

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

FORM 10-K405

(Mark one)
/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JANUARY 30, 1999

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

8333 CENTRAL AVENUE, NEWARK, CALIFORNIA 94560-3433
(Address of principal executive offices) (Zip Code)

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

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	Name of each exchange on which registered
----- COMMON STOCK, PAR VALUE \$.01	----- NASDAQ/NMS

Indicate by check mark whether the registrant has (1) 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 /X/ 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. /X/

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of April 2, 1999 was \$1,740,167,003. Shares of voting stock held by each director and executive officer and each person who on that date owned 10% or more of the outstanding voting stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of Common Stock, with \$.01 par value, outstanding on April 2, 1999 was 45,802,686.

Documents incorporated by reference:

Portions of the Proxy Statement for Registrant's 1999 Annual Meeting of Stockholders, which will be filed on or before April 30, 1999, are incorporated herein by reference into Part III.

ITEM 1. BUSINESS

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

Ross' mission is to offer competitive values to its target customers by focusing on the following key strategic objectives:

- - Achieve an appropriate level of recognizable 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 leadership or achieve parity with the competition in key markets.

The original Ross Stores, Inc. was incorporated in California in 1957. In August 1982, the company was purchased by some of its then current directors and stockholders. The six stores acquired were completely refurbished in the company's off-price format and stocked with new merchandise. In June 1989 the company reincorporated in the state of Delaware.

MERCHANDISING, PURCHASING AND PRICING

Ross seeks to provide its 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 regular department and specialty store prices, as well as similar savings on fragrances, gift items for the home, bed and bath merchandise and accessories. Although not a fashion leader, the company sells recognizable branded merchandise that is current and fashionable in each category. 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 advertising, which emphasizes its strong value message -- Ross' customers get great savings on name-brand merchandise every day of the year.

MERCHANDISING. The Ross merchandising strategy incorporates a combination of in-season and past-season apparel, shoes and accessories for the entire family, as well as fragrances, giftware and linens for the home. The company's emphasis on brand names reflects management's conviction that brand-name merchandise sold at compelling discounts will continue to be an important determinant of its success. Ross generally 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 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. Over the past several years, the company has diversified its merchandise offerings by adding new product categories such as maternity, small sporting goods and exercise equipment, small electronics, tabletop lamps, small furnishings, educational toys and games, luggage, gourmet food and cookware, and fine jewelry in certain stores. For fiscal 1998, the overall merchandise sales mix was approximately 95% first quality merchandise and 5% irregulars. The respective departments accounted for total sales in fiscal 1998 approximately as follows: Ladies 34%, Men's 21%, Home

Accents, Bed and Bath and Fine Jewelry 15%, Accessories, Hosiery, Lingerie and Fragrances 12%, Shoes 9% and Children's 9%.

PURCHASING. During the past three years, no single vendor has accounted for more than 3% 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.

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 in manufacturer-projected supply of merchandise.

Ross, unlike most department and specialty stores, does not require that manufacturers provide promotional and markdown allowances, return privileges and delayed deliveries. In addition, deliveries are made to one of the company's two distribution centers. These flexible requirements further enable the company's buyers to obtain significant discounts on in-season purchases.

The company has increased its emphasis in recent years on opportunistic purchases created by manufacturer overruns and canceled orders both 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. Closeouts allow the company to get in season goods in its stores at lower prices. Packaway merchandise is purchased with the intent that it will be stored in the company's warehouses until the beginning of the next selling season. Packaway purchases are an effective method of increasing the percentage of prestige and national brands at competitive savings within the merchandise assortments. Packaway merchandise is mainly fashion basics and, therefore, not usually affected by shifts in fashion trends.

Throughout the 1990s, Ross gradually increased the amount of packaway inventories. In 1998, the company continued to increase these important resources in response to compelling opportunities available in the marketplace. It is management's belief that the stronger discounts the company is able to offer on packaway merchandise are a key driver of Ross' business. In-store inventories at the end of fiscal 1998 were up 1% on a comparable store basis to the prior year, and total consolidated inventories were up 11% due to the investment at year-end in additional packaway goods and inventory for the new stores.

The company is developing enhanced systems and processes for regionalized merchandise buying and allocation. The goal is to fine tune the merchandise mix and raise sales productivity in markets that are performing below the company average. Full implementation is scheduled for completion in 2001.

Ross' 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 an average of 10 years of experience, including experience with other retailers such as Bloomingdale's, Burlington Coat Factory, Dayton Hudson, Lord & Taylor, Macy's, Marshalls, Montgomery Wards, T.J. Maxx and Value City. In keeping with its strategy, over the past several years the company has more than tripled the size of its merchandising staff. Management believes that this increase enables its merchants to spend even more time in the market which, in turn, should strengthen the company's ability to procure the most desirable brands at competitive discounts.

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

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

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 and the end of fashion seasons to promote faster turnover of inventory and accelerate the flow of fresh merchandise.

THE ROSS STORE

As of January 30, 1999, the company operated 349 stores. They are conveniently located in predominantly 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.

The company believes a key element of its success is the attractive, easy-to-shop environment in its stores which allows customers to shop at their own pace. The Ross store is designed for customer convenience in its merchandise presentation, dressing rooms, checkout and merchandise return areas. 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. At most stores, shopping carts are available at the entrance for customer convenience. Checkout stations are located at store entrances for customer ease and efficient employee assignment.

The company minimizes transaction time for the customer at the checkout counter 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 38% of payments are made with credit cards. Ross provides cash or credit card refunds on all merchandise returned with a receipt within 30 days. Merchandise returns having a receipt older than 30 days are exchanged or credited with a Ross Credit Voucher at the price on the receipt.

OPERATING COSTS

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

- - Low labor costs resulting from (i) a store design that creates a self-selection retail format and (ii) the 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.
- - A fully-integrated, on-line management information system which enables the company to respond quickly when making purchasing, merchandising and pricing decisions.

DISTRIBUTION

The company has two distribution centers -- one located in Newark, California (approximately 494,000 square feet) and the second located in Carlisle, Pennsylvania (approximately 424,000 square feet). Having a distribution center on each coast enhances cost efficiencies per unit and decreases turn-around time in getting the merchandise from the vendors to the stores. Shipments are made by contract carriers to the stores about five times a week depending on location.

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, store allocation 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. 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.

ADVERTISING

The company utilizes extensive advertising which emphasizes quality, brand name merchandise at low everyday prices. The company predominantly uses television advertising. This reflects the company's belief that television is the best medium for presenting Ross' everyday low price message.

TRADEMARKS

The trademark for Ross Dress For Less-Registered Trademark- has been registered with the United States Patent and Trademark Office.

EMPLOYEES

On January 30, 1999, the company had approximately 20,100 employees which includes an estimated 12,400 part-time employees. Additionally, the company hires temporary employees -- especially during the peak seasons. The company's employees are non-union. Management of the company considers the relationship between the company and its employees to be excellent.

COMPETITION

The company believes the principal competitive factors in the off-price retail apparel industry are offering large discounts on name brand merchandise appealing to its target customer and consistently providing a store environment that is convenient and easy to shop. To execute this concept, the company has strengthened its buying organization and developed a merchandise allocation system to distribute product based on regional factors, as well as other systems and procedures to maximize cost efficiencies and leverage expenses in an effort to mitigate competitive pressures on gross margin. The company believes that it is well positioned to compete on the basis of each of these factors.

Nevertheless, the national apparel retail market is highly fragmented. Ross faces intense competition for business 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 Ross. The retail apparel business may become even more competitive in the future.

ITEM 2. PROPERTIES

STORES

From August 1982 to January 30, 1999, the company expanded from six stores in California to 349 stores in 17 states: Arizona, California, Colorado, Florida, Hawaii, Idaho, Maryland, Nevada, New Jersey, New Mexico, Oklahoma, Oregon, Pennsylvania, Texas, Utah, Virginia and Washington. All stores are leased, with the exception of one.

During fiscal 1998, the company opened 26 new Ross 'Dress For Less' stores, closed two existing locations and relocated six locations. The typical new Ross store is approximately 30,000 square feet, yielding approximately 25,000 square feet of selling space. As of January 30, 1999, the company's 349 stores generally ranged in size from about 24,000 to 35,000 gross square feet and had an average of 22,000 square feet of selling space.

During the fiscal year ended January 30, 1999, no one store accounted for more than 1% of the company's sales. The company carries earthquake insurance on its corporate headquarters, both distribution centers and on its stores in California.

The company's real estate strategy is to open additional stores mainly 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. In fiscal 1999 and 2000, the company plans to focus its new store growth primarily in existing markets. In addition, management continues to seek opportunistic real estate acquisitions.

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. To date, the company has been able to secure leases in suitable locations for its stores. At January 30, 1999, the majority of the company's stores had unexpired original lease terms ranging from three to 15 years with three to four renewal options of five years each. The average unexpired original lease term of its leased stores is six years, or 18 years if renewal options are included. (See Note C to the Consolidated Financial Statements.) Most of the company's store leases contain a provision for percentage rental payments after a specified sales level has been achieved.

DISTRIBUTION CENTERS

In June 1998, the company purchased its Newark, California distribution center for \$24.6 million. The Newark facility is also the company's corporate headquarters. The company also owns its distribution center in Carlisle, Pennsylvania.

The company's two distribution centers currently have processing capacity to support store growth through fiscal 1999 and beyond. This reflects the company's recent investment in distribution systems along with the potential to expand work shifts.

In September 1997, the company entered into a five-year lease for an approximately 214,500 square foot warehouse in Newark, California. In February 1998, the company entered into a three-year lease for an approximately 239,000 square foot warehouse in Carlisle, Pennsylvania. In August 1998, the company leased an additional 246,000 square foot warehouse in Carlisle, Pennsylvania, for a three and one half year term. In November 1998, the company entered into a five-year lease for an additional 97,000 square foot warehouse in Newark, California. All of these buildings store the company's packaway inventory.

ITEM 3. LEGAL PROCEEDINGS

The company is a party to routine litigation incident to its business. Management believes that none of these legal proceedings will have a material adverse effect on the company's financial condition or results of operations.

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

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

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 at least the past five years. The term of office is at the pleasure of the Board of Directors.

Name	Age	Position
Michael A. Balmuth	48	Vice Chairman and Chief Executive Officer
Melvin A. Wilmore	53	Director, President and Chief Operating Officer
John G. Call	40	Senior Vice President, Chief Financial Officer and Corporate Secretary
Ivy D. Council	42	Senior Vice President, Human Resources
James S. Fassio	44	Senior Vice President, Property Development
Barry S. Gluck	46	Senior Vice President and General Merchandising Manager
Michael Hamilton	53	Senior Vice President, Stores
Irene Jamieson	48	Senior Vice President and General Merchandising Manager
Megan Jamieson	37	Senior Vice President, Strategic Planning
Barbara Levy	44	Senior Vice President and General Merchandising Manager

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Mr. Balmuth joined the Board of Directors as Vice Chairman and became Chief Executive Officer in September 1996. Prior to that, he served as the company's Executive Vice President, Merchandising since July 1993 and Senior Vice President and General Merchandising Manager since November 1989. Before joining Ross, he was Senior Vice President and General Merchandising 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 Merchandising Manager for Karen Austin Petites.

