Internal Revenue Code. In 1987, the company adopted an Incentive Compensation Program, which provides cash awards to key management employees based on the company's and the individual's performance. In 1991, the company began offering an Executive Supplemental Retirement Plan, which allows eligible employees to purchase individual life insurance policies and/or annuity contracts. In 1993, the company made available to management a Nonqualified Deferred Compensation Plan which allows management to contribute on a pre-tax basis in addition to the 401(k) Plan. This Plan does not qualify under Section 401(k) of the Internal Revenue Code.

Note G: Estimated Fair Value of Financial Instruments

SFAS 107, Disclosures About Fair Value of Financial Instruments, requires disclosure of the estimated fair value of financial instruments. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates their estimated fair value. The carrying value of long-term debt at year-end 1993 is \$33.3 million. Its estimated fair value based on debt with similar terms and remaining maturities is \$33.8 million.

Note H: Stockholders' Equity

On January 27, 1994, the company's Board of Directors declared a \$0.05 per common share cash dividend, payable on or about April 1, 1994 to stockholders of record as of March 11, 1994.

Preferred Stock. The company has four million shares of preferred stock authorized, with a par value of \$.01 per share. No preferred stock has been issued or outstanding during the past three years.

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Common Stock. On February 4, 1993, the company announced that its Board of Directors approved a repurchase of up to one million shares of common stock. On November 17, 1993, the company announced that the Board extended the repurchase program by authorizing the buyback of an additional one million shares. Through January 29, 1994, a total of 1.2 million shares were repurchased at an average price of \$14.89 per share. The company intends to complete the repurchase of the remaining authorized shares in 1994 through both open-market or privately arranged transactions.

Stock Options. The company's Stock Option Plan allows for the granting of incentive and nonqualified stock options. As of January 29, 1994, 6.4 million common shares had been authorized for issuance under the Plan. Stock options are to be granted at prices not less than the fair market value of the common shares on the date the option is granted, and normally vest over a period not exceeding four years from the date of grant. The following is a summary of stock option activity under the Plan for 1993, 1992 and 1991.

(000)	Number of Shares	Average Price
Outstanding and exercisable at February 2, 1991	2,406	\$10.49
Granted	1,874	\$ 9.46
Exercised	(833)	\$ 7.08
Canceled	(1,398)	\$13.13
Outstanding and exercisable at February 1, 1992	2,049	\$ 9.13
Granted	705	\$18.85
Exercised	(681)	\$ 8.47
Canceled	(57)	\$12.39
Outstanding and exercisable at January 30, 1993	2,016	\$12.67
Granted	584	\$18.49
Exercised	(185)	\$ 7.59
Canceled	(117)	\$16.04
Outstanding and exercisable at January 29, 1994	2,298	\$14.38

At the year-end 1993, 1992 and 1991, 1.7 million, 2.2 million and 2.8 million shares remained available for grant under the Plan.

Restricted Stock. As of January 29, 1994, 1.85 million common shares had been authorized for issuance under the company's Restricted Stock Plan. During 1993, 1992 and 1991, the company awarded 194,000, 234,000 and 450,000 shares to certain employees, of which 49,000, 7,000 and 0 were subsequently canceled and returned to the share reserve. At year-end 1993, 1992 and 1991, 495,000, 640,000 and 867,000 shares remained available for grant under the Plan. The compensation associated with these awards is amortized over vesting periods of generally two to five years. At year-end 1993, 1992 and 1991, the unamortized compensation expense was \$4.8 million, \$5.1 million and \$4.1 million.

Employee Stock Purchase Plan. As of January 29, 1994, 600,000 common shares had been authorized for issuance under the company's Employee Stock Purchase Plan. During 1993, employees purchased approximately 85,000 shares of the company's common stock through payroll deductions. Through January 29, 1994, approximately 395,000 shares had been issued under this Plan, and 205,000 shares remained available for future issuance under the Plan.

Outside Directors Stock Option Plan. As of January 29, 1994, 125,000 common shares had been authorized for issuance under this plan. Stock options are to be granted at exercise prices not less than the fair market value of the common shares on the date the option is granted, and normally vest over a period not exceeding three years from the date of the grant. Through January 29, 1994, the company had granted options for approximately 90,000 shares at exercise prices ranging from \$8.63 to \$20.88 per share. At year-end 1993, 35,000 shares remained available for grants under the Plan. All nonqualified options for shares granted under the Plan remained outstanding and exercisable as of the end of 1993.

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Note I: Quarterly Financial Data (Unaudited)

(\$000, except per share data)	May 1, 1993	July 31, 1993	October 30, 1993	January 29, 1994	January 29, 1994
Sales	\$239,552	\$275,965	\$262,244	\$344,272	\$1,122,033
Gross margin, after occupancy	67,368	75,045	71,498	93,378	307,288
Net earnings	3,594	8,153	4,786	12,791	29,324
Net earnings per fully- diluted share	.14	.31	.19	.51	1.14
Dividends declared per share on common stock				.05	.05
Closing stock price<F1>					
High	23 1/2	16 1/8	15 5/8	18	23 1/2
Low	15	12 7/8	13 1/8	12 5/8	12 5/8

(\$000, except per share data)	13 Weeks Ended May 2, 1992	13 Weeks Ended August 1, 1992	13 Weeks Ended October 31, 1992	13 Weeks Ended January 30, 1993	52 Weeks Ended January 30, 1993
Sales	\$221,020	\$253,891	\$246,878	\$321,274	\$1,043,062
Gross margin, after occupancy	61,760	75,708	70,068	92,774	300,313
Net earnings	3,254	9,684	4,924	16,162	34,024
Net earnings per fully- diluted share	.13	.38	.19	.61	1.30
Closing stock price<F1>					
High	23	17 1/2	17 1/2	23 1/2	23 1/2
Low	14 1/8	10 7/8	11 3/8	16 5/8	10 7/8

<FN>
<F1> Ross Stores, Inc. common stock trades on the NASDAQ
National Market System (NMS) under the symbol ROST.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheets of Ross Stores, Inc. and subsidiaries as of January 29, 1994 and January 30, 1993, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended January 29, 1994. These financial statements are the responsibility of the companies' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether

the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies as of January 29, 1994 and January 30, 1993, and the results of their operations and their cash flows for each of the three years in the period ended January 29, 1994 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE
San Francisco, California

March 11, 1994

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

For information with respect to the executive officers of the Registrant, see "Executive Officers of the Registrant" at the end of Part I of this report. Information with respect to the Directors of the Registrant is incorporated herein by reference to the section entitled "Information Regarding Nominees and Incumbent Directors" of the Ross Stores, Inc., Proxy Statement for the Annual Meeting of Stockholders to be held on Tuesday, June 7, 1994 (the "Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference to the sections of the Proxy Statement entitled (i) "Compensation Committee Interlocks and Insider Participation"; (ii) "Compensation of Directors"; (iii) "Employment Contracts, Termination of Employment and Change-in-Control Arrangements"; and (iv) the following tables, and their footnotes, Summary Compensation, Option Grants in Last Fiscal Year and Aggregated Option Exercises and Year-End Value.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference to the section of the Proxy Statement entitled "Stock Ownership of Certain Beneficial Owners and Management".

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference to the sections of the Proxy Statement entitled (i) "Compensation of Directors" and (ii) "Certain Transactions".

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

(a) The following financial statements, schedules and exhibits are filed as part of this report or are incorporated herein as indicated:

1. List of Financial Statements.

(i) The following consolidated financial statements included herein as Item 8:

Consolidated Balance Sheets at January 29, 1994 and January 30, 1993.
Consolidated Statements of Earnings for the years ended January 29, 1994, January 30, 1993 and February 1, 1992.
Consolidated Statements of Stockholders' Equity for the years ended January 29, 1994, January 30, 1993 and February 1, 1992.
Consolidated Statements of Cash Flows for the years ended January 29, 1994, January 30, 1993 and February 1, 1992.
Notes to Consolidated Financial Statements.
Independent Auditors' Report.

2. List of Financial Statement Schedules.

Independent Auditors' Report on Financial Statement Schedules.

Schedule II - Amounts Receivable from Related Parties and Underwriters, Promoters, and Employees Other Than Related Parties, page 30.

Schedule V - Property, Plant and Equipment, page 31.

Schedule VI - Accumulated Depreciation and Amortization of Property, Plant and Equipment, page 32.

Schedule VIII - Valuation and Qualifying Accounts and Reserves, page 33.

Schedule X - Supplementary Income Statement Information, page 33.

Schedules other than those listed are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto, contained in, or incorporated by reference into, this Report.

3. List of Exhibits (in accordance with Item 601 of Regulation S-K)

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 29, 1991, incorporated

by reference to Exhibit 3.2 to the 1991 Form 10-K filed by Ross Stores for its year ended February 1, 1992 ("1991 Form 10-K").

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begin page 27

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- Management Contracts and Compensatory Plans
- 10.9 Ross Stores, 1992 Stock Option Plan, incorporated by

reference to Exhibit 19.1 on Form 10-Q filed by Ross Stores for its quarter ended August 1, 1992.

- 10.10 Third Amended and Restated Ross Stores Employee Stock Purchase Plan, incorporated by reference to Exhibit 19.2 on Form 10-Q filed by Ross Stores for its quarter ended August 1, 1992.
- 10.11 Third Amended and Restated Ross Stores 1988 Restricted Stock Plan, incorporated by reference to Exhibit 19.3 on Form 10-Q filed by Ross Stores, for its quarter ended August 1, 1992.
- 10.12 1991 Outside Directors Stock Option Plan, incorporated by reference to Exhibit 10.13 to the 1991 Form 10-K.
- 10.13 Ross Stores Executive Medical Plan.
- 10.14 Third Amended and Restated Ross Stores Executive Supplemental Retirement Plan.
- 10.15 Ross Stores Non-Qualified Deferred Compensation Plan.
- 10.16 Ross Stores Incentive Compensation Plan.

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- 10.20 Employment Agreement between Ross Stores and Melvin A. Wilmore, dated November 25, 1991, incorporated by reference to Exhibit 10.11 to the 1991 Form 10-K.
- 10.21 Agreement and General Release between Ross Stores and Gregory L. Baldwin, dated November 6, 1991, incorporated by reference to Exhibit 10.12 to the 1991 Form 10-K.
- 10.22 Consulting Agreement between Ross Stores and Stuart G. Moldaw, effective as of March 12, 1993, incorporated by reference to Exhibit 10.16 on the Form 10-Q filed by Ross Stores for its quarter ended May 1, 1993.
- 11 Statement re: Computation of Per Share Earnings.
- 21 Subsidiaries of the Registrant.
- 23.1 Independent Auditors' Consent.
- 23.2 Independent Auditors' Report on Financial Statement Schedules.

(b) Reports on Form 8-K.

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

ROSS STORES, INC.
(Registrant)

Date: April 27, 1994 By /s/Norman A. Ferber
(Norman A. Ferber, Chairman of the Board and Chief Executive Officer)

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

Signature	Title	Date
/s/Norman A. Ferber Norman A. Ferber	Chairman, Chief Executive Officer and Director	April 27, 1994
/s/M. Wilmore Melvin A. Wilmore	President, Chief Operating Officer and Director	April 27, 1994
/s/Earl Benson Earl T. Benson	Senior Vice President, Chief Financial Officer and Secretary	April 27, 1994
/s/John M. Vuko John M. Vuko	Senior Vice President, Controller and Principal Accounting Officer	April 27, 1994
/s/Stuart G. Moldaw Stuart G. Moldaw	Chairman Emeritus, Director	April 27, 1994
/s/Donald G. Fisher Donald G. Fisher	Director	April 27, 1994
/s/Franklin P. Johnson Franklin P. Johnson, Jr.	Director	April 27, 1994
/s/G. Orban George P. Orban	Director	April 27, 1994
/s/Donald H. Seiler Donald H. Seiler	Director	April 27, 1994
/s/Phil Schlein Philip Schlein	Director	April 27, 1994
/s/D. L. Weaver Donna L. Weaver	Director	April 27, 1994

ROSS STORES, INC.

SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES AND
UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

(Amounts in thousands)

Column A Name of Debtor	Column B Balance at beginning of period	Column C Additions	Column D Deductions	Column E Balance at end of period	
				Current	Non Current
Year Ended January 29, 1994					
James S. Jacobs	\$100		\$100		
Peter C.M. Hart	\$180		\$180		
Melvin A. Wilmore	\$100	\$300<F5>	\$100		\$300
Year Ended January 30, 1993					
James S. Jacobs	\$100			\$100	
Earl T. Benson	\$ 35		\$ 35<F1>		
Peter C.M. Hart	\$180			\$180	
Melvin A. Wilmore	\$ 0	\$100<F5>			\$100
Year Ended February 1, 1992					
James S. Jacobs	\$100				\$100
	<F3>				
Earl T. Benson	\$290		\$255 <F1>		\$ 35
James S. Fassio	\$105		\$105 <F2>		
Peter C.M. Hart	\$ 0	\$180<F4>			\$180

<FN>

<F1> In September and October 1989, the company loaned to Mr. Earl T. Benson, Senior Vice President, Corporate Secretary, and Chief Financial Officer, \$142,000 for the exercise of options in the amount of 26,000 shares and \$225,000 secured by a second mortgage on his home. Both loans included interest at 8% and matured on March 27, 1992, and April 1, 1993, respectively. As of February 1, 1992, Mr. Benson had repaid the stock option loan, and \$190,000 on the second mortgage on his house, leaving a balance due of \$35,000. This balance was repaid prior to January 30, 1993 and prior to the due date.

<F2> The company has extended three loans to Mr. James S. Fassio, Senior Vice President, Property Development. In July 1989, the company extended a loan in the amount of \$70,375 for the exercise of options in the amount of 12,500 shares at an annual interest rate of 8.75%, due July 13, 1991. In January and May 1990, the company extended loans in the amounts of \$21,756 at an annual rate of 8%, due March 31, 1992, and \$12,758 at an annual rate of 8.5%, due May 13, 1991, both secured by a deed of trust on his home. Mr. Fassio repaid all outstanding loans as of February 1, 1992.

<F3> In June 1989, the company extended a loan of \$100,000 at an annual interest rate of 8% to James S. Jacobs, Senior Vice President, Operations, secured by a first mortgage on his home. The loan was repaid prior to January 29, 1994 and on the due date.

<F4> In December 1991, the company loaned \$180,000 to Mr. Peter C.M. Hart, Senior Vice President of Management Information Systems and Distribution, in three installments, at annual interest rates from 5.12% to 5.63%, secured by a deed of trust on the home which the loan helped him purchase. The loan was repaid prior to January 29, 1994 and prior to the due date.

<F5> In June 1992, the company extended a loan of \$100,000 at an annual interest rate of 5% to Melvin Wilmore, President and Chief Operating Officer, secured by a certificate of deposit. The loan was due on June 4, 1995; however, all outstanding principal and interest was paid in full on February 5, 1993. On February 5, 1993, the company made a relocation loan of \$300,000 to Mr. Wilmore at an annual interest rate of 0%. The loan, which is secured by a deed of trust, is due on February 5, 1996.

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ROSS STORES, INC.

SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT

(\$000)

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at beginning of period	Additions at cost	Retirements and sales	Other changes	Balance at end of period
Year Ended					
January 29, 1994:					
Land and buildings	\$20,004	\$2,502	(\$4)		\$22,502
Fixtures and equipment	101,751	21,543	(2,801)		120,493
Leasehold improvements	82,506	9,720	(2,638)		89,588
Construction in progress	4,319	6,420			10,739
	\$208,580	\$40,185	(\$5,443)	\$0	\$243,322
Year Ended					
January 30, 1993:					
Land and buildings	\$19,994	\$11	(\$1)		\$20,004
Fixtures and equipment	84,564	19,157	(1,970)		101,751
Leasehold improvements	77,012	8,083	(2,589)		82,506
Construction in progress	9,184	(4,865)			4,319
	\$190,754	\$22,386	(\$4,560)	\$0	\$208,580
Year Ended					
February 1, 1992:					
Land and buildings	\$6,174	\$13,820			\$19,994
Fixtures and equipment	71,121	15,907	(\$2,464)		84,564
Leasehold improvements	69,581	9,365	(1,934)		77,012
Construction in progress	18,884	(9,700)			9,184
	\$165,760	\$29,392	(\$4,398)	\$0	\$190,754

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ROSS STORES, INC.

SCHEDULE VI - ACCUMULATED DEPRECIATION AND
AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(\$000)

Column A	Column B	Column C	Column D	Column E	Column F
Description	Balance at beginning of period	Additions charged to costs and expenses <F1>	Retirements	Other changes add (deduct)	Balance at end of period
Year Ended					
January 29, 1994:					
Buildings and land improvements	\$2,222	\$703			\$2,925
Fixtures and equipment	39,955	11,357	(\$1,172)		50,140
Leasehold improvements	38,333	8,488	(716)		46,105

	\$80,510	\$20,548	(\$1,888)	\$0	\$99,170
Year Ended					
January 30, 1993:					
Buildings and land					
improvements	\$1,517	\$705			\$2,222
Fixtures and equipment	31,255	9,648	(\$ 948)		39,955
Leasehold improvements	31,134	8,430	(1,231)		38,333
	\$63,906	\$18,783	(\$2,179)	\$0	\$80,510
Year Ended					
February 1, 1992:					
Buildings and land					
improvements	\$1,057	\$460			\$1,517
Fixtures and equipment	25,170	7,880	(\$1,795)		31,255
Leasehold improvements	24,620	7,626	(1,112)		31,134
	\$50,847	\$15,966	(\$2,907)	\$0	\$63,906

<FN>
 <F1> Depreciation on fixtures and equipment is calculated using the straight-line method over the estimated useful life of the asset (approximately five to twelve years). Leasehold improvements are amortized over the estimated useful lives of the assets or the applicable lease term, whichever is less.

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ROSS STORES, INC.

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(\$000)

Column A	Column B	Column C	Column D	Column E
Description	Balance at beginning of period	Additions charged to costs and expenses	Deductions*	Balance at end of period
Accrued expenses for 1987 store closings				
Year ended January 29, 1994	\$0			\$0
Year ended January 30, 1993	\$0			\$0
Year ended February 1, 1992	\$20		(\$20)	\$0

* Payments for store closures.

ROSS STORES, INC.

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION

(\$000)

Column A

Column B

	1993	1992	1991
Advertising Costs	\$33,849	\$34,079	\$29,970

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INDEX TO EXHIBITS

Exhibit
Number

Exhibit

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Exhibit
Number

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ROSS STORES, INC.
EXECUTIVE MEDICAL PLAN

Plan Highlights

The benefits and provisions of this Plan are described in this Certificate. This is the Plan in effect as of January 1, 1993.

Health Care Benefits
For You and Your Dependents

As an eligible Executive Employee you are eligible for benefits shown in this Certificate.

Executive Medical Plan

Payment will be made for 100% of the charges for Covered Expenses listed below. These expenses must be charged to you or your Dependent while covered. Expenses must be charged in connection with Medical Care, Dental Care or Vision Care. No Cash Deductible applies to the Covered Expenses under the Executive Medical Plan.

The Maximum Benefit shall be \$25,000 per person per Calendar Year, subject to a Calendar Year Maximum Benefit of \$50,000 per family.

Important

You will notice that some of the terms used in your Certificate begin with a capital letter. These terms have a special meaning under the Plan and are listed in Glossary in alphabetical order. Refer to this section for a detailed explanation.

Executive Medical Plan

The Executive Medical Plan provides payment for a wide range of medical expenses (called Covered Expenses). These expenses must be charged to you or your Dependent while covered. These expenses must be needed because of Medical, Dental or Vision Care.

Covered Expenses

Payment for Additional Covered Expenses will be reduced by any amount paid for Medical Care under any Worker's Compensation Act or similar law. Loss of income benefits or specific allowances for loss of a bodily member will not reduce the amount paid under the Plan.

Payment will be made if the expenses charged to you or your Dependent are more than the expenses payable under any or all of the following:

The other health benefits of this Plan.

The basic benefits under any other group plans sponsored by the Employer.

Any government sponsored plan or law, except Medicare or Medicaid.

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These expenses must relate to the Additional Covered Expenses under this benefit. "Additional Covered Expenses" will not include any expenses which are payable in a Calendar Year under any of the plans described above.

Covered Expenses are the actual cost to you of the Reasonable Charges, as defined in Glossary, for services and supplies that are normally not covered under your medical, dental or vision care plan, or which exceed

Reasonable and Customary Charges under your medical, dental or vision care plan. However, these expenses are covered under the Executive Reimbursement Plan. The service or supply must be:

Medically Necessary.

Required for treatment.

An allowable tax deductible item as defined under the Internal Revenue Code.

Recommended and approved by the attending physician unless noted otherwise in the services listed below.

Any charges in excess of the amount paid under the Comprehensive Medical, Dental and Vision Care Plan of the Employer.

General Exclusions

Not Covered

Charges for the following are not covered under the Executive Medical Care Plan:

Injury or sickness caused by war, act of war or international armed conflict declared or undeclared.

Injury or sickness resulting from or sustained while engaged in the commission of a crime or felony.

Service or treatment for an injury which is covered by a worker's compensation act or other similar legislation.

Service or treatment which is compensated for or furnished by the United States government or any agency thereof.

Services or treatments not prescribed by a Physician.

Services or treatments for pregnancy for dependent children, except complications of pregnancy.

Services of a person who is a member of your immediate family.

Services of a person who resides in your home.

Services given by volunteers or persons who do not normally charge for their services.

begin page 3

Services given by a licensed pastoral to a member of his or her congregation in the course of his or her normal duties as a pastor or minister.

Custodial care. This is care made up of services and supplies that meets one of the following conditions:

Care furnished mainly to train or assist in personal hygiene or other activities of daily living, rather than to provide medical treatment.

Care provided by persons who do not have the technical skills of a covered health care professional.

Care that meets one of the conditions above is custodial care regardless of any of the following:

Who recommends, provides or directs the care.

Where the care is provided.

Whether or not the patient can be or is being trained to care for himself or herself.

Any expenditure which is merely beneficial to the general health, such as an expenditure for a vacation.

Any expenditure for transportation, unless furnished by an ambulance service for local travel.

Any expenditure deemed to be educational rather than medical or rehabilitative.

Any expenditure for toiletries, such as toothpaste, shaving lotion or cosmetics, such as facial creams, deodorants, hand lotions or other similar preparations used for ordinary cosmetic purposes.

Any expenditure for meals and lodgings while away from home, but not confined to a hospital or institution or under the care of an institution.

Expenses incurred during or in connection with the hospital confinement of a Dependent which began before the Dependent was covered.

Your Dependent's expenses if the Dependent is receiving benefits for the same expenses under the Plan as an Employee.

Education, training and bed and board while confined in an institution which is mainly a school or other institution for training, a place of rest, a place for the aged or a nursing home.

Drugs, treatments, services or supplies which are considered investigational because they do not meet generally accepted standards of medical practice in the United States. This includes any related confinement, treatment, service or supplies.

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Expenses for confinement, treatment, services or supplies given for or related to chelation therapy, except to treat heavy metal poisoning.

Expenses not directly involved with Medical Care (as defined in Section 213(d) of the Internal Revenue Code).

A capital expense, like a permanent alteration of your house. Only that part of the expense that is needed for a person's Medical Care is covered.

Any service or supply that is not allowable as a tax deduction under the Internal Revenue Code.

Treatment in a United States government or agency hospital, other than treatment received by a qualified CHAMPUS beneficiary. This treatment must be for services that would otherwise be covered under the Plan.

Expenses which you yourself are not legally required to pay. However, the reasonable cost incurred by the United States for medical care and treatment for a non-service connected disability given to a veteran by the United States or one of its agencies is covered to the extent the care and treatment is otherwise covered under the Plan.

Expenses incurred for the care or treatment of the dependent children of your Dependent children.

Any premiums that you are required to contribute for your coverage under your medical, dental or vision care plan.

Claims Information

How To File A Claim

Fill out the First Notice of Claim. These forms are available from the Employer or from The Travelers. The form has instructions on how to fill it out.

Please read the form carefully. Answer all questions and send all required information to your Travelers claim office.

If you ask for a claim form but do not receive it within 15 days you can file a claim without it by sending in the bills and describing the situation in a letter.

To claim health benefits you must give The Travelers written proof of your loss within 15 months after the date of the loss or the date the expenses are incurred.

If it is not possible to give the proof within 15 months, give the proof as soon as possible. The Travelers will not reduce or deny your claim if you give the proof as soon as reasonably possible.