Mr. Wilmore has served as President, Chief Operating Officer and a member of the Board of Directors since March 1993. Prior to that, he served as Executive Vice President and Chief Operating Officer since December 1991. From October 1989 to December 1991, he was President and 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. Call has served as Senior Vice President, Chief Financial Officer and Corporate Secretary since June 1997. From June 1993 until joining Ross in 1997, Mr. Call was Senior Vice President, Chief Financial Officer, Secretary and Treasurer of Friedman's Inc. For five years prior to joining Friedman's in June 1993, Mr. Call held various positions with Ernst & Young, LLP, most recently as a Senior Manager in the San Francisco office.

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Ms. Council has served as Senior Vice President, Human Resources since March 1998. Prior to that, she served as the company's Vice President of Human Resources, Compensation, Payroll, Distribution and Risk Management/Benefits since August 1997 and as the company's Vice President, Human Resources of Stores since March 1992. She joined the company in January 1989 as Director of Management and Organizational Development.

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 has served as Senior Vice President and General Merchandising Manager since August 1993. He joined the company in February 1989 as Vice President and Divisional Merchandising Manager. Prior to joining Ross, Mr. Gluck served as General Merchandising Manager, Vice President for Today's Man from May 1987 to February 1989. From March 1982 to April 1987, he was Vice President, Divisional Merchandising Manager, Men's, Children and Luggage of Macy's Atlanta.

Mr. Hamilton has served as Senior Vice President, Stores since March 1999. From October 1996 to March 1999, he was Executive Vice President, Operations for Hill's Department Stores. From April 1993 to October 1996, he served as Executive Vice President, Stores for Venture Stores. Prior to that, he held various executive and managerial positions at Venture Stores.

Ms. Irene Jamieson has served as Senior Vice President and General Merchandising Manager since January 1995. From December 1992 to January 1995, she served as Vice President and Divisional Merchandising Manager. Prior to joining Ross, Ms. Jamieson served as Vice President and Divisional Merchandising Manager of the Home Store for Lord & Taylor from September 1983 to December 1992.

Ms. Megan Jamieson has served as Senior Vice President, Strategic Planning since February 1999. From January 1997 to February 1999, she served as Director of Strategy for Sears, Roebuck and Co.'s full-line store division. Prior to Sears, she was a case team leader with the consulting firm Bain & Co.

Ms. Levy has served as Senior Vice President and General Merchandising Manager since May 1993. Prior to joining Ross, Ms. Levy was with R. H. Macy & Co., Inc. most recently as Senior Vice President and General Merchandising 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 as their Divisional Merchandising Manager - Better Sportswear.

PART II

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

GENERAL INFORMATION. See the information set forth under the caption "Quarterly Financial Data (Unaudited)" under Note H to the 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 tier of The Nasdaq Stock MarketSM under the symbol ROST. There were 814 stockholders of record as of April 2, 1999, and the closing stock price on that date was \$43.875 per share.

CASH DIVIDENDS. During fiscal 1998 and 1997, the company paid a quarterly cash dividend of \$0.055 and \$0.045, respectively, per common share. On January 28, 1999, the Board of Directors increased the quarterly dividend to \$0.065 per common share.

ITEM 6. SELECTED FINANCIAL DATA

(\$000, except per share data)	1998	1997	1996	1995 (1)	1994
OPERATIONS					
Sales	\$ 2,182,361	\$ 1,988,692	\$ 1,689,810	\$ 1,426,397	\$ 1,262,544
Cost of goods sold and occupancy	1,513,889	1,388,098	1,194,136	1,031,455	920,265
PERCENT OF SALES	69.4%	69.8%	70.7%	72.3%	72.9%
General, selling and administrative	415,284	374,119	332,439	293,051	263,777
PERCENT OF SALES	19.0%	18.8%	19.7%	20.5%	20.9%
Depreciation and amortization	33,514	30,951	28,754	27,033	24,017
Interest expense (Income)	259	(265)	(360)	2,737	3,528
Insurance proceeds					(10,412)
Earnings before taxes	219,415	195,789	134,841	72,121	61,369
PERCENT OF SALES	10.1%	9.8%	8.0%	5.1%	4.9%
Provision for taxes on earnings	85,572	78,315	53,936	28,849	24,548
Net earnings	133,843	117,474	80,905	43,272	36,821
PERCENT OF SALES	6.1%	5.9%	4.8%	3.0%	2.9%
Diluted earnings per share(2)	\$ 2.80	\$ 2.35	\$ 1.58	\$.87	\$.75
Cash dividends declared per common share(2)	\$.230	\$.190	\$.150	\$.125	\$.105

(1) Fiscal 1995 is a 53-week year; all other fiscal years have 52 weeks.

(2) All per share information is adjusted to reflect the effect of the two-for-one stock split effected in the form of a 100% stock dividend on

March 5, 1997.

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SELECTED FINANCIAL DATA

(\$000, except per share data)	1998	1997	1996	1995 (1)	1994
FINANCIAL POSITION					
Merchandise inventory	\$466,460	\$418,825	\$373,689	\$295,965	\$275,183
Property and equipment, net	248,712	204,721	192,647	181,376	171,251
Total assets	870,306	737,953	659,478	541,152	506,241
Return on average assets	17%	17%	13%	8%	8%
Working capital	170,795	174,678	134,802	121,692	131,846
Current ratio	1.4:1	1.5:1	1.4:1	1.6:1	1.7:1
Total debt	0	0	0	9,806	46,069
Total debt as a percent of total capitalization	0%	0%	0%	3%	15%
Stockholders' equity	424,703	380,681	328,843	291,516	254,551
Return on average stockholders' equity	33%	33%	26%	16%	15%
Book value per common share outstanding at year-end(2)	\$ 9.18	\$ 7.94	\$ 6.67	\$ 5.92	\$ 5.21

OPERATING STATISTICS

Number of stores opened	26	17	21	21	35
Number of stores closed	2	1	4	4	3
Number of stores at year-end	349	325	309	292	275
Comparable store sales increase (52-week basis)	3%	10%	13%	2%	2%
Sales per square foot of selling space (52-week basis) (3)	\$ 290	\$ 285	\$ 259	\$ 230	\$ 227
Square feet of selling space at year-end (000)	7,817	7,172	6,677	6,276	5,901
Number of employees at year-end	20,081	17,039	14,853	11,935	10,516
Number of common stockholders of record at year-end	818	813	826	1,022	1,168

- (1) Fiscal 1995 is a 53-week year; all other fiscal years have 52 weeks.
- (2) All per share information is adjusted to reflect the effect of the two-for-one stock split effected in the form of a 100% stock dividend on March 5, 1997.
- (3) 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

The fiscal years ended January 30, 1999, January 31, 1998 and February 1, 1997 are referred to as 1998, 1997 and 1996, respectively.

RESULTS OF OPERATIONS

	Year Ended January 30, 1999	Year Ended January 31, 1998	Year Ended February 1, 1997
SALES			
Sales (\$000)	\$ 2,182,361	\$ 1,988,692	\$ 1,689,810

Sales growth	10%	18%	18%
Comparable store sales growth	3%	10%	13%
COST AND EXPENSES (AS A PERCENT OF SALES)			
Cost of goods sold and occupancy	69.4%	69.8%	70.7%
General, selling and administrative	19.0%	18.8%	19.7%
Depreciation and amortization	1.5%	1.6%	1.7%
Interest expense (income)	0%	(0%)	(0%)
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NET EARNINGS	6.1%	5.9%	4.8%
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STORES. Total stores open at the end of 1998, 1997 and 1996 were 349, 325 and 309, respectively. During 1998, the company opened 26 new stores and closed two stores. During 1997, the company opened 17 new stores and closed one store. During 1996, the company opened 21 new stores and closed four stores.

SALES. The increases in sales for 1998, 1997 and 1996 were due to an increase in comparable store sales and a greater number of stores in operation. The company anticipates that the competitive climate for apparel and off-price retailers will continue in 1999. Management expects to address that challenge by continuing to strengthen the merchandise organization, diversify the merchandise mix and purchase goods more opportunistically. Although the company's existing strategies and store expansion program contributed to sales and earnings gains in 1998, 1997 and 1996, there can be no assurance that these strategies will result in a continuation of revenue and profit growth.

COST OF GOODS SOLD AND OCCUPANCY. The reduction in the cost of goods sold and occupancy ratio in 1998 resulted primarily from higher sales, an increase in the initial mark-up from purchasing more opportunistically and leverage on occupancy costs. The reduction in the cost of goods sold and occupancy ratio in 1997 resulted primarily from higher sales, leverage on occupancy costs and lower markdowns as a percentage of sales. There can be no assurance that the improvement experienced in 1998 will continue in future years.

GENERAL, SELLING AND ADMINISTRATIVE EXPENSES. During 1998, general, selling and administrative expenses as a percentage of sales increased, primarily due to costs associated with the company's year 2000 remediation efforts. The reduction in the general, selling and administrative expenses as a percentage of sales in 1997 resulted primarily from the leverage realized from the significant increase in comparable store sales combined with continued strong cost controls.

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 1998, 1997 and 1996, was approximately 20,100, 17,000 and 14,900, respectively.

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 fixed assets in each store.

INTEREST. Due to higher average borrowings during 1998, interest expense increased from 1997. The increase in average borrowings in 1998 was due to expenditures of \$110.0 million to repurchase 2.8 million shares of common stock, higher

capital expenditures, including the purchase of the company's Newark, California, distribution center and corporate headquarters for \$24.6 million, offset partially by the higher earnings levels. Higher average borrowings in 1997 resulted in an increase in interest expense from 1996. The increase in average borrowings in 1997 was due to expenditures of \$98.1 million to repurchase three million shares of common stock, offset partially by the higher earnings levels and cash flows from issuances of common stock relating to stock plans.

TAXES ON EARNINGS. The company's effective rate for 1998, 1997 and 1996 was 39%, 40% and 40%, respectively, which represents the applicable federal and state

statutory rates reduced by the federal benefit received for state taxes. During 1999, the company expects its effective tax rate to remain at approximately 39%.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES. During 1998, 1997 and 1996, liquidity and capital requirements were provided by cash flows from operations, the revolving credit facility and trade credit. The company's store sites, certain warehouses and buying offices are leased and, except for certain leasehold improvements and equipment, do not represent long-term capital investments. Commitments related to operating leases are described in Note C to the Consolidated Financial Statements. The company's Carlisle, Pennsylvania, distribution center is owned outright by the company. The company exercised its right to purchase its Newark, California, distribution center and corporate headquarters for \$24.6 million and completed this transaction in June 1998 with funding provided by cash generated by operations and bank borrowings under the company's existing credit agreement. Short-term trade credit represents a significant source of financing for investments in merchandise inventory. Trade credit arises from customary trade 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 1998, the primary uses of cash, other than for operating expenditures, were for merchandise inventory, property and equipment to open 26 new stores, the relocation, remodeling or expansion of 20 stores, the repurchase in the open market of \$110.0 million of the company's common stock, the purchase of the company's Newark, California, distribution center and corporate headquarters, and quarterly cash dividend payments. During 1997, the primary uses of cash, other than for operating expenditures, were for merchandise inventory including a planned increase in packaway inventory, property and equipment to open 17 new stores, the relocation or remodeling of six stores, the repurchase in the open market of \$98.1 million of the company's common stock and quarterly cash dividend payments. During 1996, the primary uses of cash, other than for operating expenditures, were for merchandise inventory including a planned increase in packaway inventory, property and equipment to open 21 new stores, the remodeling of seven stores, the repurchase in the open market of \$80.4 million of the company's common stock and quarterly cash dividend payments. In 1998, 1997 and 1996, the company spent approximately \$78.5 million, \$33.3 million and \$37.1 million, respectively, for capital expenditures, net of leased equipment, that included fixtures and leasehold improvements to open 26, 17 and 21 stores, respectively; relocation, remodeling or expansion costs for twenty, six and seven stores, respectively; modifications in the buying office, purchase of previously leased equipment and various expenditures for existing stores and the central office. In addition, the \$78.5 million in 1998 included \$24.6 million to purchase the company's Newark, California, distribution center and corporate headquarters.

The company currently anticipates opening approximately 30 stores, net of closures, each year in 1999 and 2000. The company anticipates that this growth will be financed primarily from cash flows from operating activities and available credit facilities.

In January 1999, an 18% increase in the quarterly cash dividend payment from \$.055 to \$.065 per common share was declared by the company's Board of Directors, payable on or about April 5, 1999. The Board of Directors declared quarterly cash dividends of \$.055 per common share in January, May, August and November 1998 and \$.045 per common share in January, May, August and November 1997. The company uses cash flows from operating activities and available credit facilities to fund dividend payments.

The company repurchased a total of \$110.0 million of common stock in 1998. In January 1999, the company announced that its Board of Directors authorized an additional stock repurchase program of up to \$120.0 million. The company anticipates funding this new program through cash flows from operating activities and available credit facilities.

The company has available under its principal bank credit agreement a \$160.0 million revolving credit facility and a \$30.0 million credit facility, the latter solely for the issuance of letters of credit, both of which expire September 2002. Additionally, the company has uncommitted short-term bank lines

of credit that at January 30, 1999 totaled \$45.0 million. At year-end 1998, 1997 and 1996, there were no outstanding balances under any credit facility. For additional information relating to these obligations, refer to Note B to the Consolidated Financial Statements.

Working capital was \$170.8 million at the end of 1998, compared to \$174.7 million at the end of 1997 and \$134.8 million at the end of 1996. At year-end 1998, 1997 and 1996, the company's current ratios were 1.4:1, 1.5:1 and 1.4:1, respectively.

The company's primary source of liquidity is the sale of its merchandise inventory. 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.

The company realized stronger cash flows in 1998 and 1997 due to increased earnings, tighter inventory controls with improved in-store inventory turnover and a strong emphasis on controlling expenses. These resources enabled the company to pay down all bank borrowings at each year-end.

The company estimates that cash flows from operations, bank credit lines and trade credit are adequate to meet operating cash needs as well as to provide for the stock repurchase program of up to \$120.0 million, dividend payments and planned capital additions during the upcoming year.

YEAR 2000 MATTERS

The year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Certain information technology systems and their associated software ("IT Systems"), and certain equipment that uses programmable logic chips to control aspects of their operation ("embedded chip equipment"), may recognize "00" as a year other than the year 2000. Some IT Systems and embedded chip equipment used by the company and by third parties who do business with the company contain two-digit programming to define a year. The year 2000 issue could result, at the company and elsewhere, in system failures or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions or to engage in other normal business activities.

READINESS FOR YEAR 2000. The company is addressing its year 2000 issue, including efforts relating to IT Systems and embedded chip equipment used within the company, efforts to address issues the company faces if third parties who do business with the company are not prepared for the year 2000, and contingency planning. In 1997, the company created a corporation-wide year 2000 task force representing all business and staff units with the goal of achieving an uninterrupted transition into the year 2000. The company is using both internal and external resources to identify, correct, upgrade or replace and test its IT Systems and embedded chip equipment for year 2000 compliance. Some systems development projects not related to the year 2000 work have been deferred from 1998 to 1999 and 2000 in order to devote sufficient resources to complete the year 2000 work on schedule.

The company uses a variety of IT Systems, internally developed and third-party provided software and embedded chip equipment, depending upon business function and location. For these IT Systems, software and embedded chip equipment, the company has divided its year 2000 efforts into four phases: (i) identification and inventorying of IT Systems and embedded chip equipment with potential year 2000 problems; (ii) assessment of scope of year 2000 issues for, and assigning priorities to, each item based on its importance to the company's operations; (iii) remediation of year 2000 issues in accordance with assigned priorities, by correction, upgrade, replacement or retirement; (iv) testing for and validation of year 2000 compliance, including integration testing. Phases (i) and (ii) are complete across all business functions and locations. The company has categorized as "mission critical" those IT Systems and embedded chip equipment whose failure would cause cessation of store operations, or could otherwise have a sustained and significant detrimental financial impact on the company. All mission critical IT Systems either are currently in phase (iv) or have been completed through phase (iv). The majority of embedded chip equipment is in phase (iii). As of March 1999, approximately 75% of the company's mission critical IT Systems were determined to be year 2000 compliant, or replacements, changes, upgrades or workarounds have been identified, tested and deployed. The company is in the process of conducting a comprehensive

program of integration testing of its IT Systems in order to ensure that all systems still work together properly and without year 2000 problems. This integration testing began in the third quarter of 1998 and will continue into fiscal year 1999.

The company's operations are also dependent on the year 2000 readiness of third parties that do business with the company. In particular, the company's IT Systems interact with commercial electronic transaction processing systems to handle customer credit card purchases and other point-of-sale transactions, and the company is dependent on third-party suppliers of such infrastructure elements as, but not limited to, telecommunications services, electric power, water and banking facilities. The company does not depend to any significant degree on any single merchandise vendor or upon electronic transaction processing with individual vendors for merchandise purchases. The company has identified and initiated formal communications with key third parties to determine the extent to which the company will be vulnerable to such parties' failure to resolve their own year 2000 issues. The company has received responses from approximately 41% of key suppliers contacted. As a follow-up, the company plans to seek to determine whether the supplier is taking appropriate steps to achieve year 2000 readiness and to be prepared to continue functioning effectively as a supplier in accordance with the company's business needs. The company is assessing its risks with respect to failure by third parties to be year 2000 compliant and intends to seek to mitigate those risks. The company is also developing contingency plans, discussed below, to address issues related to suppliers the company determines are not making sufficient progress toward becoming year 2000 compliant.

COSTS. The company estimates that its IT Systems and embedded chip equipment will be year 2000 compliant by mid-1999. Aggregate costs for work related to year 2000 efforts in fiscal 1998 and 1999 currently are anticipated to total approximately \$12.0 million, including about \$6.0 million for capital investments in IT Systems and embedded chip equipment, and are expected to be funded through operating cash flows. Operating costs related to year 2000 compliance projects will be incurred over several quarters and will be expensed as incurred. In 1998, the company incurred approximately \$4.0 million in expenses related to year 2000, with approximately \$2.0 million expected in fiscal 1999. Capital expenditures in 1998 totaled approximately \$4.0 million with approximately \$2.0 million in capital expenditures expected in fiscal 1999.

The company's estimates of the costs of achieving year 2000 compliance and the date by which year 2000 compliance will be achieved are based on management's best estimates, which were derived using numerous assumptions about future events including the continued availability of certain resources, third-party modification plans and other factors. However, there can be no assurance that these estimates will be achieved, and actual results could differ materially from these estimates. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in year 2000 remediation work, the ability to locate and correct all relevant computer codes, the success achieved by the company's suppliers in reaching year 2000 readiness, the timely availability of necessary replacement items and similar uncertainties.

RISKS. The company expects to implement the changes necessary to address the year 2000 issue for IT Systems and embedded chip equipment used within the company. The company presently believes that, with modifications to existing software, conversions to new software and appropriate remediation of embedded chip equipment, the year 2000 issue with respect to the company's IT Systems and embedded chip equipment is not reasonably likely to pose significant operational problems for the company. However, if unforeseen difficulties arise or such modifications, conversions and replacements are not completed timely, or if the company's vendors' or suppliers' systems are not modified to become year 2000 compliant, the year 2000 issue may have a material impact on the results of operations and financial condition of the company.

The company is presently unable to assess the likelihood that the company will experience significant operational problems due to unresolved year 2000 problems of third parties that do business with the company. Although the company has not been put on notice that any known third-party problem will not be timely resolved, the company has limited information and no assurance of additional information concerning the year 2000 readiness of third parties. The resulting risks to the company's business are very difficult to assess due to the large number of variables involved. If third parties fail to achieve year 2000

compliance, year 2000 problems could have a material impact on the company's operations. Similarly, there can be no assurance that the company can timely mitigate its risks related to a supplier's failure to resolve its year 2000 issues. If such mitigation is not achievable, year 2000 problems could have a material impact on the company's operations.

CONTINGENCY PLANS. The company presently believes that its most reasonably likely worst-case year 2000 scenarios would relate to the possible failure in one or more geographic regions of third-party systems over which the company has no

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control and for which the company has no ready substitute, such as, but not limited to, power and telecommunications services. For example, if such services were to fail, it could be necessary for the company to temporarily close stores in the affected geographic areas. The company has in place a business resumption plan that addresses recovery from various kinds of disasters, including recovery from significant interruptions to data flows and distribution capabilities at the company's major data systems centers and major distribution centers. The company is using that plan as a starting point for developing specific year 2000 contingency plans, which will generally emphasize locating alternate sources of supply, methods of distribution and ways of processing information. The company expects its year 2000 contingency plans will be substantially complete by the end of the second quarter of fiscal year 1999. However, there can be no assurance that the company will be able to complete its contingency planning on that schedule.

FORWARD-LOOKING STATEMENTS AND FACTORS AFFECTING FUTURE PERFORMANCE

This report includes a number of forward-looking statements which reflect the company's current beliefs and estimates with respect to future events and the company's future financial performance, operations and competitive strengths. The words "expect," "anticipate," "estimate," "believe" and similar expressions identify forward-looking statements.

The company's continued success depends, in part, upon its ability to increase sales at existing locations, to open new stores and to operate stores on a profitable basis. There can be no assurance that the company's existing strategies and store expansion program will result in a continuation of revenue and profit growth. Future economic and industry trends that could potentially impact revenue and profitability remain difficult to predict.

As a result, the forward-looking statements that are contained herein are subject to certain risks and uncertainties that could cause the company's actual results to differ materially from historical results or current expectations. These factors include, without limitation, ongoing competitive pressures in the apparel industry, obtaining acceptable store locations, the company's ability to continue to purchase attractive name-brand merchandise at desirable discounts, successful implementation of the company's merchandise diversification strategy, the company's ability to successfully extend its geographic reach, unseasonable weather trends, changes in the level of consumer spending on or preferences in apparel or home-related merchandise and greater than planned costs, including those that could be related to necessary modifications to or replacements of the company's IT Systems and embedded chip equipment to enable them to process information with dates or date ranges spanning the year 2000 and beyond. If unforeseen difficulties arise or such modifications and replacements are not completed timely, or if the company's vendors' or suppliers' IT Systems, software and embedded chip equipment are not modified to become year 2000 compliant, the year 2000 issue may have a material impact on the operations of the company. In addition, the company's corporate headquarters, one of its distribution centers and 44% of its stores are located in California. Therefore, a downturn in the California economy or a major natural disaster there could significantly affect the company's operating results and financial condition.