Be sure to save all bills and attach copies of them to the claim form. Keep a record of the date of service and the type of service given. For prescription drugs, be sure the bill includes all of the following:

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Date of purchase.

Prescription number.

Name of the physician who gave the prescription.

The Travelers has the right to examine anyone filing a claim. If a medical exam is needed, you will not have to pay for it.

The Travelers can request any needed proof of loss in connection with a claim for Dental Services and Supplies. This includes the following:

Dentist's or physician's statement of treatment.

Study models.

X-rays taken before and after surgery.

How and When Claims Are Paid

All benefits will be paid to you immediately after The Travelers receives satisfactory proof of loss.

Any Health Benefits continued for your Dependents after your death will be paid to one of the following:

Your surviving spouse.

Your Dependent child who is not a minor, if there is no surviving spouse.

A hospital or a person who makes charges to your Dependents for services that are covered under this Plan

The legal guardian of your Dependent.

The Travelers will have no further obligation for the amount of the

payment.

Legal Actions

You may not sue on your health claim before 60 days after proof of loss has been given to The Travelers. You may not sue after 3 years from the time proof of loss is required unless the law in the area where you live allows a longer period of time.

The health coverage is not in place of workers' compensation insurance. It does not affect any requirement for coverage by workers' compensation insurance.

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When Coverage Starts

Who is Eligible for Coverage

Employees

You are eligible if you are an Executive Employee working at least 25 hours per week, or are a former Executive Employee previously covered under the Employer's basic health plan who has elected health care continuation under COBRA.

Dependents

Your eligible Dependents are:

Your wife or husband.

Your unmarried children under 19.

Your unmarried children 19 but under 25 who are registered students in regular full-time attendance at school. Dependents who are students must be dependent upon the Employee for care and support. They cannot be employed on a regular full-time basis by one or more employers for a total of 30 or more hours per week.

Your Dependents must reside in the United States.

"Children" includes any of the following:

Your step-child.

Your legally adopted child (including a child for whom legal adoption proceedings have been started).

Any child who is related to you, mainly dependent on you for care and support and living with you in a regular parent-child relationship.

No person can be covered as both an Employee and as a Dependent under this Plan. No person can be covered as a Dependent of more than one Employee under this Plan.

Who Pays for the Coverage

The coverage under this Plan is non-contributory. This means you do not have to make contributions toward its cost.

When Coverage Starts

Your Coverage

You must enroll to get coverage (see How to Enroll).

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Coverage will start on the later of

The date you enroll.

The date you become eligible for coverage under the Employer's Comprehensive Medical, Dental and Vision Care Plan.

If you are away from work because you are disabled on the date coverage would start, coverage will not start until you return to full-time work.

Your Dependents Coverage

You must enroll for the coverage in order for your Dependents to be covered (see How to Enroll).

Coverage starts on the latest of

The date you become covered, if you selected Dependent coverage.

The date you enroll for the Dependents coverage

The first day of the month after you acquire your first Dependent.

If a Dependent is confined in a hospital or other institution when coverage would start, the Medical Benefits will not start until

The Dependent is out of the hospital or institution, or

The Travelers is given proof that the Dependent is completely recovered or the pregnancy causing the confinement was delivered, aborted or miscarried.

The above limitation does not apply to a newborn child.

How To Enroll

You enroll by filing a written request with the Employer. Forms are available from the Employer.

If you do not have a Dependent when you enroll, you may enroll for the Dependents benefits when you acquire your first Dependent, if you do so within the first 31 days of the date the Dependent is eligible.

When Coverage Stops

Your Coverage

Coverage will stop on the earliest of the following:

The last day of the month in which your employment ends.

The last day of the month in which you stop being an eligible Employee.

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When the Plan is terminated by the Employer.

Your Dependents Coverage

Coverage for all of your Dependents stops when your coverage stops.

Coverage for an individual Dependent stops sooner if one of the following happens:

The Dependent becomes covered as an Employee under this Plan.

The Dependent stops being an eligible Dependent.

Continuation of Coverage

Disability

The Employer may continue coverage when you are away from work due to disability.

Layoff or Leave of Absence

The Employer may continue coverage if you are away from work due to leave of absence or temporary layoff.

Benefits Available After Coverage Stops

The Travelers will pay Executive Medical Plan benefits for the 12 months after the date coverage stops as long as the following conditions are met:

The person is Totally Disabled due to the same cause for the entire time from when coverage stops until charges are made.

The expenses are not payable under any other group plan.

Benefits are payable only for Covered Expenses charged for the accidental injury, sickness or pregnancy which caused the Total Disability.

Glossary

(These definitions apply when the following terms are used in this Certificate.)

Calendar Year

A period of one year beginning with a January 1.

Covered Family Members

You and your wife or husband and Dependent children who are covered under the Plan.

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Hospital

An institution which is engaged primarily in providing medical care and treatment of sick and injured persons on an in-patient basis where a charge is incurred and which fully meets one of the following three tests:

It is accredited as a hospital by the Joint Commission on Accreditation of Hospitals.

It is approved by Medicare as a hospital.

It meets all of the following tests:

It maintains on the premises diagnostic and therapeutic facilities for surgical and medical diagnosis and treatment of sick and injured

persons by or under the supervision of a staff of duly qualified physicians; and

It continuously provides on the premises 24 hour a day nursing service by or under the supervision of registered graduate nurses; and

It is operated continuously with organized facilities for operative surgery on the premises.

Internal Revenue Code

Section 213(d), Medical, Dental, Etc., Expenses (which tells what medical and dental expenses qualify as "medical care" for federal income tax purposes) of the internal Revenue Code of 1954 and amendments thereto, as regulated by the Code of Federal Regulations.

Medical Care

The diagnosis, care, mitigation or prevention of disease or treatment affecting any structure or functions of the body due to defect, illness or accidental injury, or care during and following pregnancy including treatment of any conditions caused by the pregnancy.

Medically Necessary

The Travelers determines, in its discretion, if a service or supply is medically necessary for the diagnosis or treatment of an accidental injury, sickness or pregnancy. This determination is based on and consistent with standards approved by Travelers medical personnel. These standards are developed, in part with consideration to whether the service or supply meets the following:

It is appropriate and required for the diagnosis or treatment of the accidental injury, sickness or pregnancy.

It is safe and effective according to accepted clinical evidence reported by generally recognized medical professionals or publications.

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There is not a less intensive or more appropriate diagnostic or treatment alternative that could have been used in lieu of the service or supply given.

A determination that a service or supply is not medically necessary may apply to the entire service or supply or to any part of the service or supply.

Medicare

The Health Insurance For The Aged and Disabled program under Title XVIII of the Social Security Act.

Person Eligible under Medicare

You or your Dependent if eligible to enroll and be covered under the voluntary portion of Medicare.

Physician

A legally qualified:

Doctor of Medicine (M.D.).

Doctor of Chiropody (D.P.M.; D.S.C.).

Doctor of Chiropractic (D.C.).

Doctor of Dental Surgery (D.D.S.).

Doctor of Medical Dentistry (D.M.D.).

Doctor of Osteopathy (D.O.).

Doctor of Podiatry (D.P.M.).

Reasonable Charge

An amount measured and determined by The Travelers by comparing the actual charge for the service or supply with the prevailing charges made for it. The Travelers determines the prevailing charge. It takes into account all pertinent factors including:

The complexity of the service.

The range of services provided.

The prevailing charge level in the geographic area where the provider is located and other geographic areas having similar medical cost experience.

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Room and Board

Room, board, general duty nursing, intensive nursing care by whatever name called, and any other services regularly furnished by the hospital as a condition of occupancy of the class of accommodations occupied, but not including professional services of physicians nor special nursing services rendered outside of an intensive care unit by whatever name called.

Sickness

The term "sickness" will include a surgical procedure for sterilization and related medical care and treatment and confinement within 30 consecutive days from the procedure.

The term "sickness" used in connection with new-born children will include congenital defects and birth abnormalities, including premature births.

Total Disability

Your inability to perform all of the substantial and material duties of your regular employment or occupation.

Your Dependent's inability to perform the normal activities of a person of like age and sex.

End of Certificate of Insurance

THIRD AMENDED AND RESTATED
ROSS STORES, INC.
EXECUTIVE SUPPLEMENTAL RETIREMENT PLAN

A. Purpose and Description. The third amended and restated Ross Stores, Inc. Executive Supplemental Retirement Plan (the "Plan") is designed to help selected employees of Ross Stores to provide for their retirement and for their beneficiaries in the event of their death. The Plan shall be effective as of May 1, 1991. Under the Plan, eligible employees may purchase individual life insurance policies and/or annuity contracts from an insurance company selected by Ross Stores (the "Insurance Company"). The insurance and annuity contract policies and annuity contracts will be owned exclusively by the employee. The insurance and annuity contract premiums will be paid on an "after-tax" basis through payroll deduction. Ross Stores will pay a bonus to Plan Participants to assist the participants in meeting their tax liability on amounts withheld and used to purchase life insurance and annuity contracts under the Plan.

B. Administration. The Plan shall be administered by the "Plan Committee," the members of which will be the Vice President of Human Resources and the Director of Risk Management and Benefits.

C. Eligibility and Participation.

1. Employees designated by the Plan Committee shall become participants in the Plan when their application for life insurance or an annuity contract is accepted by the Insurance Company and they have authorized insurance or annuity contract premium payments through payroll deductions and/or direct payments as described more fully below.

2. Participation in the Plan shall terminate immediately upon the Participant's separation from service with Ross Stores for any reason.

D. Contributions.

1. Each Participant may select the amount of insurance or annuity contract premium payments which he or she desires and which provides the amount of insurance coverage and cash value build up or annuity payments as the Participant desires. Insurance and annuity contract premiums may be paid through payroll deductions ("Payroll Deductions") from the Participant's regular salary and bonuses or through direct payments by the Participant ("Direct Payments"). The Participant shall notify Ross Stores of all Direct Payments and shall provide Ross Stores with such evidence of the Direct Payments as it may reasonably require and Ross Stores shall

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have no obligation to pay a Tax Bonus with respect to any Direct Payments of which it has not been properly notified.

2. A Participant may change premium payments at such times upon such notice as the Plan Committee may require, provided, however, that a Participant may cease Payroll Deductions entirely at any time. Ross Stores has no responsibility for any changes in the amount of insurance coverage or future cash value or the amount of annuity payments

which result from a Participant's change in his or her premium payments.

3. Payroll Deductions are subject to income and payroll tax withholding. Accordingly, a Participant's take-home pay will be reduced by withholdings attributable to Payroll Deductions.

4. Ross Stores shall remit a Participant's Payroll Deductions to the Insurance Company within a reasonable time after such Payroll Deductions were made.

E. Tax Bonus.

1. Ross Stores shall pay a bonus to each Participant to help defray the Participant's federal income tax liability for the Participant's annual Payroll Deductions (the "Tax Bonus"). The Tax Bonus will equal 70% of the sum of the Participant's Payroll Deductions and Direct Payments, up to a maximum tax bonus of \$3,500 per calendar year.

2. The Plan Committee may change the rate of the Tax Bonus from time to time, subject, however, to the provisions of paragraph F.1., below.

F. Miscellaneous.

1. Ross Stores reserves the right at any time to modify, amend or terminate the Plan in all or in part; provided, however, no such amendment or termination shall affect the portion of the Tax Bonus calculated with respect to Payroll Deductions paid prior to such termination or amendment.

2. The Participant shall own any insurance policy and annuity contract acquired pursuant to this Plan and Ross Stores shall retain no interest therein and shall merely facilitate the Participant's payment of premiums on the policy or contract through Payroll Deductions.

3. Ross Stores shall not be responsible for the adequacy of a Participant's Payroll Deductions to make any insurance or annuity contract premium payments, but shall have fully satisfied its obligations under this Plan upon remitting

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the Payroll Deductions to the Insurance Company and paying the applicable Tax Bonus.

4. Ross Stores recommends that Participants consult their personal financial advisors regarding the tax and financial consequences of purchasing life insurance and annuity contracts under this program prior to participating in the Plan.

5. Nothing herein shall be construed as conferring upon any Participant the right to continue in the employ of Ross Stores as an employee.