In addition to the above factors, the apparel industry is highly seasonal. The combined sales of the company for the third and fourth (holiday) fiscal quarters are historically higher than the combined sales for the first two fiscal 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 factors, if they were to occur during the third and fourth quarters, and in particular during the fourth quarter, could adversely affect the company's fiscal year results.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management believes that the market risk associated with the company's ownership of market-risk sensitive financial instruments (including interest rate risk and equity price risk) as of January 30, 1999 is not material.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

CONSOLIDATED BALANCE SHEETS

(\$000, except per share data)	January 30, 1999	January 31, 1998
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 80,083	\$ 56,369
Accounts receivable	11,566	8,122
Merchandise inventory	466,460	418,825
Prepaid expenses and other	15,825	15,108
	-----	-----
Total Current Assets	573,934	498,424
PROPERTY AND EQUIPMENT		
Land and buildings	48,789	24,115
Fixtures and equipment	217,629	190,186
Leasehold improvements	142,716	144,247
Construction-in-progress	32,023	25,763
	-----	-----
	441,157	384,311
Less accumulated depreciation and amortization	192,445	179,590
	-----	-----
	248,712	204,721
Deferred income taxes and other assets	47,660	34,808
	-----	-----
Total Assets	\$870,306	\$737,953
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$248,103	\$201,998
Accrued expenses and other	114,151	82,290
Accrued payroll and benefits	40,885	39,458
	-----	-----
Total Current Liabilities	403,139	323,746
Long-term liabilities	42,464	33,526
STOCKHOLDERS' EQUITY		
Common stock, par value \$.01 per share		
Authorized 170,000,000 shares		
Issued and outstanding 46,250,000 and		
47,917,000 shares	462	479
Additional paid-in capital	215,831	195,562
Retained earnings	208,410	184,640
	-----	-----
	424,703	380,681
	-----	-----
Total Liabilities and Stockholders' Equity	\$870,306	\$737,953

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

CONSOLIDATED STATEMENTS OF EARNINGS

(\$000, except per share data)	Year Ended January 30, 1999	Year Ended January 31, 1998	Year Ended February 1, 1997
SALES	\$ 2,182,361	\$ 1,988,692	\$ 1,689,810
COSTS AND EXPENSES			
Cost of goods sold and occupancy	1,513,889	1,388,098	1,194,136
General, selling and administrative	415,284	374,119	332,439
Depreciation and amortization	33,514	30,951	28,754
Interest expense (income)	259	(265)	(360)
	-----	-----	-----
	1,962,946	1,792,903	1,554,969
	-----	-----	-----
Earnings before taxes	219,415	195,789	134,841
Provision for taxes on earnings	85,572	78,315	53,936
	-----	-----	-----
Net earnings	\$ 133,843	\$ 117,474	\$ 80,905
	-----	-----	-----
EARNINGS PER SHARE			
Basic	\$ 2.85	\$ 2.40	\$ 1.62
Diluted	\$ 2.80	\$ 2.35	\$ 1.58
WEIGHTED AVERAGE SHARES OUTSTANDING (000)			
Basic	47,035	48,928	50,031
Diluted	47,850	50,002	51,311

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(000)	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount			
BALANCE AT FEBRUARY 3, 1996	49,202	\$ 492	\$ 133,163	\$ 157,861	\$ 291,516
Common stock issued under stock plans, including tax benefit	4,617	46	44,301		44,347
Common stock repurchased	(4,487)	(45)	(13,298)	(67,087)	(80,430)
Net earnings				80,905	80,905
Dividends declared				(7,495)	(7,495)
	-----	-----	-----	-----	-----
BALANCE AT FEBRUARY 1, 1997	49,332	493	164,166	164,184	328,843
Common stock issued under stock plans, including tax benefit	1,585	16	41,718		41,734
Common stock repurchased	(3,000)	(30)	(10,322)	(87,794)	(98,146)
Net earnings				117,474	117,474
Dividends declared				(9,224)	(9,224)
	-----	-----	-----	-----	-----
BALANCE AT JANUARY 31, 1998	47,917	479	195,562	184,640	380,681
Common stock issued under stock plans, including tax benefit	1,151	11	30,886		30,897
Common stock repurchased	(2,818)	(28)	(10,617)	(99,353)	(109,998)
Net earnings				133,843	133,843
Dividends declared				(10,720)	(10,720)
	-----	-----	-----	-----	-----

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$000)	Year Ended January 30, 1999	Year Ended January 31, 1998	Year Ended February 1, 1997
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	\$ 133,843	\$ 117,474	\$ 80,905
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	33,514	30,951	28,754
Other amortization	9,734	8,527	6,613
Deferred income taxes	(4,411)	(1,732)	(7,366)
Change in assets and liabilities:			
Merchandise inventory	(47,635)	(45,135)	(77,724)
Other current assets - net	(4,161)	(2,110)	(49)
Accounts payable	45,735	17,481	45,964
Other current liabilities - net	31,101	(10,379)	39,566
Other	2,780	2,685	339
Net cash provided by operating activities	200,500	117,762	117,002
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	(78,452)	(33,322)	(37,105)
Net cash used in investing activities	(78,452)	(33,322)	(37,105)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term debt	0	0	(9,807)
Issuance of common stock related to stock plans	22,014	34,106	38,703
Repurchase of common stock	(109,998)	(98,146)	(80,430)
Dividends paid	(10,350)	(8,808)	(7,012)
Net cash used in financing activities	(98,334)	(72,848)	(58,546)
Net increase in cash and cash equivalents	23,714	11,592	21,351
Cash and cash equivalents:			
Beginning of year	56,369	44,777	23,426
End of year	\$ 80,083	\$ 56,369	\$ 44,777
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Interest paid	\$ 1,082	\$ 537	\$ 831
Income taxes paid	\$ 62,779	\$ 85,529	\$ 42,590

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

The fiscal years ended January 30, 1999, January 31, 1998 and February 1, 1997 are referred to as 1998, 1997 and 1996, respectively.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS. The company is an off-price retailer of first quality, branded apparel, shoes and accessories, as well as gift items, linens and other home-related merchandise for the entire family. At January 30, 1999, the company operated 349 stores. The company's headquarters, one distribution center, two warehouses and 44% of its stores are located in California.

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 1997 and 1996 financial statements to conform to the 1998 presentation.

USE OF ACCOUNTING ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

ADVERTISING. Advertising costs are expensed when incurred.

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 1998 and 1997, the balance of deferred rent was \$11.1 million and \$10.6 million, respectively, and is included in long-term liabilities.

INTANGIBLE ASSETS. Included in other assets are lease rights and interests, consisting of payments made to acquire store leases, which are amortized over the remaining applicable life of the lease. Also included in other assets is the excess of cost over the acquired net assets, which 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 12 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. Computer hardware and software costs are included in fixtures and equipment and are amortized over their estimated useful life of five years.

IMPAIRMENT OF LONG-LIVED ASSETS. Long-lived assets and certain identifiable intangibles, including goodwill, held and used by the company, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Based on the company's review as of January 30, 1999 and January 31, 1998, no adjustments were recognized to the carrying value of such assets.

ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximates their estimated fair value.

STOCK-BASED COMPENSATION. The company accounts for stock-based awards to employees using the intrinsic value method prescribed by "Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees."

TAXES ON EARNINGS. Income taxes are accounted for under 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, the company generally considers all expected future events other than changes in the tax law or rates.

STOCK DIVIDEND. All share and per share information has been adjusted to reflect the effect of the company's two-for-one stock split effected in the form of a 100% stock dividend on March 5, 1997.

EARNINGS PER SHARE (EPS). Basic EPS excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if options to issue common stock were exercised into common stock.

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

	Basic EPS	Effect of Dilutive Stock Options	Diluted EPS
1998			
Shares	47,035	815	47,850
Amount	\$ 2.85	\$ (.05)	\$ 2.80
1997			
Shares	48,928	1,074	50,002
Amount	\$ 2.40	\$ (.05)	\$ 2.35
1996			
Shares	50,031	1,280	51,311
Amount	\$ 1.62	\$ (.04)	\$ 1.58

SEGMENT REPORTING. Effective February 1, 1998, Ross adopted Statement of Financial Accounting Standards No. 131 (SFAS 131), "Disclosures about Segments of an Enterprise and Related Information." SFAS 131 establishes annual and interim reporting standards for an enterprise's operating segments and related disclosures about its products, services, geographic areas and major customers. The company's operations include only activities related to the sale of apparel and home accessories through similar stores throughout the United States and therefore comprise only one segment.

NOTE B: LONG-TERM DEBT

The company had no outstanding debt at year-end 1998 and 1997. The weighted average interest rates on borrowings during 1998, 1997 and 1996 were 5.8%, 5.8% and 8.3%, respectively.

BANK CREDIT FACILITIES. The company has available under its principal credit agreement a \$160.0 million revolving credit facility and a \$30.0 million credit facility, the latter solely for the issuance of letters of credit, both of which expire September 2002. Interest is payable upon borrowing maturity but no less than quarterly. At year-end 1998 and 1997, the company had \$15.6 million and \$16.6 million, respectively, in outstanding letters of credit. Borrowing under the credit facilities is subject to the company's maintaining certain interest rate coverage and leverage ratios. As of January 30, 1999, the company was in compliance with these bank covenants.

In addition, the company has \$45.0 million in uncommitted short-term bank lines of credit. When utilized, interest is payable monthly under several pricing options.

Included in accounts payable are checks outstanding in excess of cash balances of approximately \$44.1 million and \$50.6 million at year-end 1998 and 1997, respectively. The company can utilize its revolving line of credit to cover payment of these checks as they clear the bank.

NOTE C: LEASES

In June 1998, the company purchased its Newark, California, distribution center and corporate headquarters for \$24.6 million with funding provided by cash generated by operations and bank borrowings under the company's existing credit agreement. In November 1998 and September 1997, the company entered into five-year leases for two additional warehouses in Newark, California. In February 1998 and August 1998, the company entered into two leases for warehouses in Carlisle, Pennsylvania, with lease terms of three years and three and a half years, respectively. These four leased facilities are being used to store packaway merchandise. In addition, the company leases its store sites, selected computer and related equipment, and distribution center equipment under operating leases with original, noncancelable terms that in general range from three to fifteen years, expiring through 2014. Store leases typically contain provisions for three to four 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.

The aggregate future minimum annual lease payments under leases in effect at year-end 1998 are as follows:

(\$000)	Amounts
1999	\$116,484
2000	110,477
2001	98,275
2002	84,324
2003	73,845
Later years	264,150

TOTAL	\$747,555

Total rent expense for all operating leases is as follows:

(\$000)	1998	1997	1996
Minimum rentals	\$106,696	\$100,109	\$91,746

NOTE D: TAXES ON EARNINGS

The provision for taxes consists of the following:

(\$000)	1998	1997	1996
CURRENT			
Federal	\$ 75,847	\$ 65,754	\$ 49,628
State	14,136	14,294	11,674
	-----	-----	-----
	89,983	80,048	61,302
DEFERRED			
Federal	(4,107)	(1,693)	(6,385)
State	(304)	(40)	(981)
	-----	-----	-----

	(4,411)	(1,733)	(7,366)

TOTAL	\$ 85,572	\$ 78,315	\$ 53,936

In 1998, 1997 and 1996, the company realized tax benefits of \$10.9 million, \$14.1 million and \$14.0 million, respectively, related to stock options exercised and the vesting of restricted stock that were credited to additional paid-in capital.