6. The Plan shall be construed in accordance with and governed by the laws of the State of California.

IN WITNESS WHEREOF, the undersigned Secretary of the Corporation certifies that the foregoing Third Amended and Restated Ross Stores, Inc. Executive Supplemental Retirement Plan was duly adopted by the Board of Directors of the Company on the 29th day of August, 1991, to become effective as of May 1, 1991.

/S/ EARL BENSON
Earl T. Benson

ROSS STORES, INC.
NON-QUALIFIED DEFERRED COMPENSATION PLAN

Effective Date: January 1, 1994

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ROSS STORES, INC.
NON-QUALIFIED DEFERRED COMPENSATION PLAN
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ARTICLE 1.

INTRODUCTION

Whereas, Ross Stores, Inc. (the "Employer" or "Ross") wishes to establish a supplementary employee retirement plan as set forth herein (the "Plan") to provide deferred compensation for a select group of management or highly compensated employees of the Employer and its subsidiaries effective January 1, 1994; and

Whereas, the Employer has the legal authority to establish the Plan pursuant to the laws of the State of Delaware; and

Whereas, the Employer wishes to provide that the Plan shall be called the Ross Stores, Inc. Non-Qualified Deferred Compensation Plan; and

Whereas, the Employer wishes to provide under the Plan for the payment of benefits to participants in the Plan and their beneficiary or beneficiaries under the terms of the Plan and the terms of Participants' deferred compensation agreements; and

Whereas, the Employer wishes to provide under the Plan that the Employer shall pay the entire cost of benefits under the Plan from its general assets and set aside contributions by the Employer to meet its obligations under the Plan; and

Whereas, the Employer intends that the assets of the Plan and its accompanying trust shall at all times be subject to the claims of the general creditors of the Employer in the event of the financial insolvency of the Employer; and

Whereas, the Employer intends that any rights of participants in the Plan and their beneficiaries be unsecured and unfunded for purposes of tax law and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Now, therefore, the Employer does hereby establish the Plan as follows, and does also hereby agree that the assets of the Plan shall be identified, held, invested, and disposed of as follows:

ARTICLE 2.

DEFINITIONS

"Beneficiary" means the beneficiary or beneficiaries designated by the Participant in the Enrollment Agreement who are to receive any distributions payable upon the death of the Participant.

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"Board" means the Employer's Board of Directors.

"Compensation" means a Participant's base salary paid by Ross, or an affiliate of Ross, but shall not include any other form of compensation, whether taxable or non-taxable, including, but not limited to, bonuses, commissions, overtime and other forms of additional compensation.

"Deferral Amount" means the amount of Compensation that the Participant elects to defer under the Enrollment Agreement and that the Participant and the Employer mutually agree shall be deferred in accordance with the Plan.

"Deferred Compensation Agreement" means the agreement entered into by a Participant and the Employer which sets forth the terms of the Participant's participation in the Plan.

"Effective Date" means January 1, 1994.

"Eligible Employee" means an employee of the Employer or a subsidiary of Employer who is a member of a select group of management or highly compensated employees and who has been chosen by the Plan Administrator, in the Plan Administrator's sole discretion, to be eligible to participate in the Plan. For purposes of the Plan, the phrase "select group of management or highly compensated employees" shall include those individuals employed as directors, buyers, or district managers and those individuals employed in positions at a higher level, all as determined by the Plan Administrator.

"Employer" means Ross Stores, Inc., a Delaware corporation, and any succeeding or continuing corporation.

"Enrollment Agreement" means the agreement entered into by a Participant which specifies the amount of the Participant's Deferral Account, the Participant's Beneficiary and the Participant's election of form of payment on Termination of Employment and certain withdrawals during employment.

"Hardship Withdrawal" is a withdrawal on account of hardship due to an unforeseeable financial emergency which Participant cannot meet through loans, insurance or liquidation of Participant's assets (to the extent such liquidation would not itself cause a financial hardship), or cessation of deferrals under Participant's Deferred Compensation Agreement. The amount distributed to Participant for such an unforeseeable financial emergency shall not exceed the lesser of (i) the amount needed to satisfy the unforeseeable financial emergency, or (ii) the value of Participant's account under the Plan. An unforeseeable financial emergency is a severe financial hardship to Participant resulting from a sudden and unexpected illness or accident of Participant or of a dependent of Participant (as defined in section 152(a) of the Internal Revenue Code), loss of Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of Participant. Examples of what are not considered to be unforeseeable financial

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emergencies include the need to send a child of Participant to college or the desire to purchase a home. The form of payment of a Hardship Withdrawal shall be determined by the Plan Administrator in the Plan Administrator's sole discretion.

"Matching Contribution" means the amount which the Employer contributes on behalf of Participant under the terms of

Article IV of the Participant's Deferred Compensation Agreement (as modified by the terms of the Plan).

"Participant" shall mean any Eligible Employee selected by the Plan Administrator who has elected to participate in the Plan by entering into an Enrollment Agreement.

"Participant's Account". The individual account maintained for a Participant by the Plan Administrator in accordance with the terms of the Plan and the Trust Agreement.

"Plan Administrator" means the committee selected to control and manage the operation and administration of the Plan.

"Plan Year". A Plan Year is the 12 consecutive month period beginning on January 1 and ending on the next following December 31.

"Termination of Employment" shall mean severance of the Participant's employment relationship with the Employer for any reason, including retirement, death or Total Disability.

"Top Hat Plan" is a non-qualified deferred compensation plan for a select group of management or highly compensated employees within the meaning of section 401(a)(1) of ERISA.

"Total Disability" means a Participant's total and permanent disability which renders the Participant unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months. Whether or not a Participant has incurred a Total Disability shall be determined by the Plan Administrator in the Plan Administrator's sole discretion.

"Trust" means the legal entity created by the Trust Agreement.

"Trust Agreement" shall mean that trust agreement entered into between the Employer and the Trustee to hold the assets of the Plan.

"Trustee" means the original Trustee named in the Trust Agreement and any duly appointed and acting successor Trustee(s) which shall be appointed by the Employer and may consist of one or more persons.

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ARTICLE 3.

PLAN SPECIFICATIONS

3.1 Salary Deferrals. Each Eligible Employee who is notified of his or her eligibility to participate in the Plan prior to the Effective Date may begin to participate in the Plan on the Effective Date; provided, however, that such Eligible Employee completes and signs both a Deferred Compensation Agreement and an Enrollment Agreement and returns both agreements to the designated representative of the Employer prior to the Effective Date or such earlier date established by the Employer and announced to the Eligible Employee.

Each Eligible Employee who is notified of his or her eligibility to participate in the Plan on or after the Effective Date may begin to participate in the Plan at the beginning of the

first pay period commencing after the date the Eligible Employee completes and signs both a Deferred Compensation Agreement and an Enrollment Agreement and returns both agreements to the designated representative of the Employer; provided, however, that such completion of the agreements and return of the agreements to the Employer must occur within thirty (30) days after the date that the Eligible Employee is notified of his or her eligibility to participate in the Plan.

An Eligible Employee who did not become a Participant in accordance with the terms of the preceding paragraphs may begin to participate in the Plan effective as of the beginning of any calendar year following the calendar year in which he or she was first notified of his or her eligibility to participate in the Plan by completing and executing both an Enrollment Agreement and a Deferred Compensation Agreement and returning both agreements to the designated representative of the Employer prior to the beginning of the calendar year (or such earlier date established by the Employer and announced to the Eligible Employee) in which deferral of Compensation is intended to commence.

The Participant may terminate his or her Enrollment Agreement and Deferred Compensation Agreement at any time and be restored to full Compensation. The Participant may change his or her Deferral Amount by completing a new Enrollment Agreement, and such new agreement shall become effective as of the beginning of the next calendar year. If an Eligible Employee who previously had elected to defer all or a part of his or her Compensation under the terms of the Plan and then subsequently terminated that election wishes in the future to once again elect to defer Compensation under the terms of the Plan, such Eligible Employee must complete and sign a new Enrollment Agreement and Deferred Compensation Agreement and submit both agreements to the designated representative of the Employer prior to the beginning of the calendar year (or such earlier date established by the Employer and announced to the Eligible Employee) in which such election first becomes effective, and such election shall become effective at the beginning of that calendar year.

3.2 Bonus Deferrals. In addition to the ability to defer all or a part of his or her Compensation as outlined in the previous section, each Eligible Employee who has

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been notified of his or her eligibility to participate in the Plan may elect to defer all or a part of each annual cash bonus which such Eligible Employee becomes entitled to receive after the time of notification of eligibility to participate in the Plan. An Eligible Employee's election to defer all or part of an annual cash bonus shall be made by completing and signing both an Enrollment Agreement and a Deferred Compensation Agreement and returning both agreements to the designated representative of the Employer prior to the time established by the Employer and announced to the Eligible Employee, and in any event prior to the time that the bonus becomes payable by the Employer.

3.3 Any deferrals of Compensation or bonuses made by an Eligible Employee under the Plan shall be held as an asset of the Employer, and the Employer shall deposit the amounts deferred into the Trust.

3.4 The Employer has the power to establish rules and from time to time to modify or change such rules governing the manner and method by which deferrals of Compensation or bonuses may be changed or discontinued temporarily or permanently and any minimum or maximum amounts of deferral of Compensation and bonuses.

3.5 A Participant's Enrollment Agreement and Deferred Compensation Agreement shall remain in effect until modified or terminated as herein permitted or until the Participant's Termination of Employment.

3.6 All deferrals of Compensation or bonuses shall be authorized by the Participant in writing, made by payroll deduction, deducted from the Participant's Compensation or bonus (as the case may be) without reduction for any taxes or withholding (except to the extent required by law) and paid over to the Plan and Trust by the Employer.

3.7 The Employer shall make a Matching Contribution to the Plan and Trust for the benefit of a Participant in an amount determined by the terms of such Participant's Deferred Compensation Agreement. The terms under which the Employer shall make a Matching Contribution for the benefit of a Participant as set forth in such Participant's Deferred Compensation Agreement are subject to the Employer's retained authority (a) either to change the formula by which Matching Contributions are determined in any manner or to stop Matching Contributions entirely subsequent to notifying the Participant and (b) to terminate the Plan at any time on a prospective basis. The Employer shall have this authority notwithstanding any other provision in the Plan or a Participant's Deferred Compensation Agreement to the contrary.

3.8 The Employer may deposit additional amounts in the Trust in the sole discretion of the Employer on behalf of a Participant or group of Participants as determined by the Employer in its sole discretion and on such terms as shall be agreed to by the Employer and such affected Participant or group of Participants.

3.9 All deposits to the Trust made under the Plan on behalf of a Participant shall be credited to an account established in the name of such Participant (the

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"Account"). The Account of a Participant is a bookkeeping record of all amounts deposited in the Trust on behalf of such Participant, and any earnings thereon, for purposes of determining the Participant's interest in the Trust.

ARTICLE 4.

WITHDRAWALS DURING EMPLOYMENT

4.1 A Participant may make a Hardship Withdrawal, as defined in Article 2, from the Plan upon the terms set forth in the Participant's Deferred Compensation Agreement.

4.2 A Participant may elect to receive a distribution of all or part of the Participant's Account under the Plan in a form approved by the Plan Administrator if such election is made prior to or simultaneous with Participant's filing of his or her initial Enrollment Agreement with the designated representative of the Employer. The terms of such a distribution shall be governed by the provisions of the Participant's Deferred Compensation Agreement in effect at the time of such election.

4.3 A Participant may elect to receive a distribution of all or part of the Participant's Account under the Plan in a form approved by the Plan Administrator if such election is made and submitted to the Plan Administrator at least two years prior to the date of such distribution, and the Participant remains employed by Ross or an affiliate of Ross during the entire period

from the date such election is received by the Plan Administrator until the date the Participant receives such distribution. The terms of such a distribution shall be governed by the provisions of the Participant's Deferred Compensation Agreement in effect at the time of such election. As a condition of receiving such a distribution, the Participant may not submit a Deferred Compensation Agreement and/or Enrollment Agreement to elect a deferral of Compensation or bonuses during the period beginning when a distribution permitted under this Article 4.3 is first received and ending at the beginning of the fifth Plan Year following the Plan Year in which such distribution is received. Furthermore, the Participant may not elect to defer any compensation paid by Ross or an affiliate of Ross under the terms of any other non-qualified deferred compensation plan sponsored by Ross or an affiliate of Ross for five years after the time that Participant receives a distribution permitted under this Article 4.3.

4.4 A Participant may elect to receive a distribution of all or part of the Participant's Account under the Plan at any time upon prior written notice to the Plan Administrator; provided, however, that ten percent (10%) of the amount of the withdrawal requested shall be permanently forfeited to Ross and Participant shall have no further right to that amount. The terms of such a distribution shall be governed by the provision of the Participant's Deferred Compensation Agreement in effect at the time of such election.

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ARTICLE 5.

PLAN INVESTMENTS

5.1 All contributions will be invested in one or more investment alternatives determined by the Plan Administrator in the Plan Administrator's sole discretion. Each Participant shall have the authority to direct the investment of all amounts credited to his or her Participant's Account among the investment alternatives selected by the Plan Administrator, except in the event of the Employer's financial insolvency as determined under the standards set forth in the Trust Agreement. The Plan Administrator may change, discontinue, or add to the investment alternatives made available under the Plan at any time as determined by the Plan Administrator in the Plan Administrator's sole discretion; provided, however, that prior notice is provided to all Participants.

5.2 All amounts under the Plan, including all investments purchased with such amounts and all income attributable thereto, shall remain (until made available to the Participant or Beneficiary) the property of the Employer as provided under the Trust Agreement and shall be subject to the claims of the Employer's general creditors in the event of the Employer's financial insolvency. No Participant or Beneficiary shall have any secured or beneficial interest in any property, rights or investments held by the Employer in connection with the Plan.

ARTICLE 6.

BENEFICIARY

6.1 The Participant's Enrollment Agreement shall designate the Beneficiary who is to receive a distribution of the value of a Participant's Account in the event of such Participant's death. If the Participant has not properly designated a Beneficiary, or if for any reason such designation

shall not be legally effective, or if said designated Beneficiary shall predecease the Participant, then the Participant's estate shall be treated as the Beneficiary. A Participant may change his or her Beneficiary designation at any time by amending the Participant's Enrollment Agreement.

ARTICLE 7.

VESTING

The value of all Participants' Accounts shall be fully vested at all times; provided, however, that all amounts credited to those Accounts shall remain available to satisfy the claims of the Employer's creditors in the event of the Employer's financial insolvency as defined in the Trust Agreement.

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ARTICLE 8.

BENEFITS

8.1 The Participant shall elect the payment option described in Article 8.3 below under which a distribution of benefits will be made following his or her Termination of Employment or upon the occurrence of an event for which a withdrawal during employment upon a two-year advance notice period or prior to the commencement of participation in the Plan is permitted by the Plan and such Participant's Deferred Compensation Agreement. Payment of benefits will begin as soon as administratively reasonable after the date on which the Plan Administrator is notified of either the Participant's Termination of Employment or those certain events specified above for which a withdrawal during employment is allowed.

8.2 Any benefits paid upon the death of a Participant must be paid to the Beneficiary designated by such Participant in the Enrollment Agreement. Such death benefits shall be paid in the form of payment previously elected by such Participant in the Enrollment Agreement filed in accordance with the requirements of the Plan; provided, however, that the Plan Administrator shall retain the sole discretion to make payment to a Beneficiary in the form of a single, lump sum distribution.

8.3 As elected by the Participant in his or her Enrollment Agreement, and subject to Article 8.4 below, distributions may be made under one or more of the following payment options:

- (a) a single, lump sum distribution; or
- (b) installment payments in such amount and frequency as determined by the Participant with the approval of the Plan Administrator prior to the time such payments begin; or
- (c) annuity payments in a form determined by the Participant with the approval of the Plan Administrator prior to the time such payments begin.

8.4 Notwithstanding anything else in this Article 8, Participant's initial election of the form in which benefits provided under the Plan may be paid shall be made as part of the first Enrollment Agreement which the Participant files with the Plan Administrator, and any change to such initial Enrollment Agreement must be made and submitted to the Plan Administrator in

the Plan Year prior to the Plan Year in which such change in the form of payment of benefits under the Plan may first become effective.

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ARTICLE 9.

ADMINISTRATION

9.1 Administrator. The Plan Administrator shall be a committee which has the authority to control and manage the operation and administration of the Plan. The Plan Administrator may also be referred to as the Plan Committee. Administrative concerns of the Plan include, but are not limited to, the enrollment of Eligible Employees as Participants, the maintenance of all records, the direction of the Trustee to distribute benefits to Participants and their Beneficiaries, and the establishment of rules and procedures for the operation of the Plan Committee. The initial number of members of the Plan Committee shall be three (3), until such number is changed by the approval of a majority of the Plan Committee. A member of the Plan Committee must be an employee of the Employer and shall continue to serve until such member resigns, is removed, or terminates employment with the Employer for any reason. The approval of at least two-thirds of the members of the Plan Committee shall be required to remove a member of the Plan Committee. A majority of the remaining members of the Plan Committee may fill one or more vacancies on the Plan Committee. The Plan Committee's authority under this Article 9.1 shall at all times be subject to the ability of the Board to remove any or all of the members of the Plan Committee for any reason, change the number of members of the Plan Committee, fill vacancies on such committee, and establish rules and procedures for such committee.

9.2 Any decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated thereunder, a Participant's Deferred Compensation Agreement, or a Participant's Enrollment Agreement shall be final and conclusive and binding upon all persons having any interest in the Plan.

ARTICLE 10.

MISCELLANEOUS

10.1 Amendment of Plan. The Employer reserves the right to amend any provisions of the Plan at any time upon an action by at least two-thirds of the Plan Committee to the extent that it may deem advisable without the consent of the Participant or any Beneficiary; provided, however, that no such amendment shall impair the rights of any Participant or Beneficiary with respect to either any Compensation or bonuses deferred before such amendment or any earnings on such deferred amounts credited to a Participant's Account before such amendment.

10.2 Termination of Plan. The Employer reserves the right to terminate the Plan at any time upon an action by the Board of Directors of the Employer or the approval of at least two-thirds of the Plan Committee. Upon termination of the Plan, all Deferred Compensation Agreements shall terminate immediately and the Participant's

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full Compensation on a non-deferred basis will be thereupon restored. Distribution of any benefits to a Participant shall generally commence only upon the occurrence of the Termination of Employment of a Participant or an event for which a withdrawal during employment is permitted by the Plan and such Participant's Deferred Compensation Agreement; provided, however, that the Plan Administrator shall retain the sole discretion to make payment to a Participant in the form of a single, lump sum distribution.

10.3 Plan Administrator To Establish Rules. The Plan Administrator may at any time make rules as it determines necessary regarding the administration of the Plan which are not inconsistent with the Plan.

10.4 The Plan Administrator may, from time to time, hire outside consultants, accountants, actuaries, legal counsel, or recordkeepers to perform such tasks as the Plan Administrator may from time to time determine.

10.5 In the event that any Participants are found to be ineligible, that is, not members of a select group of management or highly compensated employees eligible to participate in a Top Hat Plan, according to a determination made by the United States Department of Labor, the Plan Administrator will take whatever steps it deems necessary, in its sole discretion, to equitably protect the interests of the affected Participants.

10.6 No benefits under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. The provisions of the Plan shall be binding upon and inure to the benefit of the Employer and Participants and their respective successors, heirs, personal representatives, executors, administrators, and legatees.

Notwithstanding any other provision in the Plan or a Participant's Deferred Compensation Agreement to the contrary, any amount credited to a Participant's Account shall be paid from the Trust only to the extent that the Employer is not financially insolvent at the time of such payment. Whether or not the Employer is financially insolvent shall be determined by the Trustee in the Trustee's sole discretion based upon the standard for financial insolvency set forth in the Trust Agreement. Any benefits under the Plan represent an unfunded, unsecured promise by the Employer to pay these benefits to the Participants when due. A Participant has no greater right to any assets in the Trust than the general creditors of the Employer in the event that the Employer shall become financially insolvent. Trust assets can be used to pay only benefits under the Plan or the claims of the Employer's general creditors or the expenses of administering the Plan and Trust to the extent permitted under the terms of the Trust Agreement.

10.7 The Plan, the Trust Agreement, a Participant's Deferred Compensation Agreement, and the Participant's Enrollment Agreement, and any subsequently adopted amendment to any of these documents, shall constitute the total agreement or contract between the Employer and such Participant regarding the Plan. No oral statement

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regarding the Plan may be relied upon by the Participant. If there are any conflicts between the terms of the Plan and the Trust Agreement, and a Participant's Enrollment Agreement or Deferred Compensation Agreement, the terms of the Plan and the Trust Agreement shall control.

10.8 The terms and conditions of the Plan shall not be deemed to constitute a contract of employment between the Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, with or without cause, unless expressly provided in a written employment agreement or expressly provided by law. Nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Employer, or to interfere with the right of the Employer to discipline or discharge the Participant at any time.

10.9 This Plan shall be construed under the laws of the State of California.

IN WITNESS WHEREOF, the Plan is hereby adopted by a duly authorized officer of Ross Stores, Inc. on this 23rd day of December, 1993.

ROSS STORES, INC.

By: /S/ STEPHEN F. JOYCE
Stephen F. Joyce,
Senior Vice President of Human
Resources

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TRUST AGREEMENT FOR
THE ROSS STORES, INC.

NON-QUALIFIED DEFERRED COMPENSATION PLAN

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TRUST AGREEMENT

THIS TRUST AGREEMENT is entered into effective as of the 23rd day of December, 1993, by and between Ross Stores, Inc. (the "Employer"), and John M. Vuko (the "Trustee").

ARTICLE 1

DEFINITIONS

1.1 "Administrator" shall mean the person designated in the Plan by the Employer to manage and control the operation and administration of the Plan.

1.2 "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.3 "Plan" shall mean the Ross Stores, Inc. Non-Qualified Deferred Compensation Plan.

1.4 "Trust" or "Trust Fund" shall mean all of the assets held by the Trustee under the Plan and this Trust Agreement.

1.5 All defined terms for which a definition is not set forth in this Trust Agreement shall have the definition set forth in the Plan.

ARTICLE 2

ESTABLISHMENT AND ACCEPTANCE OF TRUST

2.1 The Employer has duly adopted the Plan for the benefit of such of its employees as are eligible thereunder and such of their beneficiaries as may therein be described. A copy of the Plan is attached hereto and made a part hereof. The Plan contemplates that money and other property shall be transferred in trust to the Trustee to be held and administered by the Trustee for purposes of the Plan.

2.2 The Trustee shall receive from the Employer its contributions in cash or other property made under the Plan. All contributions so received, together with the income and earnings therefrom and any increments thereto, shall be held, managed, and administered in trust pursuant to the terms of this Trust Agreement, to provide benefits under the Plan according to its terms.

2.3 The Trustee hereby accepts the trust created hereunder and agrees to hold and administer the Trust Fund and to perform its duties pursuant to this Trust Agreement. In no event, however, shall the Trustee have any duty to collect or enforce payment of any contributions to the Trust Fund or any duty to compute any amount to be transferred or paid to the Trustee by the Employer.

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2.4 The Plan shall be administered by the Administrator, and the Trustee shall not be responsible in any respect for the administration of the Plan, except as provided herein. It is intended to state expressly in this Trust Agreement the powers, rights, duties and obligations of the Trustee. No implied covenants shall be read into this Trust Agreement against the Trustee.

2.5 This Trust Agreement is made pursuant to the

provisions of the Plan providing for the investment and administration of contributions under the Plan. It is the intention of the Employer that this Trust Agreement shall constitute part of the Plan and shall be a "grantor trust," of which the Employer is the grantor, and therefore the corpus and income of the Trust shall be treated as assets and income of the Employer for federal and state income tax purposes.

2.6 The Employer intends that the assets of the Trust shall be subject to the claims of the general creditors of the Employer in the event of the Employer's financial insolvency.

ARTICLE 3

INVESTMENT AND ADMINISTRATION OF THE TRUST FUND

3.1 Subject to section 3.4 and Article 4, the Trustee is hereby granted full power and authority to invest and reinvest the principal and income of the Trust Fund, without distinction between principal and income, in such investments as the Trustee, in its sole discretion, may deem appropriate, including (without limiting the generality of the foregoing) improved and unimproved real property, whether or not income producing, common and preferred stocks, trust and participation certificates, bonds, debentures, mortgages, deeds of trust, insurance and annuity contracts, covered call options, notes secured by real or personal property, leases, ground leases, real or personal property interests owned, developed or managed by joint ventures or limited partnerships, obligations of governmental bodies, both domestic and foreign, notes, commercial paper, and other evidences of indebtedness, secured or unsecured, including variable amount notes, convertible securities of all types and kinds, mutual fund shares, and interest-bearing savings or deposit accounts with any federally insured bank (including the Trustee) or savings and loan association.