The provisions for 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:

	1998	1997	1996
Federal income taxes at the statutory rate	35%	35%	35%
Increased income taxes resulting from state income taxes, net of federal benefit	4%	5%	5%
	-----	-----	-----
	39%	40%	40%

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

(\$000)	1998	1997
DEFERRED TAX ASSETS		
Deferred compensation	\$ 15,765	\$ 9,724
Employee benefits	6,610	5,794
Straight-line rent	4,519	4,457
Non-deductible reserves	3,895	2,391
California franchise taxes	2,657	2,324
Reserve for uninsured losses	2,049	1,525
All other	135	391
	-----	-----
	35,630	26,606
DEFERRED TAX LIABILITIES		
Depreciation	(18,210)	(15,347)
Inventory	(4,297)	(2,308)
Supplies	(1,849)	(1,617)
Prepaid expenses	(1,377)	(1,974)
All other	(191)	(65)
	-----	-----
	(25,924)	(21,311)
	-----	-----
NET DEFERRED TAX ASSETS	\$ 9,706	\$ 5,295

NOTE E: 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 a Supplemental Retirement Plan, which allows eligible employees to purchase annuity contracts. In 1993, the company made available to management a Nonqualified Deferred Compensation Plan which allows management to make payroll contributions 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 F: STOCKHOLDERS' EQUITY

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.

COMMON STOCK. The company's Board of Directors has approved repurchase programs over the past several years that resulted in the buyback of 2.8 million shares at an average price of \$39.04 in 1998, 3.0 million shares at an average price of \$32.72 in 1997, and 4.5 million shares at an average price of \$17.93 in 1996. In January 1999, the company's Board of Directors authorized an expansion and continuation of these repurchase programs for additional shares of the company's common stock totaling up to \$120.0 million.

DIVIDENDS. The company's Board of Directors declared dividends of \$.065 per common share in January 1999; \$.055 per common share in January, May, August and November 1998; and \$.045 per common share in January, May, August and November 1997.

STOCK-BASED COMPENSATION PLANS. At January 30, 1999, the company had four stock-based compensation plans which are described below. Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," establishes a fair value method of accounting for stock options and other equity instruments. Had compensation cost for these stock option and stock purchase plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methods of SFAS 123, the company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

(\$000, except per share data)		1998	1997	1996
NET INCOME	As reported	\$ 133,843	\$ 117,474	\$ 80,905
	Pro forma	\$ 128,820	\$ 114,109	\$ 79,011
BASIC EARNINGS PER SHARE	As reported	\$ 2.85	\$ 2.40	\$ 1.62
	Pro forma	\$ 2.74	\$ 2.33	\$ 1.58
DILUTED EARNINGS PER SHARE	As reported	\$ 2.80	\$ 2.35	\$ 1.58
	Pro forma	\$ 2.71	\$ 2.29	\$ 1.54

The impact of outstanding non-vested stock options granted prior to 1995 has been excluded from the pro forma calculation; accordingly, the 1998, 1997 and 1996 pro forma adjustments are not indicative of future period pro forma adjustments, when the calculation will apply to all applicable stock options.

1992 STOCK OPTION PLAN. The company's 1992 Stock Option Plan allows for the granting of incentive and non-qualified stock options. 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, expire ten years from the date of grant and normally vest over a period not exceeding four years from the date of grant. Options under the plan are exercisable upon grant, subject to the company's conditional right to repurchase unvested shares.

OUTSIDE DIRECTORS STOCK OPTION PLAN. The company's Outside Directors Stock Option Plan provides for the automatic grant of stock options at pre-established times and for fixed numbers of shares to each non-employee director. 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, expire ten years from the date of grant and normally vest over a period not exceeding three years from the date of the grant.

A summary of the activity under the company's two option plans for 1998, 1997 and 1996 is presented below:

	Number of Shares (000)	Weighted Average Exercise Price
Outstanding and exercisable at February 3, 1996	5,999	\$ 7.49
Granted	1,286	\$ 15.07
Exercised	(3,904)	\$ 7.95
Forfeited	(148)	\$ 9.01
Outstanding and exercisable at February 1, 1997	3,233	\$ 9.89
Granted	1,025	\$ 26.65
Exercised	(1,155)	\$ 9.00
Forfeited	(249)	\$ 11.03
Outstanding and exercisable at January 31, 1998	2,854	\$ 16.17
Granted	1,127	\$ 39.36
Exercised	(700)	\$ 12.53
Forfeited	(153)	\$ 24.71
Outstanding and exercisable at January 30, 1999	3,128	\$ 24.92

At year-end 1998, 1997 and 1996, there were 2.9 million, 1.5 million and 2.3 million shares, respectively, available for future issuance under these plans.

The weighted average fair values per share of options granted during 1998, 1997 and 1996 were \$12.42, \$7.98 and \$4.72, respectively. For determining pro forma earnings per share, the fair values for each option granted were estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions for 1998, 1997 and 1996, respectively: (i) dividend yield of 0.6%, 0.6% and 0.8%; (ii) expected volatility of 45.8%, 43.0% and 43.8%; (iii) risk-free interest rate of 5.2%, 6.2% and 5.9%; and (iv) expected life of 3.3 years, 3.3 years and 3.4 years. The company's calculations are based on a multiple option approach, and forfeitures are recognized as they occur.

The following table summarizes information about stock options outstanding and exercisable at January 30, 1999:

Range of Exercise Prices	Number of Shares (000)	Weighted Average	
		Remaining Contractual Life (Years)	Exercise Price
\$4.25 to \$9.50	580	4.57	\$ 6.29
\$9.56 to \$19.00	555	6.83	\$13.48
\$19.88 to \$25.69	137	7.90	\$24.11
\$25.88 to \$25.88	628	7.94	\$25.88
\$26.19 to \$40.25	523	9.46	\$33.56
\$40.31 to \$46.00	705	9.09	\$42.17

TOTALS	3,128	7.63	\$24.92

EMPLOYEE STOCK PURCHASE PLAN. Under the Employee Stock Purchase Plan, eligible full-time employees can choose to have up to 10% of their annual base earnings withheld to purchase the company's common stock. The purchase price of the stock is 85% of the lower of the beginning of the offering period or end of the offering period market price. During 1998, 1997 and 1996, employees purchased approximately 75,000, 86,000 and 155,000 shares, respectively, of the company's common stock under the plan at weighted average per-share prices of \$30.89, \$21.79 and \$8.89, respectively. Through January 30, 1999, approximately 1,598,000 shares had been issued under this plan and 402,000 shares remained available for future issuance.

The weighted average fair values of the 1998, 1997 and 1996 awards were \$12.53, \$8.20 and \$6.72 per share, respectively. For determining pro forma earnings per share, the fair value of the employees' purchase rights was estimated using the Black-Scholes option pricing model using the following assumptions for 1998, 1997 and 1996, respectively: (i) dividend yield of 0.6%, 0.6% and 0.8%; (ii) expected volatility of 49.3%, 43.1% and 48.1%; (iii) risk-free interest rate of 5.0%, 5.6% and 5.5%; and (iv) expected life of 1.0 year, 1.0 year and 1.0 year.

RESTRICTED STOCK PLAN. The company's Restricted Stock Plan provides for stock awards to officers and certain key employees. All awards under the plan entitle the participant to full dividend and voting rights. Unvested shares are restricted as to disposition and subject to forfeiture under certain circumstances. The market value of these shares at date of grant is amortized to expense ratably over the vesting period of generally two to five years. At year-end 1998, 1997 and 1996, the unamortized compensation expense was \$15.3 million, \$9.4 million and \$7.1 million, respectively. A summary of restricted stock award activity follows:

RESTRICTED STOCK PLAN (000)	1998	1997	1996
Shares available for grant beginning of year	2,530	2,872	1,431
New shares authorized			2,000
Restricted shares granted	(407)	(390)	(559)
Restricted shares forfeited	26	48	
Shares available for grant end of year	2,149	2,530	2,872
Weighted average market value per share on grant date	\$38.55	\$26.55	\$15.46

NOTE G: LEGAL PROCEEDINGS

The company is party to various legal proceedings arising from normal business activities. In the opinion of management, resolution of these matters will not have a material adverse effect on the company's financial condition or results of operations.

NOTE H: QUARTERLY FINANCIAL DATA (UNAUDITED)

	13 Weeks Ended May 2, 1998	13 Weeks Ended August 1, 1998	13 Weeks Ended October 31, 1998	13 Weeks Ended January 30, 1999	52 Weeks Ended January 30, 1999
(\$000, except per share data)					
Sales	\$ 484,276	\$ 536,975	\$ 531,139	\$ 629,971	\$ 2,182,361
Gross margin, after occupancy	147,460	164,979	165,485	190,548	668,472
Net earnings	27,850	32,409	28,005	45,579	133,843
Net earnings per diluted share	.57	.67	.59	.97	2.80
Dividends declared per share on common stock		.055	.055	.12(1)	.23
Closing stock price(2)					
High	\$ 48.31	\$ 49.69	\$ 44.00	\$ 40.69	\$ 49.69
Low	\$ 33.56	\$ 40.38	\$ 24.44	\$ 31.88	\$ 24.44

	13 Weeks Ended May 3, 1997	13 Weeks Ended August 2, 1997	13 Weeks Ended November 1, 1997	13 Weeks Ended January 31, 1998	52 Weeks Ended January 31, 1998
(\$000, except per share data)					
Sales	\$ 442,841	\$ 490,679	\$ 482,875	\$ 572,297	\$ 1,988,692
Gross margin, after occupancy	133,328	149,570	147,910	169,786	600,594
Net earnings	23,753	27,998	25,055	40,668	117,474
Net earnings per diluted share	.47	.55	.50	.83	2.35
Dividends declared per share on common stock		.045	.045	.10(3)	.19
Closing stock price(2)					
High	\$ 29.25	\$ 34.06	\$ 38.00	\$ 41.81	\$ 41.81
Low	\$ 20.19	\$ 26.50	\$ 29.00	\$ 32.50	\$ 20.19

- 1 Includes \$.055 per share dividend declared November 1998 and \$.065 per share dividend declared January 1999.
- 2 Ross Stores, Inc. common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Market-SM- under the symbol ROST.
- 3 Includes \$.045 per share dividend declared November 1997 and \$.055 per share dividend declared January 1998.

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INDEPENDENT AUDITORS' 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 (the "Company") as of January 30, 1999 and January 31, 1998, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended January 30, 1999. These financial statements are the responsibility of the company's 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 company as of January 30, 1999 and January 31, 1998, and the results of its operations and its cash flows

for each of the three years in the period ended January 30, 1999 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE L.L.P.
San Francisco, California
March 12, 1999

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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

Information required by this item is incorporated herein by reference to the sections entitled (i) "Executive Officers of the Registrant" at the end of Part I of this report; (ii) "Information Regarding Nominees and Incumbent Directors" of the Ross Stores, Inc. Proxy Statement for the Annual Meeting of Stockholders to be held on Thursday, May 27, 1999 (the "Proxy Statement"); and (iii) "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is 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 Values.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is 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

The information required by this item is incorporated herein by reference to the sections of the Proxy Statement entitled (i) "Compensation of Directors" and (ii) "Certain Transactions".

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT 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.

The following consolidated financial statements included herein as Item 8:

Consolidated Balance Sheets at January 30, 1999 and January 31, 1998.

Consolidated Statements of Earnings for the years ended January 30, 1999, January 31, 1998 and February 1, 1997.

Consolidated Statements of Stockholders' Equity for the years ended January 30, 1999, January 31, 1998, and February 1, 1997.

Consolidated Statements of Cash Flows for the years ended January 30, 1999, January 31, 1998 and February 1, 1997.

Notes to Consolidated Financial Statements. Independent Auditors' Report.

2. List of Financial Statement Schedules.

Schedules are omitted because they are not required, not applicable, or shown in the financial statements or notes thereto which are contained in this Report.

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

Incorporated herein by reference to the list of Exhibits contained in the Exhibit Index which begins on page 35 of this Report.

(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 28, 1999 By: /s/Michael Balmuth
Michael Balmuth
Vice Chairman 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/Michael Balmuth Michael Balmuth	Vice Chairman and Chief Executive Officer	April 28, 1999
/s/M. Wilmore Melvin A. Wilmore	President, Chief Operating Officer and Director	April 28, 1999

/s/J. Call John G. Call	Senior Vice President, Chief Financial Officer, Principal Accounting Officer and Corporate Secretary	April 28, 1999
/s/Norman A. Ferber Norman A. Ferber	Chairman of the Board	April 28, 1999
/s/Lawrence M. Higby Lawrence M. Higby	Director	April 28, 1999
/s/Stuart G. Moldaw Stuart G. Moldaw	Chairman Emeritus and Director	April 28, 1999
/s/G. Orban George P. Orban	Director	April 28, 1999
/s/Philip Schlein Philip Schlein	Director	April 28, 1999
/s/Donald H. Seiler Donald H. Seiler	Director	April 28, 1999
/s/D. L. Weaver Donna L. Weaver	Director	April 28, 1999

INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Corrected First Restated Certificate of Incorporation of Ross Stores, Inc. ("Ross Stores"), dated and filed with the Delaware Secretary of State on March 17, 1999.
3.2	Amended By-laws, dated August 25, 1994, incorporated by reference to Exhibit 3.2 to the Form 10-Q filed by Ross Stores for its quarter ended July 30, 1994.
10.1	Credit Agreement, dated September 15, 1997, among Ross Stores, Bank of America, National Trust and Savings Association ("Bank of America") as Agent and the other financial institutions party thereto, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores for its quarter ended November 1, 1997.
10.2	Letter of Credit Agreement, dated September 15, 1997, between Ross Stores and Bank of America, incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores for its quarter ended November 1, 1997.
10.3	Amendment to Credit Agreement, dated October 7, 1997, between Ross Stores and Bank of America, incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by Ross Stores for its quarter ended November 1, 1997.
10.4	Second Amendment to Credit Agreement, dated January 30, 1998, between Ross Stores and Bank of America, incorporated by reference to Exhibit 10.5 to the Form 10-K filed by Ross Stores for the fiscal year ended January 31, 1998.
	MANAGEMENT CONTRACTS AND COMPENSATORY PLANS (EXHIBITS 10.5 - 10.36)
10.5	Amended and Restated 1992 Stock Option Plan, incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores for its quarter ended August 1 1998.

- 10.6 Third Amended and Restated Ross Stores Employee Stock Purchase Plan.
- 10.7 Third Amended and Restated Ross Stores 1988 Restricted Stock Plan.
- 10.8 Amended and Restated 1991 Outside Directors Stock Option Plan.
- 10.9 Ross Stores Executive Medical Plan.
- 10.10 Ross Stores Executive Dental Plan. Third 10.11 Third Amended and Restated Ross Stores Executive Supplemental Retirement Plan, incorporated by reference to Exhibit 10.14 to the Form 10-K filed by Ross Stores for the fiscal year ended January 29, 1994.
- 10.12 Ross Stores Second Amended and Restated Non-Qualified Deferred Compensation Plan.
- 10.13 Ross Stores Incentive Compensation Plan.
- 10.14 Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of June 1, 1995, incorporated by reference to Exhibit 10.17 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.15 Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, entered into July 29, 1996, incorporated by reference to Exhibit 10.17 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.

Exhibit
Number

Exhibit

- 10.16 Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber effective as of March 20, 1997, incorporated by reference to Exhibit 10.19 to the Form 10-Q filed by Ross Stores for its quarter ended May 3, 1997.
- 10.17 Third Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of April 15, 1997, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended May 3, 1997.
- 10.18 Fourth Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of November 20, 1997, incorporated by reference to Exhibit 10.18 to the Form 10-K filed by Ross Stores for its fiscal year ended January 31, 1998.
- 10.19 Fifth Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of December 16, 1998.
- 10.20 Employment Agreement between Ross Stores and Melvin A. Wilmore, effective as of March 15, 1994, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended April 30, 1994.
- 10.21 Amendment to Employment and Stock Grant Agreement by and between Ross Stores and Melvin A. Wilmore, effective as of March 16, 1995, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.22 Second Amendment to Employment Agreement by and between Ross

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

- 10.23 Third Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, entered into July 29, 1996, incorporated by reference to Exhibit 10.22 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
- 10.24 Fourth Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, entered into May 19, 1997, incorporated by reference to Exhibit 10.25 to the Form 10-Q filed by Ross Stores for its quarter ended August 2, 1997.
- 10.25 Fifth Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, entered into June 29, 1998, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores for its quarter ended August 1, 1998.
- 10.26 Employment Agreement between Ross Stores and Michael Balmuth, effective as of February 3, 1999.
- 10.27 Employment Agreement between Ross Stores and Barry S. Gluck, effective as of March 1, 1996, incorporated by reference to Exhibit 10.23 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
- 10.28 First Amendment to Employment Agreement between Ross Stores and Barry S. Gluck, dated September 1, 1996, incorporated by reference to Exhibit 10.28 to the Form 10-Q filed by Ross Stores for its quarter ended November 2, 1996.
- 10.29 Second Amendment to Employment Agreement between Ross Stores and Barry S. Gluck, dated March 1, 1998, incorporated by reference to Exhibit 10.30 to the Form 10-Q filed by Ross Stores for its quarter ended May 2, 1998.

Exhibit
Number

Exhibit

- 10.30 Employment Agreement between Ross Stores and Irene A. Jamieson, effective as of March 1, 1996, incorporated by reference to Exhibit 10.24 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
- 10.31 First Amendment to Employment Agreement between Ross Stores and Irene A. Jamieson, dated September 1, 1996, incorporated by reference to Exhibit 10.30 to the Form 10-Q filed by Ross Stores for its quarter ended November 2, 1996.
- 10.32 Second Amendment to Employment Agreement between Ross Stores and Irene A. Jamieson dated March 1, 1998, incorporated by reference to Exhibit 10.33 to the Form 10-Q filed by Ross Stores for its quarter ended May 2, 1998.
- 10.33 Employment Agreement between Ross Stores and Barbara Levy, effective as of March 1, 1996, incorporated by reference to Exhibit 10.25 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
- 10.34 First Amendment to Employment Agreement between Ross Stores and Barbara Levy, dated September 1, 1996, incorporated by reference to Exhibit 10.32 to the Form 10-Q filed by Ross Stores for its quarter ended November 2, 1996.
- 10.35 Second Amendment to Employment Agreement between Ross Stores and

Barbara Levy, dated March 1, 1998, incorporated by reference to Exhibit 10.36 to the Form 10-Q filed by Ross Stores for its quarter ended May 2, 1998.

- 10.36 Consulting Agreement between Ross Stores and Stuart G. Moldaw, effective as of April 1, 1997, incorporated by reference to Exhibit 10.34 to the Form 10-Q filed by Ross Stores for its quarter ended May 3, 1997.
- 23 Independent Auditors' Consent.
- 27 Financial Data Schedules (submitted for SEC use only).

CORRECTED FIRST RESTATED CERTIFICATE OF INCORPORATION
OF
ROSS STORES, INC.
FILED IN THE OFFICE OF
THE SECRETARY OF STATE OF DELAWARE
ON JUNE 4, 1998

ROSS STORES, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

1. The name of the corporation is ROSS STORES, INC.
2. That a First Restated Certificate of Incorporation of Ross Stores, Inc. (The "Restated Certificate"), was filed by the Secretary of State of Delaware on June 4, 1998 and that said Restated Certificate requires correction as permitted by Section 103 of the General Corporation Law of the State of Delaware.
3. The inaccuracy or defect of said Restated Certificate to be corrected is as follows:

Paragraph (2), Section A of Article FOURTH is deleted and replaced in its entirety by the following:

"(2) one hundred seventy million (170,000,000) shares of Common Stock, par value one cent (\$.01) per share (the "Common Stock")."

CORRECTED FIRST RESTATED
CERTIFICATE OF INCORPORATION
OF
ROSS STORES, INC.

Pursuant to Sections 242 and 245
of the General Corporation Law of
The State of Delaware

Pursuant to Section 242 of the General Corporation Law of the State of Delaware, Susan L. Thorner, Director, Corporate Affairs and Assistant Secretary of Ross Stores, Inc. (hereinafter called the "Corporation"), organized and existing under the General Corporation Law of the State of Delaware (originally incorporated pursuant to a Certificate of Incorporation filed with

the Delaware Secretary of State on March 29, 1989), in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That (a) the Board of Directors on March 19, 1998 duly adopted a resolution pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware proposing that this First Restated Certificate of Incorporation (the "Restated Certificate") be approved and declaring the adoption of such Restated Certificate to be advisable; and (b) the stockholders of the Corporation duly approved the amendment reflected in this Restated Certificate at the Corporation's 1998 Annual Stockholders Meeting in accordance with Section 242 of the General Corporation Law of the State of Delaware. In accordance therewith, the Certificate of Incorporation of the Corporation is hereby amended and restated in its entirety so that the same shall read as follows:

FIRST: The name of the corporation is Ross Stores, Inc.

SECOND: The address of the registered office of the Corporation in the State of Delaware is Incorporating Services Ltd., 410 South State Street, in the City of Dover, County of Kent. The name of the registered agent at that address is Incorporating Services, Ltd.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware.

FOURTH:

A. CAPITALIZATION. The total number of shares of all classes of stock which the Corporation shall have authority to issue is one hundred seventy-four million (174,000,000), consisting of:

(1) four million (4,000,000) shares of Preferred Stock, par value one cent (\$.01) per share (the "Preferred Stock"); and

(2) one hundred seventy million (170,000,000) shares of Common Stock, par value one cent (\$.01) per share (the "Common Stock").

B. SERIES OF PREFERRED STOCK. The Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences, and rights of the shares of each such series and any qualifications, limitation or restrictions thereof. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the certificate or certificates establishing the series of Preferred Stock.

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FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitations and regulation of the powers of the Corporation, and of its directors and stockholders:

A. POWERS OF DIRECTORS. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by Statute or by this Certificate of Incorporation or the Bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. BALLOT UNNECESSARY. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

C. STOCKHOLDERS MUST MEET TO ACT. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

D. CALL OF SPECIAL MEETING OF STOCKHOLDERS. Special meetings of stockholders of the Corporation may be called only (1) by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption) or (2) by the holders of not less than ten percent (10%) of all of the shares entitled to cast votes at the meeting. The procedure for calling a special meeting of stockholders will be as set forth in this Certificate of Incorporation or the Bylaws.