3.2 Notwithstanding any other provision of this Trust Agreement (except section 3.4 and Article 4), the Trustee may invest and reinvest the assets of this Trust in any of the following forms of collective investment:

(a) Any trust established and maintained as a medium for the collective investment of funds, including any such collective trusts established and maintained or managed by the Trustee or another fiduciary (or its affiliate), with respect to which this Trust is an eligible participating trust;

(b) Any mutual fund which is registered as an investment company under the Investment Company Act of 1940, including any such mutual fund

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established and maintained or managed by a fiduciary (or its affiliate), with respect to which this Trust is an eligible investor;

(c) Any insurance policy or contract providing for allocation of amounts received by the insurance company thereunder to one or more of its separate accounts maintained for the collective investment of funds; and

(d) Any investment companies or trusts, including any investment company or trust which has an investment advisory or other agreement with the Trustee or another fiduciary (or its affiliate), with respect to which this Trust is an eligible investor.

3.3 Subject to section 3.4 and Article 4, the Trustee shall have the following additional powers and authority in the administration of the Trust Fund:

(a) To hold and retain any and all property coming into its possession hereunder.

(b) To vote, and to give proxies to vote, any securities having voting rights.

(c) To pay any assessment levied upon stock and to exercise any right or option of subscription or otherwise which may at any time attach, belong or be given to the holders of any stocks, bonds, securities or other instruments in the nature thereof forming part of the Trust Fund, and to join in any plan of lease, mortgage, consolidation or reorganization of the property or assets thereof, including the deposit of bonds, securities and stock with any bondholders, stockholders, or protective committee, and to take and hold any securities issued under such plan and to pay any assessments thereunder.

(d) To enforce any mortgage or deed of trust or pledge held hereunder and to purchase at any sale thereunder any property subject thereto.

(e) To cause any securities or other property held as part of the Trust Fund to be registered in its own name or in the name of one or more of its nominees and to hold any investments in bearer form, but the books and records of the Trustee shall at all times show that all such investments are part of the Trust Fund.

(f) To keep such portion of the Trust Fund in cash or cash balances as the Trustee may from time to time deem to be in the best interests of the Trust without liability for interest thereon.

(g) To deposit any moneys at any time held by it in any savings bank or in the savings department of any bank, including a bank which is then serving as the Trustee.

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(h) To borrow money and to sell at public or private sale (for cash or on terms), improve, develop, lease (without restriction or limitations as to terms), rent, mortgage, convey in trust, pledge, hypothecate, lease or contract with reference to oil, gas or other minerals or natural resources and mineral rights and mineral royalties which may be part of the Trust Fund, transfer, exchange, subdivide, partition, compromise, grant options at such times, in such manner and upon such terms and conditions as the Trustee shall deem advisable and to otherwise deal with the whole or any part of the Trust Fund upon such terms and conditions as the Trustee in its discretion may deem advisable.

(i) To provide itself with public liability insurance in customary forms at Trustee's expense, or, at the option of the Employer, at the expense of the Employer.

(j) To employ suitable accountants, actuaries, advisors, consultants, attorneys, and other agents and to pay for reasonable expenses and compensation of such agents.

In amplification and not in limitation of the Trustee's powers under this Trust Agreement, the Trustee shall have the authority to appoint an attorney-in-fact or other agent to discharge some or all of the Trustee's rights and

responsibilities under this Trust Agreement. Such authority shall include, but not be limited to, the following:

(i) To receive contributions from the Employer.

(ii) To hold, manage and administer contributions from the Employer, together with the income and earnings therefrom and any increments thereto, according to the terms of the Trust Agreement.

(iii) To make payments out of the Trust Fund to such persons, in such manner, in such amounts and for such purposes as may be specified in written directions provided by the Administrator.

(iv) To carry out the investment directions of a Participant as set forth in section 3.4 or an investment manager in Article 4.

(v) To cause accurate and detailed accounts of all investments, receipts, disbursements and other transactions in the Trust to be maintained and to cause periodic reports to the Employer to be prepared.

(vi) To pay any taxes which are lawfully levied or assessed upon or become payable in respect of the Trust, to withhold appropriate taxes from any payment from the Trust Fund, and to prepare and file appropriate reports and forms with the appropriate regulatory authorities and other persons with respect to such taxes.

(k) To pay out of the Trust Fund all estate, inheritance, income or other taxes of any kind levied or assessed against the Trust Fund, to the extent such

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taxes are not paid from other sources. The Trustee shall not be personally liable for such taxes. Moreover, the Trustee may require, prior to making any payment or distribution from this Trust under this instrument, such releases or other documents from any lawful taxing authority as it shall consider advisable.

(l) To do all such acts, take all such proceedings, and exercise all such rights and privileges, although not specifically mentioned herein, as the Trustee may deem necessary to administer the Trust Fund and to carry out the purposes of this Trust.

3.4 If the Employer has elected to permit a Participant to direct the investment of amounts allocated to his or her Participant's Account among the investment alternatives selected by the Administrator, notwithstanding any other provision of this Trust Agreement, each Participant shall direct the Trustee as to the investment of the amounts allocated to his or her Participant's Account, and the Trustee shall retain and administer such Participant-directed investments without any duty to review or make recommendations with respect to such investments. In no event shall the Trustee borrow any money at the direction of a Participant (whether or not made indirectly through the Administrator). The Trustee shall have no right, duty, or power to dispose of any Participant-directed investment until so instructed by the Participant. If responsibility for the management and control of some or all of the Trust Fund has been entrusted to an investment manager unrelated to the Trustee, then a Participant shall direct the investment manager as to the investment of those funds credited to his or her Participant's

Account over which such investment manager has investment management and control, and the Trustee shall have no duty to review or make recommendations with respect to such investments.

3.5 The Trustee has no obligation to determine the existence of any conversion, redemption, exchange, subscription or other right relating to any securities the Trustee is directed to purchase for the Trust Fund of which notice was given prior to the purchase of such securities. Nor does the Trustee have any obligation to exercise any such right unless it is informed of the existence of the right and is instructed to exercise such right, in writing, by the investment manager, or Participant making or directing the investment in such securities, within a reasonable time prior to the expiration of such right.

3.6 If the Trustee is directed to purchase, retain, or sell securities issued by any foreign government or corporation, the investment manager, or Participant directing the investment in such securities (whether directly or indirectly) is responsible for advising the Trustee in writing regarding any laws or regulations of any foreign countries or any United States territories or possession that may apply to such securities including, without limitation, laws and regulations affecting dividends or interest on such securities.

3.7 The Trustee shall from time to time, on the written directions of the Administrator, make payments out of the Trust Fund to such persons, in such manner, in such amounts, and for such purposes as may be specified by the Administrator; provided, however, that at that time the Employer is not financially insolvent as determined according to the standards set forth in Article 7. The Trustee shall not be responsible in

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any way for the purpose or application of such payments, for inquiring as to whether or not such payments are in accordance with the terms of the Plan, or for the adequacy of the Trust Fund to meet and discharge any and all liabilities under the Plan.

3.8 When there is more than one Trustee appointed under this Trust Agreement they shall jointly control and manage the Trust Fund, except, however, the Trustees may agree amongst themselves and may authorize and delegate any one or more of the Trustees, either individually, or in concert, to exercise the powers provided for in this Trust Agreement.

ARTICLE 4

INVESTMENT MANAGER

4.1 Whenever one or more investment managers are appointed by the Administrator, each investment manager shall have the power to manage, including the power to acquire or dispose of, that portion of the Trust Fund which is assigned to it as provided herein. The Administrator shall notify the Trustee of the identity of the investment managers so appointed. The Trustee shall be entitled to rely upon the fact that an investment manager is at all times authorized to invest and reinvest assets of this Trust until the Trustee is notified to the contrary by the Administrator.

4.2 Upon the appointment of one or more investment managers, the Trustee shall segregate any portion of the Trust Fund assigned to an investment manager into one or more separate accounts to be known as "Investment Manager Accounts." An investment manager shall be appointed in writing for each such account and written notice of said appointment shall be given

contemporaneously to the Trustee, specifying those assets of the Trust Fund to be managed by the investment manager and instructing the Trustee as to what to do with respect thereto. The selection of an investment manager shall be in the sole and absolute discretion of the Administrator. The Trustee shall follow the directions of the investment manager in exercising the powers granted to the Trustee in Article 3.1, 3.2 and subsections (a)-(h) and subsection (j) of Article 3.3 of this Trust Agreement.

4.3 All directions given by an investment manager to the Trustee shall be in writing, provided that the Trustee may in its sole discretion accept oral directions for the purchase or sale of securities subject to confirmation in writing. The Trustee shall be under no duty to question, or make inquiries as to, any act or direction of any investment manager taken as provided herein, or any failure to give directions, or to review the securities held in any Investment Manager Account, or to make any suggestions to the investment manager with respect to investment and reinvestment of, or disposing investments in, any Investment Manager Account. The Trustee shall not be liable for any acts or omissions of any investment manager, or be under any obligation to invest or otherwise manage any assets of the Trust Fund which is subject to the management of an investment manager as herein provided. Accordingly, the Trustee shall be under no liability for any loss of any kind which may result by reason of any act or failure to act, provided such act or failure to act is in accordance with any directions of any investment

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manager or is by reason of inaction in the absence of written direction from an investment manager.

4.4 No investment manager and no Trustee having power and authority to invest and reinvest any portion of the Trust Fund shall have any obligation to invest or otherwise manage any asset of the Trust Fund which is subject to the management of another investment manager or Trustee.

ARTICLE 5

COMPENSATION, EXPENSES AND TAXES

5.1 The Trustee shall be paid such reasonable compensation and reimbursement for expenses out of the Trust Fund, or at the election of the Employer, by the Employer, as shall from time to time be agreed to in writing between the Employer and the Trustee. The Trustee shall be entitled to withdraw its compensation and expense reimbursement from the Trust Fund after sixty (60) days after the Trustee sends an appropriate billing unless such amount is paid by the Employer prior to that time. However, no Trustee who already receives full-time pay from the Employer or an affiliate of the Employer shall receive any compensation or expense reimbursement from the Trust.

5.2 All taxes of any and all kinds whatsoever that may be levied or assessed under existing or future laws upon, or in respect of, the Trust Fund or the income thereof shall be paid by the Employer. It is the intention of the Employer to have the corpus and income of the Trust established hereunder treated as assets and income of the Employer to be used to satisfy the Employer's legal liability under the Plan in respect of all of the Participants and their beneficiaries, and the Employer agrees that all income, deductions, and credits of the Trust belong to the Employer as owner for income tax purposes and will be included on the Employer's income tax returns.

The Employer shall from time to time pay taxes (references in this Agreement to the payment of taxes shall include interest and applicable penalties) of any and all kinds whatsoever which at any time are lawfully levied or assessed upon or become payable in respect of the Trust. To the extent that any taxes levied or assessed upon the Trust are not paid by the Employer or contested by the Employer pursuant to the last sentence of this paragraph, the Trustee shall pay such taxes out of the Trust, and the Employer shall, upon demand by the Trustee, deposit into the Trust an amount equal to the amount paid from the Trust to satisfy such tax liability. If requested by the Employer, the Trustee shall at the Employer's expense, contest the validity of such taxes in any manner deemed appropriate by the Employer or its counsel, but only if it has received an indemnity bond or other security satisfactory to it to pay any expenses of such contest. Alternatively, the Employer may itself contest the validity of any such taxes, but any such contest shall not affect the Employer's obligation to reimburse the Trust for taxes paid from the Trust.

In making payments from the Trust, the Trustee shall be liable for federal and state income tax withholding, and shall withhold the appropriate amount of tax, if any, as

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provided by applicable law and regulation, from any payment made unless the Employer does not provide the Trustee with the necessary information as set forth in regulations or the Employer instructs the Trustee not to withhold, in which case the Employer shall assume all relevant liability.

Any taxes unpaid at the termination of the Trust shall constitute a charge against the Trust Fund.

5.3 All costs and expenses relating to the administration or investment of the Plan's assets, to the extent not covered by section 5.1 or section 5.2, shall be paid out of the Trust Fund, or at the election of the Employer, by the Employer.