SIXTH:

A. NUMBER OF DIRECTORS. The number of directors shall initially be nine and, thereafter, shall be fixed from time to time exclusively by the

Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption).

B. CLASSIFICATION OF DIRECTORS. The directors shall be divided into three classes, as nearly equal in number as reasonably possible, with the term of office of the first class to expire at the 1990 annual meeting of stockholders, the term of office of the second class to expire at the 1991 annual meeting of stockholders and the term of office of the third class to expire at the 1992 annual meeting of stockholders. At each annual meeting of stockholders following such initial classification and election, directors shall be elected to succeed those director whose terms expire for a term of office to expire at the third succeeding annual meeting of stockholders after their election. All directors shall hold office until the expiration of the term for which elected, and until their respective successors are elected, except in the case of the death, resignation, or removal of any director.

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

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

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

EIGHTH: The vote of the stockholders of the Corporation which shall be required to approve any Business Combination (as hereinafter defined) shall be as set forth in this Article EIGHTH.

A. VOTE REQUIRED FOR CERTAIN BUSINESS COMBINATIONS. In addition to any affirmative vote required by law, any other provision of this Certificate of Incorporation or otherwise, and except as otherwise expressly provided in paragraph (2) of this Article EIGHTH, none of the following transactions shall be consummated unless and until such transaction shall have been approved by (i) the affirmative vote of the holders of at least 66-2/3 percent of the combined voting power of the outstanding shares of stock of all classes and series of the Corporation entitled to vote generally in the election of directors ("Capital Stock") and (ii) the affirmative vote of the holders of at least that percent of the Capital Stock equal to the sum of the percent of the Capital Stock held by an Interested Stockholder (as hereinafter defined) plus one share more than one half of the Capital Stock other than shares held by such

Interested Stockholder:

(1) any merger or consolidation of the Corporation or any material Subsidiary (as hereinafter defined) with or into (i) any corporation which is an

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Interested Stockholder or (ii) any other corporation which is or after such merger or consolidation would be an Interested Stockholder; or

(2) any sale, License (as hereinafter defined), lease, exchange, mortgage, pledge, transfer or other disposition (whether in one transaction or a series of transactions) to or with any Interested Stockholder of any material asset or assets of the Corporation; or

(3) the issuance or transfer by the Corporation or any Subsidiary (whether in one transaction or a series of transactions) to an Interested Stockholder of any securities of the Corporation or any Subsidiary in exchange for cash, securities or other property (or a combination thereof) having an aggregate fair market value of \$5,000,000 million or more; or

(4) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation or any material Subsidiary; or

(5) any reclassification of any securities of the Corporation (including any reverse stock split), any recapitalization of the Corporation, any merger or consolidation of the Corporation with or into any of its Subsidiaries, or any other transaction (whether or not with or involving any Interested Stockholder), which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of stock or series thereof of the Corporation or of any Subsidiary directly or indirectly Beneficially Owned (as hereinafter defined) by any Interested Stockholder or as a result of which the stockholders of the Corporation would cease to be stockholders of a corporation having, as part of its certificate of incorporation, provisions to the same effect as this Article EIGHTH and the provisions of Article ELEVENTH hereof relating to amendments or changes to this Article EIGHTH.

The terms "Business Combination" as used in this Article EIGHTH shall mean any transaction or proposed transaction which is referred to in any one or more of the foregoing subparagraphs (1) through (5) of this paragraph A of this Article EIGHTH.

B. EXCEPTION IF DISINTERESTED DIRECTORS APPROVE. The provisions of Paragraph A of this Article EIGHTH shall not be applicable to any particular Business Combination, and such Business Combination shall require only such vote, if any, as is required by law and other Articles hereof or any agreement between the Corporation and any national securities exchange or otherwise, if such Business Combination shall have been approved by a majority of the Disinterested Directors (as hereinafter defined) or, in the case of a License, approved by a majority of the Disinterested Directors or a committee of Disinterested Directors designated by the Board of Directors.

C. CERTAIN DEFINITIONS. For the purpose of this Article EIGHTH:

(1) An "Affiliate" of a person shall mean any person who, directly or indirectly, controls, is controlled by or is under common control with such person.

(2) An "Associate" shall mean:

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(i) with respect to a corporation or association, any officer or director thereof or of a subsidiary thereof;

(ii) with respect to a partnership, any general

partner thereof or any limited partner thereof having a 10 percent ownership interest in such partnership;

(iii) with respect to a business trust, any officer or trustee thereof or of any subsidiary thereof;

(iv) with respect to any other trust or an estate, any trustee, executor or similar fiduciary and any person who has a substantial interest as a beneficiary of such trust or estate;

(v) with respect to a natural person, the spouses and children thereof and any other relative thereof or of the spouse thereof who has the same home; and

(vi) any Affiliate of any such person.

(3) A person shall be a "Beneficial Owner" of, or have "Beneficial Ownership" of or "Beneficially Own," any Capital Stock over which such person or any of its Affiliates or Associates, directly or indirectly, through any contract, arrangement, understanding or relationship, has or shares or, upon the exercise of any conversion right, exchange right, warrant, option or similar interest (whether or not then exercisable), would have or share either

(i) voting power (including the power to vote or to direct the voting) of such security or

(ii) investment power (including the power to dispose or direct the disposition) of such security. For the purposes of determining whether a person is an Interested Stockholder, the number of shares of Capital Stock deemed to be outstanding shall include any shares Beneficially Owned by such person even though not actually outstanding, but shall not include any other shares of Capital Stock which are not outstanding but which may be issuable to other persons pursuant to any agreement, arrangement, or understanding, or upon exercise of any conversion right, exchange right, warrant, option or similar interest.

(4) "Disinterested Director" shall mean any member of the Board of Directors of the Corporation who is not an Affiliate or Associate of, and was not directly or indirectly a nominee of, any Interested Stockholder involved in such Business Combination or any Affiliate or Associate of such Interested Stockholder and who (i) was a member of the Board of Directors on May 25, 1989; or (ii) was a member of the Board of Directors prior to the time that such Interested Stockholder became an Interested Stockholder; or (iii) was a member of the Board of Directors nominated by a majority of the Disinterested Directors

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on the Board of Directors at the time of his or her nomination to fill a vacancy on the Board of Directors created by the death, resignation or removal of a Disinterested Director. Any reference to "Disinterested Directors" shall refer to a single Disinterested Director if there is only one. Any reference to an approval, designation or determination by a majority of the Disinterested Directors shall mean such approval, designation or determination by a committee of the Board of Directors comprised of all Disinterested Directors and exercising its authority as a committee of the Board to the extent permissible by law.

(5) "Interested Stockholder" shall mean any person, other than the Corporation, any Subsidiary or any employee benefit plan of the Corporation or any Subsidiary, who or which:

(i) is the Beneficial Owner, directly or indirectly, of shares of Capital Stock which are entitled to cast 5 percent or more of the total votes which all the then outstanding shares of Capital Stock are entitled to cast in the election of directors or is an Affiliate or Associate of any such person; and

(ii) acts with any other person as a partnership, limited partnership, syndicate, or other group for the purpose of

acquiring, holding or disposing of securities of the Corporation, and such group is the Beneficial Owner, directly or indirectly, of shares of Capital Stock which are entitled to cast 5 percent or more of the total votes which all of the then outstanding shares of Capital Stock are entitled to cast in the election of directors;

and any reference to a particular Interested Stockholder involved in a Business Combination shall also refer to any Affiliate or Associate thereof, any predecessor thereto and any other person acting as a member of a partnership, limited partnership, syndicate or group with such particular Interested Stockholder within the meaning of the foregoing clause (ii) of this subparagraph (5).

(6) "License" shall mean a material license which is not granted in standard commercial transactions and is not generally available to commercial customers of the Corporation.

(7) A "person" shall mean any individual, firm, corporation (which shall include a business trust), partnership, joint venture, trust or estate, association or other entity.

(8) "Subsidiary" shall mean any corporation or partnership of which a majority of any class of its equity securities is owned, directly or indirectly, by the Corporation.

D. DISINTERESTED DIRECTORS DETERMINE APPLICABILITY. A majority of the Disinterested Directors shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article EIGHTH, including, without limitation (i) whether a person

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is an Interested Stockholder, (ii) the number of shares of Capital Stock Beneficially Owned by any person, (iii) whether a person is an Affiliate or Associate of another person, (iv) whether the requirements of paragraph B of this Article EIGHTH have been met with respect to any Business Combination, and (v) whether two or more transactions constitute a "series of transactions" for purposes of paragraph A of this Article EIGHTH. The good faith determination of a majority of the Disinterested Directors on such matters shall be conclusive and binding for all purposes of this Article EIGHTH.

E. Nothing contained in this Article EIGHTH shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

NINTH: BOARD DISCRETION REGARDING CERTAIN TRANSACTIONS. The Board of Directors of the Corporation (the "Board"), when evaluating any offer of another party, (a) to make a tender or exchange offer for any Capital Stock of the Corporation (as defined in Article EIGHTH) or (b) to effect any merger, consolidation, or sale of all or substantially all of the assets of the Corporation, shall, in connection with the exercise of its judgment in determining what is in the best interests of the Corporation as a whole, be authorized to give due consideration to such factors as the Board determines to be relevant, including, without limitation:

(i) the interests of the Corporation's stockholders;

(ii) whether the proposed transaction might violate federal or state laws;

(iii) not only the consideration being offered in the proposed transaction, in relation to the then current market price for the outstanding capital stock of the Corporation, but also to the market price for the capital stock of the Corporation over a period of years, the estimated price that might be achieved in a negotiated sale of the Corporation as a whole or in part or through orderly liquidation, the premiums over market price for the securities of other corporations in similar transactions, current political, economic and other factors bearing

on securities prices and the Corporation's financial condition and future prospects; and

(iv) the social, legal and economic effects upon employees, suppliers, customers and others having similar relationships with the Corporation, and the communities in which the Corporation conducts its business.

In connection with any such evaluation, the Board is authorized to conduct such investigations and to engage in such legal proceedings as the Board may determine.

TENTH: ELIMINATION OF MONETARY LIABILITY. The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent permissible under Delaware law.

Any repeal or modification of the foregoing provisions of this Article TENTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

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ELEVENTH: FUTURE AMENDMENTS. The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that, notwithstanding any other provision of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least 66 2/3 percent of the combined voting power of the outstanding shares of stock of all classes and series of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, repeal or adopt any provision inconsistent with Article FIFTH (except Section D thereof), SIXTH (except Section D thereof), SEVENTH, EIGHTH, NINTH, TENTH or this Article ELEVENTH.

IN WITNESS WHEREOF, the Corporation has caused this Corrected First Restated Certificate of Incorporation to be signed by its Assistant Secretary this 17th day of March, 1999, to be effective as of the original date of filing of the Restated Certificate.

ROSS STORES, INC., A DELAWARE CORPORATION

Susan L. Thorner
Director, Corporate Affairs and Assistant
Secretary

(seal)

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THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS
COVERING SECURITIES THAT HAVE BEEN
REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED

THIRD AMENDED AND RESTATED
ROSS STORES, INC.
EMPLOYEE STOCK PURCHASE PLAN

This memorandum contains information regarding the Third Amended and Restated Ross Stores, Inc. Employee Stock Purchase Plan (the "Plan"), pursuant to which shares of the Common Stock of Ross Stores, Inc. ("Ross") may be issued to certain employees of Ross and any current or future parent or subsidiary corporation of Ross (hereinafter collectively referred to as the "Company"). The maximum number of shares which may be issued under the Plan is 2,000,000 shares of the Common Stock of Ross (the "Shares").