ARTICLE 6

ACCOUNTING AND VALUATION

6.1 The Trustee shall keep accurate and detailed accounts of all investments, receipts, disbursements and other transactions hereunder. All accounts, books and records relating to such transactions shall be open to inspection and audit at reasonable times by any person designated by the Administrator. The books and records of the Trust shall be kept upon the basis of the Plan's Plan Year.

6.2 Within sixty (60) days following the end of each calendar quarter of the Trust and within sixty (60) days after the removal or resignation of the Trustee as provided in Article 8 hereof, the Trustee shall file with the Administrator a written accounting setting forth all investments, receipts, disbursements and other transactions executed by the Trustee during such calendar quarter or during the period from the commencement of the last calendar quarter to the date of such removal or resignation, and setting forth the fair market value of the Trust assets as of the close of said calendar quarter or the effective date of such removal or resignation, as the case may be, and the Trust Fund shall be valued as of such date.

6.3 Valuation of the Trust Fund shall be made at more

frequent intervals than provided in Section 6.2 if the Administrator shall so direct. Subject to Section 5.1, the Trustee shall be entitled to receive additional and adequate compensation for any additional valuation so directed.

6.4 Notwithstanding any other provision of this Article 6, if the Trustee shall determine that the Trust Fund consists in whole or in part of property not traded freely on a recognized market, or that information necessary to ascertain the fair market value thereof is not readily available to the Trustee, the Trustee shall request the Administrator to instruct the Trustee as to the value of such property for all purposes under the Plan and this Trust Agreement, and the Administrator shall comply with such request. The value placed upon such property by the Administrator in its instructions to the Trustee shall be conclusive and binding upon the Employer, the Administrator, Participants and their beneficiaries and all other persons with an interest herein. If the Administrator shall fail or refuse to instruct the Trustee as to the value of such property

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within a reasonable time after receipt of the Trustee's request so to do, the Trustee shall engage a competent appraiser to fix the fair market value of such property for all purposes hereunder. The determination of any such property shall be conclusive upon all parties interested therein and the Trustee shall have no liability in connection therewith. The reasonable fees and expenses incurred for any such appraisal shall be paid by the Trustee out of the Trust Fund or, at the option of the Employer, by the Employer. Any reasonable fees or expenses unpaid at the termination of the Trust shall constitute a charge against the Trust Fund.

ARTICLE 7

TRUSTEE'S RESPONSIBILITY REGARDING PAYMENTS WHEN EMPLOYER INSOLVENT

7.1 The Employer shall be considered "Insolvent" and an "Insolvency" shall be deemed to exist for purposes of this Trust under any of the following circumstances:

- (a) The Employer is unable to pay its debts as they mature.
- (b) A receiver or trustee is appointed to take possession of all or substantially all of the assets of the Employer.
- (c) There is a general assignment by the Employer for the benefit of creditors.
- (d) An action or proceeding is commenced by or against the Employer under any insolvency or bankruptcy act, or any other statute or regulation having as its purpose the protection of creditors, and the action or proceeding is not discharged within 120 days after the date of commencement.

7.2 Notwithstanding any provision in this Trust to the contrary, if at any time while the Trust is still in existence the Employer becomes Insolvent, the Trustee shall upon written notice thereof suspend the payment of all amounts from the Trust and shall thereafter (i) not permit any further elective salary deferrals by the Participants until so instructed by the Employer, (ii) discontinue all contributions by the Employer to the Trust on behalf of the Participants; and (iii) not carry out

any investment instructions from any Participant and shall instead follow the investment instructions of the Administrator or of a court order. The terms of a court order shall take precedence over any directions by any other person which are inconsistent with such court order. The Trustee shall hold the Trust in suspense for the benefit of the Employer's creditors until it receives a court order directing the disposition of the Trust. The Trustee, however, may deduct or continue to deduct its fees and expenses, including fees of any consultants, actuaries, accountants, legal counsel or recordkeepers retained by the Employer or Trustee to provide services to the Trust.

7.3 By its approval and execution of this Trust, the Employer represents and agrees that it shall have the fiduciary duty and responsibility on behalf of the

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Employer's creditors to give to the Trustee prompt written notice by the Employer's Chief Executive Officer or Chief Operating Officer of the Employer's Insolvency and the Trustee shall be entitled to rely thereon. Without such notice, the Trustee shall have no responsibility for determining whether or not the Employer has become Insolvent, unless the Trustee has actual knowledge that the Employer has become Insolvent.

If after being Insolvent, the Employer later becomes solvent without the entry of a court order concerning the disposition of the Trust Fund, or if any bankruptcy or insolvency proceedings are dismissed, the Employer shall, by written notice, so inform the Trustee and the Trustee shall thereupon resume all its duties and responsibilities under this Trust Agreement without regard to this Article 7 until and unless the Employer again becomes Insolvent as such term as defined hereunder.

ARTICLE 8

REMOVAL, RESIGNATION, AND APPOINTMENT OF A SUCCESSOR TRUSTEE

8.1 The Trustee may be removed by the Administrator at any time upon sixty (60) days notice in writing to the Trustee, unless a shorter period is acceptable to the Trustee. The Trustee may resign at any time upon sixty (60) days notice in writing to the Administrator, unless a shorter period is acceptable to the Administrator; provided, however, that upon receipt of instructions or directions from the Employer or the Administrator with which the Trustee is unable or unwilling to comply, the Trustee may resign upon giving written notice to the Administrator within a reasonable time after receipt of such instructions or directions, and, notwithstanding any other provision hereof, in that event the Trustee shall have no liability to the Employer, the Administrator, or any other person interested herein for failure to comply with such instructions or directions.

8.2 Upon such removal or resignation of the Trustee, the Administrator shall appoint a successor trustee who shall have the same powers and duties as those conferred upon the Trustee hereunder. Upon acceptance of such appointment by the successor trustee, the Trustee shall assign, transfer and pay over to such successor trustee the funds and properties which then constitute the Trust Fund and shall be released and discharged from all further liability with respect to the Trust. The Trustee is authorized, however, to reserve such sum of money, as to it may seem advisable, for payment of its fees and expenses hereunder and any balance of such reserve remaining after the payment of

such fees and expenses shall be paid over to the successor trustee.

ARTICLE 9

AMENDMENT AND TERMINATION

9.1 This Trust is declared to be irrevocable except in the event of issuance by the Internal Revenue Service of unfavorable tax authority binding on the Trust regarding the treatment of the Trust as a grantor trust. Except as otherwise provided in

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Article 7 and this Article 9, the Employer has no reversion in the Trust Fund. However, although the Employer has established the Trust with the bona fide intention and expectation that it will be able to make contributions to it indefinitely, the Employer is not and shall not be under any obligation or liability whatsoever to continue its contributions or to maintain the Plan for any given length of time. The Employer may in its sole and absolute discretion discontinue its contributions or terminate the Trust in whole or in part in accordance with the provisions of the Plan at any time without any liability whatsoever for such discontinuance or complete or partial termination. From and after the date of termination of the Plan and Trust, and until further distribution of the Trust, the Trustee shall continue to have all the powers provided under this Trust Agreement as are necessary and expedient for the orderly liquidation and distribution of the Trust in accordance with the provisions of the Plan and/or the instructions of the Administrator (to the extent not inconsistent with the Plan or this Trust Agreement).

9.2 In addition, to provide for contingencies which may require or make advisable the clarification, modification, or amendment of this Trust Agreement, the Employer reserves the right to amend this Trust Agreement at any time and from time to time, in whole or in part, in accordance with the provisions of the Plan. However, no such amendment shall

(a) cause any part of the Trust Fund to revert to or be recoverable by the Employer or be used for or diverted to purposes other than the exclusive benefit of Participants (including former Participants) and their beneficiaries except in the event of the Employer's financial insolvency as determined under the standards set forth in Article 7, and any purported amendment to this Trust Agreement in violation of this requirement shall not be enforced by the Trustee; or

(b) increase the duties, powers or liabilities of the Trustee hereunder without the Trustee's written consent; or

(c) cause the Trust to be other than a "grantor trust," or have contributions to the Trust by the Employer, or income and gains of the Trust, constitute a taxable event to the Trust or to the Participants; or

(d) cause any benefits paid to Participants (including former Participants) or their beneficiaries from the Trust to become nondeductible to the Employer in the year of payment; or

(e) change the nature of the Employer's obligation to pay benefits under the Plan from an unfunded and unsecured obligation.

ARTICLE 10

PROTECTION OF TRUSTEE

10.1 In any event, in any matter in which an investment manager is permitted to exercise any power or authority hereunder, the Trustee shall be fully protected in relying on the directions of such investment manager or in refusing to take action in the absence of receipt of such direction, notwithstanding any loss to or diminution of the Trust Fund which may thereby result.

10.2 In any event, in any matter in which a Participant is permitted or required to direct or approve the exercise by the Trustee of any power or authority hereunder, the Trustee shall be fully protected in relying on such direction or approval or in refusing to take action in the absence of receipt of such direction or approval, notwithstanding any loss to or diminution of the Trust Fund which may thereby result.

10.3 The Trustee shall be fully protected in acting upon any instruction or document believed by it to be genuine and to be presented or signed by the person or persons duly authorized so to do, and the Trustee shall be under no duty to make any investigation or inquiry as to the correctness of such instruction or document.

10.4 The Trustee may consult with legal counsel of its choice (who may or may not be counsel for the Employer) upon any question or matter arising hereunder and shall be fully protected in acting in good faith upon advice of such counsel, notwithstanding any power otherwise vested in the Employer or the Administrator to construe this Trust Agreement or adjudicate questions arising hereunder.

10.5 It is the intent of the parties to this Trust Agreement that each party shall be solely responsible for its own acts or omissions.

10.6 The Employer hereby agrees to indemnify and hold harmless the Trustee from and against all liabilities, claims, demands, and costs, including reasonable attorneys' fees and expenses of legal proceedings, arising as a result of an alleged breach in the performance of the responsibilities of the Trustee under this Trust Agreement, unless (a) if the Trustee is an individual, the Trustee commits a breach of its duties by reason of its willful misconduct, bad faith or criminal act, or (b) if the Trustee is not an individual, the Trustee commits a breach of its duties by reason of its willful misconduct or negligence. The Employer shall have the obligation to conduct the defense of such persons in any proceeding to which this Section 10.6 applies. If the Trustee determines that the defense of the Employer is inadequate, the Trustee shall be entitled to retain separate legal counsel for his or her defense and the Employer shall be obligated to pay for all reasonable legal fees and other court costs incurred in the course of such defense unless a court of competent jurisdiction finds such person has acted in bad faith or engaged in willful misconduct or criminal acts. Notwithstanding the foregoing, the Trustee shall have no right to indemnification if the Trustee is covered as a named insured at the Employer's expense under a fiduciary liability insurance policy for the period in which the claim of breach by the Trustee is made. The Employer may satisfy

its obligation under this section 10.6, in whole or in part, through the purchase of insurance, but no insurer shall have any rights against the Employer arising out of this Section 10.6. The Trustee shall be entitled to indemnity under this Section 10.6 only from the Employer and shall not be entitled to payment directly or indirectly from the Trust Fund.

ARTICLE 11

MISCELLANEOUS

11.1 During the term of this Trust Agreement, the interest of each Participant or his or her beneficiary shall consist of the right of such Participant to receive such payments or distributions as the Trustee may, from time to time, be directed to make by the Administrator as provided herein. Any rights of a Participant or beneficiary in the Trust Fund shall be unfunded and unsecured, and such persons shall have the status of a general creditor with respect to the assets of the Trust Fund in the event that the Employer is financially insolvent (determined under the standards set forth in Article 7) at the time that the Participant or beneficiary becomes entitled to a distribution under the terms of the Plan.

11.2 Except as hereinafter provided, neither the Administrator nor the Trustee shall recognize any alienation, transfer, mortgage, encumbrance, pledge, hypothecation, order or assignment, by any Participant or beneficiary of all or part of such Participant's or beneficiary's interest hereunder; and such interest shall not be subject in any manner to transfer by operation of law, and shall be exempt from the claims of creditors or other claimants from all orders, decrees, levies, garnishments, and/or executions and other legal or equitable process or proceedings against such Participant or beneficiary to the fullest extent permitted by law.

11.3 This Trust Agreement and the Trust hereby created shall be construed, administered, and governed in all respects in accordance with the laws of the State of California; provided, however, that if any provision is susceptible of more than one interpretation, such interpretation shall be given thereto as is consistent with the Plan being an unfunded plan which is maintained by the Employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Trust being a grantor trust within the meaning of the Code, or corresponding provisions of subsequent federal revenue laws. If any provision of this instrument shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective.

11.4 Headings in this Trust Agreement are inserted for convenience of reference only. They constitute no part of the Trust Agreement.

11.5 This Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and said counterparts, when taken together, shall

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constitute but one and the same instrument which may be sufficiently evidenced by any one counterpart.

11.6 This Trust Agreement shall inure to the benefit of and be binding upon the parties hereto and their successor and

assigns.

11.7 Reference to a specific law in this Trust Agreement shall include such law, any valid regulation promulgated thereunder, any comparable provision of any future legislation amending, supplementing or superseding such law.

11.8 This Trust shall be held, managed, administered, maintained at all times as a domestic trust in the United States, and shall be subject to the laws of the State of California.

11.9 All notices, directions and other communications by any person pursuant to this Trust Agreement ("Directions") shall be given or made in writing and shall be deemed effective upon receipt by the addressee; provided, however, that the transmission of Directions by photostatic teletransmission with duplicate or facsimile signatures shall be an authorized method of communication until the recipient gives notice that the use of such device is no longer authorized; and provided further, that the transmission of Directions by telephone shall also be an authorized method of communication until the recipient gives notice to the contrary. Any Direction transmitted by telephone shall be promptly confirmed by a written instrument. The recipient shall be entitled to act upon and settle any investment transaction in reliance upon a Direction transmitted by telephone as duly recorded and transcribed in the normal course. If the recipient fails to receive a written confirmation of a Direction transmitted by telephone within five (5) business days following the date of receipt of the Direction, or if a written confirmation received conflicts with the oral Direction received by telephone, the recipient shall promptly notify the person giving the Direction orally of such fact and request (a) delivery of such written confirmation forthwith, if it has not been received or (b) an additional Direction if there is a conflict between the oral Direction and the written confirmation.

11.10 The masculine gender shall include the feminine and the singular number shall include the plural unless the context clearly indicates otherwise.

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IN WITNESS WHEREOF, the Employer and the Trustee have executed and accepted this Trust Agreement effective as of the date first above written.

ROSS STORES, INC.

By /S/ STEPHEN F. JOYCE
Stephen F. Joyce,
Senior Vice President of
Human Resources

TRUSTEE:

/S/ JOHN M. VUKO
John M. Vuko

ROSS STORES, INC.
INCENTIVE COMPENSATION PLAN

The Incentive Compensation Plan (the "Plan") of Ross Stores, Inc., a Delaware corporation (the "company"), is authorized annually by the Compensation Committee of the company's Board of Directors.

The Plan is based on a total compensation concept and is designed to allow members of management to share in the company's profits based on the attainment of pre-established, corporate profit performance and individual performance goals.

The Plan is designed so that if adjusted pretax earnings, prior to payment of Plan incentive awards, are equal to or exceed the profit performance goal, each participant in the Plan will be paid an incentive award equal to a preestablished percent of salary. Exceeding the profit performance goal results in a larger incentive award for each participant and failure to achieve the profit performance goal will eliminate, or substantially reduce, the incentive award. Additionally, Plan participants other than the Chief Executive Officer, President, Executive Vice Presidents and Senior Vice Presidents ("Executive Officers") may have their incentive awards amount increased or decreased based on individual, appraised job performance.

PARTICIPANTS

Participants shall be the Officers of the company and those employees designated as District Managers, Directors, Buyers, Counselors and other employees designated by the Compensation Committee.

PLAN DESIGN

Prior to the commencement of each fiscal year, the Compensation Committee shall establish in writing a profit performance goal for such fiscal year and a threshold for incentive award payment set at a percentage of the profit performance goal, below which no incentive award is payable, except to those eligible participants, other than Executive Officers, whose performance is rated as "exceptional" during the fiscal year. In the event the threshold for incentive award payment is not achieved, but the company is profitable, those participants who are not Executive Officers and who have received an appraisal rating of "exceptional" will be paid the amount of incentive award that would otherwise have been payable had 100% of the profit performance goal been achieved (the individual performance factor is not applicable in this event).

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The incentive award payable upon meeting or exceeding the threshold level of achievement of the profit performance goal consists of preestablished percentages of base salary based on the organizational level of the participant and the actual profit performance of the company. Prior to the commencement of each fiscal year, the Compensation Committee

shall establish in writing for each participant organizational level, a formula setting forth the percentage of base salary payable as an incentive award determined by the actual profit performance relative to the profit performance goal for the fiscal year (the "Incentive Award Formula"). Additionally, participants who are not Executive Officers may have their incentive award amount increased or decreased from the amount otherwise payable, based on their individual job performance for the year and the nature of their position. Notwithstanding the individual performance factor, the incentive award payable is a function of the percentage of the profit performance goal actually achieved, which determines the percentage of the incentive award which would otherwise have been payable at 100% of target.

PROFIT GOALS

Prior to the beginning of each fiscal year, the Management Committee will submit to the Compensation Committee of the Board of Directors recommendations for the profit performance goal and the Incentive Award Formula for the fiscal year. The profit performance goal and Incentive Award Formula will then be reviewed, approved and established in writing by the Compensation Committee as described above. At the end of the company's fiscal year, the Compensation Committee will determine whether or not the company's profit performance goal has been met and will certify such determination in writing prior to payment of the incentive awards earned.

The profit performance goal is established to reflect operating performance. For purposes of the Plan, "profit" shall mean adjusted pretax earnings, prior to the payment of the incentive awards, excluding, however, extraordinary items.

Each participant in the Plan shall be advised of the profit performance goal for the coming fiscal year and the Incentive Award Formula that will determine for a participant at such participant's organizational level the incentive award that will be payable upon achieving or exceeding the threshold percentage of the profit performance goal.

ELIGIBILITY FOR PAYMENT OF INCENTIVE AWARD

Except as otherwise provided below, in order to be eligible for an incentive award, a participant must be an active, full-time employee of the company on the last day of the fiscal year for which the incentive award is earned.

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New Employees and Promotions. New employees who become eligible participants after the beginning of the fiscal year will receive a prorata incentive award based on length of employment. An employee who is promoted into a position eligible for an incentive award (or subject to an Incentive Award Formula for a higher organizational level) during the fiscal year will receive an incentive award prorated on the basis of the starting date in his or her new position. An employee who is promoted into a position as an Executive Officer during the fiscal year will be eligible for an incentive award on a prorata basis and will not be eligible for an additional individual performance award.

Termination. Voluntary resignation prior to the end of a

fiscal year will serve as a forfeiture of all incentive awards that the participant would have otherwise received. In the event of death prior to the last day of the applicable fiscal year, the company will pay to the estate of the participant a prorata portion of the incentive award that the participant would have otherwise received for such fiscal year.

An eligible participant involuntarily terminated for reasons other than cause prior to the last day of the applicable fiscal year, will be entitled to a prorata share of the incentive award that the participant would otherwise have received for such fiscal year. If employment is terminated for cause, including, but not limited to, dishonesty, violation of company policy or other actions harmful to the company, the Compensation Committee may at its discretion declare any incentive award forfeited.

Eligible employees, who terminate for any reason, other than for cause, after the end of the applicable fiscal year, will be entitled to full payment of any earned incentive award on the date fixed for payment.

The prorated portion of an incentive award paid in the event of death or involuntary termination will be determined on the basis of the period of employment during the applicable fiscal year prior to the date of death or termination, as the case may be. In no event will such prorated portion be paid unless achievement of the profit performance goal has been certified in writing by the Compensation Committee.

Disability. If a participant is disabled by an accident or illness and is disabled long enough to be placed on the company's long term disability plan, his or her incentive award for the fiscal year shall be prorated, so that no incentive award shall be earned during the period the participant remains on long term disability.

Nothing in the Plan shall confer upon the participant any right to continue in the employ of the company or interfere in any way with the right of the company to terminate the participant's employment at any time. The Incentive Compensation Plan will not be deemed to constitute a contract of employment with any participant, nor be deemed to be consideration for the employment of any Participant.

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Payment. Incentive awards shall be paid by check, as soon as possible, after the fiscal year financial results are available and achievement of the profit performance goal has been certified in writing by the Compensation Committee.

To receive payment an eligible participant, whose employment relationship with the company has terminated, must submit a written request for such payment to the Senior Vice President, Human Resources by February 15th of the following year (e.g., to receive an award for the 1994 fiscal year, a written request is due February 15, 1995). The notification must include the participant's current home address and telephone number.

Non-Transferability. An incentive award shall be payable only to the participant and may not be transferred in any manner otherwise than by will or laws of descent and distribution. An award cannot be alienated by assignment or by any other means, and shall not be subject to any action

taken by the participant's creditors.

Withholding. All appropriate taxes will be deducted and withheld from the award payments, as required by foreign, federal, state and/or local laws.

Any rights accruing to a participant or his or her beneficiary under the Plan shall be solely those of an unsecured general creditor of the company. Nothing contained in the Plan and no action taken pursuant to the provisions thereof will create or be construed to create a trust of any kind, or a pledge, or a fiduciary relationship between the company or the Compensation Committee and the participant, or his or her beneficiary, or any other person. Nothing herein will be construed to require the company or the Compensation Committee to maintain any fund or to segregate any amount for a participant's benefit.

PLAN AUTHORITY AND ADMINISTRATION

The Plan, as set forth in this document, represents the general guidelines the company presently intends to utilize to determine what incentive awards, if any, will be paid. If, however, at the sole discretion of the Compensation Committee, the company's best interest is served by applying different guidelines to certain individuals, or to individuals under special or unusual circumstances, it reserves the right to do so by notice to such individuals at any time, or from time to time. To the extent that such applications are contrary to any provisions of the Plan, the Plan will be deemed amended to such extent. Notwithstanding the foregoing, the Compensation Committee shall have no discretion or authority to increase the amount of an incentive award paid to an Executive Officer in excess of the amount determined under the Incentive Award Formula applicable to such participant.

The Compensation Committee shall have full power and authority to interpret and administer the Plan and shall be the sole arbiter of all matters of interpretation and application of the Plan and the Compensation Committee's determination shall be final.

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PLAN TERM

This Plan shall continue until terminated by the company's Board of Directors. The Board of Directors may at any time amend or terminate this Plan.

EXHIBIT 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

(In thousands, except per share amounts)	Year Ended		
	January 29, 1994	January 30, 1993	February 1, 1992
Primary			
Net earnings	\$29,324	\$34,024	\$27,716
Weighted average shares outstanding: Common shares	25,229	24,921	23,740
Common equivalent shares: Stock options	486	762	809
Weighted average common and common equivalent shares outstanding, as adjusted	25,715	25,683	24,549
Earnings per common and common equivalent share	\$1.14	\$1.32	\$1.13
Fully Diluted			
Net earnings	\$29,324	\$34,024	\$27,716
Weighted average shares outstanding: Common shares	25,287	25,346	24,271
Common equivalent shares: Stock options	504	903	1,225
Weighted average common and common equivalent shares outstanding, as adjusted	25,791	26,249	25,496
Earnings per common and common equivalent share	\$1.14	\$1.30	\$1.09

EXHIBIT 21

SUBSIDIARIES

Name	Jurisdiction of Incorporation	Name Under Which Business is Conducted
Retail Assurance Group, LTD.	Bermuda	Retail Assurance Group, LTD.

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-51916, 33-51896, 33-51898, 33-41415, 33-41413 and 33-29600 of Ross Stores, Inc. on Form S-8 of our reports dated March 11, 1994, appearing in this Annual Report on Form 10-K of Ross Stores, Inc. for the year ended January 29, 1994.

Deloitte & Touche
San Francisco, California
April 25, 1994

EXHIBIT 23.2

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULES

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

We have audited the consolidated financial statements of Ross Stores, Inc. and subsidiaries as of January 29, 1994 and January 30, 1993, and for each of the three years in the period ended January 29, 1994, and have issued our report thereon dated March 11, 1994; such financial statements and report are included in this Annual Report on Form 10-K. Our audits also included the financial statement schedules of Ross Stores, Inc. and subsidiaries listed in Item 14(a)2. These financial statement schedules are the responsibility of the companies' management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

Deloitte & Touche
San Francisco, California
March 11, 1994