The Company will provide without charge to each person to whom a copy of this memorandum is delivered, upon written or oral request, copies of the documents that have been incorporated by reference in the Company's Registration Statement by which the securities described in this memorandum are registered (not including exhibits to the documents that are incorporated by reference unless such exhibits are specifically incorporated by reference into the documents that the Registration Statement incorporates). This information is also incorporated by reference in this memorandum. The Company also will provide without charge to each person to whom a copy of this memorandum is delivered, upon written or oral request, an additional copy of this memorandum, a copy of the Company's annual report to security holders for its latest fiscal year and a copy of all reports, proxy statements and other communications distributed to its security holders for its latest fiscal year and a copy of all reports, proxy statements and other communications distributed to its security holders generally. Such requests should be directed to Investor Relations Department, Ross Stores, Inc., 8333 Central Avenue, Newark, California 94560-3433, (510) 505-4400.

July 28, 1995

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A GENERAL PLAN INFORMATION

The Plan provides for the purchase of shares of the Common Stock of Ross by employees of the Company through payroll deductions. The purpose of the Plan is to provide eligible employees of the Company with an opportunity to acquire a proprietary interest in the Company. It is intended that the Plan qualify as an "employee stock purchase plan" under section 423 of the Internal Revenue Code of 1986, as amended (the "Code").

The original version of the Plan, adopted by the Board of Directors of Ross (the "Board") on March 14, 1988 and approved by the stockholders of the Company on May 27, 1988, authorized the issuance of up to 300,000 shares of the Common Stock of Ross under the Plan. The Plan was amended and restated by the Board on May 25, 1989 and again on March 18, 1991. Such amendments were approved by the stockholders of the Company on May 25, 1989, and on May 31, respectively. On March 16, 1992, the Board amended the Plan to increase the share reserve to 600,000 shares. This amendment was approved by the stockholders of the Company on May 28, 1992. On March 16, 1995, the Board amended the Plan to increase the share reserve to 1,000,000 shares. This most recent amendment was approved by the stockholders of the Company on May 25, 1995. As a result of a 100% stock dividend paid on March 5, 1997, the maximum aggregate number of shares issuable under the Plan was adjusted pro rata to 2,000,000. The Plan will continue until terminated by the Board or until all of the Shares reserved for issuance under the Plan have been issued, whichever occurs first.

An employee participating in the Plan (a "Participant") may withdraw his or her accumulated payroll deductions therein at any time during an Offering Period (as defined below). Accordingly, each Participant is, in effect, granted an option pursuant to the Plan (an "Option") which may or may not be exercised at the end of an Offering Period.

The following is a summary of the provisions of the Plan. Should any inconsistency exist between the description of the Plan in this Memorandum and the terms of the Plan, the terms of the Plan will control.

B PLAN ADMINISTRATION

The Plan is administered by the Board and/or by a management committee duly appointed by the Board having such powers as specified by the Board. Any subsequent references to the Board will also mean the committee if it has been appointed. All questions of interpretation of the Plan will be determined by the Board, and its decisions will be final and binding upon all persons having an interest in the Plan.

Members of the Board are elected for three-year terms. The directors are divided into three classes, with one class elected at each annual meeting of stockholders. All directors will hold office until the expiration of the term for which elected and until their successors are elected and qualified or until their earlier death, resignation or removal from office. The entire Board or any

individual director may be removed from office, prior to the expiration of their or his or her term of office, only in the manner and within the limitations provided by the charter documents of the Company and the General Corporation Law of the State of Delaware. Communications to the Board may be addressed to the Company's principal executive offices at 8333 Central Avenue, Newark, California 94560-3433.

C. ELIGIBILITY

Any employee of the Company is eligible to participate in the Plan except the following:

(1) employees who are customarily employed by the Company for less than 20 hours per week;

(2) employees who have not completed six months of continuous employment with the Company as of the commencement of an Offering Period (as defined below);

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(3) employees whose customary employment is for not more than five months in any calendar year; and

(4) employees who own or hold options to purchase or who, as a result of participation in the Plan, would own or hold options to purchase, stock possessing 5% or more of the total combined voting power or value of all classes of the Company within the meaning of section 423(b)(3) of the Code.

D. PURCHASE OF SHARES PURSUANT TO THE PLAN

(1) OFFERING PERIODS The Plan is implemented by two separate series of offerings (any one of which is referred to as an "Offering"). One series involves sequential Offerings of twelve months duration (an "Annual Offering Period"). An Annual Offering Period commences on January 1 of each year and ends on December 31 of the same year. The second series involves Offerings of six months duration (a "Half-Year Offering Period"). A Half-Year Offering Period commences on July 1 of each year and ends on December 31 of the same year. An employee is eligible to participate in a given Half-Year Offering Period only if (a) the employee satisfies the eligibility requirements set forth above prior to or as of the beginning of such Half-Year Offering Period, and (b) the employee is not participating in the Annual Offering Period for that calendar year (due to ineligibility or an election not to participate in such Annual Offering Period.) Unless otherwise specified, the term "Offering Period" refers to either an Annual Offering Period or a Half-Year Offering Period. The Board may establish a different term for one or more Offerings and/or different commencing and/or ending dates for such Offerings. An employee who becomes eligible to participate in the Plan after an Offering Period has commenced will not be eligible to participate in such Offering but may participate in any subsequent Offering provided the employee is still eligible to participate in the Plan as of the commencement of such subsequent Offering. The first day of an Offering Period is the "Offering Date" for such Offering Period. In the event the first and/or last day of an Offering Period is not a business day, the Company will specify the business day that will be deemed the first or last day, as the case may be, of the Offering Period.

(2) PARTICIPATION IN THE PLAN.

(a) INITIAL PARTICIPATION. An eligible employee may become a Participant on the first Offering Date after satisfying the eligibility requirements set forth above by delivering a subscription agreement authorizing payroll deductions to the Company's payroll office not later than the "Enrollment Date" established by the Company. An eligible employee who does not deliver a subscription agreement to the Company's payroll office prior to the applicable Enrollment Date for the first Offering Period after becoming eligible to participate in the Plan will not participate in the Plan for that Offering Period or for any subsequent Offering Period unless the employee subsequently enrolls in the Plan by filing a subscription agreement with the payroll office prior to the applicable Enrollment Date for the subsequent Offering Period.

(b) AUTOMATIC CONTINUED PARTICIPATION. Subject to satisfying the eligibility requirements for a particular Offering Period, a Participant automatically participates in each succeeding Annual Offering Period

until the Participant withdraws from the Plan or terminates employment with the Company. The Participant is not required to file any additional subscription agreements for subsequent Annual Offering Periods in order to continue participation in the Plan.

(3) RIGHT TO PURCHASE SHARES. Except as set forth below, as of the Offering Date for an Annual Offering Period, each Participant in such Offering Period will be granted an Option consisting of the right to purchase that number of whole Shares arrived at by dividing \$25,000 by 100% of the fair market value of the Shares on the Offering Date, and, as of the Offering Date for a Half-Year Offering Period, each Participant in such Offering Period will be granted an Option consisting of the right to purchase that number of whole Shares arrived at by dividing \$12,500 by 100% of the fair market value of the Shares on the Offering Date.

(4) PURCHASE PRICE. The purchase price at which Shares may be acquired in an Offering will be set by the Board. Unless otherwise provided by the Board prior to the commencement of an Offering Period, the purchase price will be 85% of the lesser of (a) the fair market value of the Shares on the Offering Date or (b) the fair market value of the Shares on the last day of the Offering Period.

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(5) PURCHASE OF SHARES.

(a) PURCHASE. On the last day of an Offering Period, each Participant who has not withdrawn from the Offering or the Plan or whose participation in the Offering has not terminated on or before such last day will automatically acquire the number of whole Shares arrived at by dividing the total amount of the Participant's accumulated payroll deductions for the Offering by the purchase price. However, the number of Shares purchased by the Participant may not exceed the number of Shares subject to the Participant's Option determined under paragraph D(3) above. No Shares will be purchased on behalf of a Participant who has withdrawn from the Offering or whose participation in the Offering or the Plan has terminated on or before the last day of the Offering Period. Any portion of a Participant's Option remaining unexercised after the end of the Offering Period to which it relates will expire immediately upon the end of such Offering Period.

(b) REFUNDS OF EXCESS CASH AMOUNTS. Any cash balance remaining in the Participant's account will be refunded to the Participant as soon as practical after the last day of the Offering Period. In the event the cash to be returned to a Participant is an amount less than the amount necessary to purchase a whole Share, the Company may establish procedures whereby such cash is maintained in the Participant's account and applied toward the purchase of Shares in the subsequent Offering.

(c) FAIR MARKET VALUE LIMITATION. No Participant will be entitled to purchase Shares under the Plan at a rate which exceeds \$25,000 in fair market value, determined as of the Offering Date (or such other limit as may be imposed by the Code), for each calendar year in which the Participant participates in the Plan.

(d) PRO RATA ALLOCATION. If the number of Shares which might be purchased by all Participants in the Plan exceeds the number of Shares available in the Plan, the Company will make a PRO RATA allocation of the remaining Shares in as uniform a manner as practicable and as the Company determines to be equitable.

(6) RIGHTS AS A STOCKHOLDER AND EMPLOYEE. A Participant will have no rights as a stockholder by virtue of the Participant's participation in the Plan until stock certificate(s) for the Shares being purchased pursuant to the exercise of the Participant's Option are issued. No adjustment will be made for dividends or distributions or other rights for which the record date is prior to the date such stock certificate(s) are issued. Nothing contained in the Plan will confer upon a Participant any right to continue in the employ of the Company or interfere in any way with any right of the Company to terminate the Participant's employment at any time.

E. PAYMENT FOR SHARES

(1) ACCUMULATION OF PAYROLL DEDUCTIONS. Shares acquired under the Plan may be paid for only by means of payroll deductions accumulated during the Offering Period. Except as set forth below, the amount to be withheld from a Participant's Compensation during each pay period will be determined by the Participant's subscription agreement. For purposes of the Plan, a Participant's "Compensation" includes all amounts paid in cash during an Offering Period and includable as "wages" subject to tax under section 3101(a) of the Code without applying the dollar limitation of section 3121(a) of the Code. However, "Compensation" will not include amounts paid as annual bonuses under the Company's Management Incentive Compensation Program. Accordingly, "Compensation" includes salaries, commissions, overtime and bonuses, other than bonuses paid as annual bonuses under the Company's Management Incentive Compensation Program. "Compensation" will not include reimbursements of expenses, allowances, or any amount deemed received without the actual transfer of cash or any amounts directly or indirectly paid pursuant to the Plan or any other stock purchase or stock option plan. Payroll deductions will commence on the first pay day following the Offering Date and will continue to the end of the Offering Period unless sooner altered or terminated as provided in the Plan.

(2) ELECTION TO DECREASE PAYROLL DEDUCTION RATE. During an Offering Period, a Participant may elect to decrease (but not increase) the amount withheld from his or her Compensation by filing an amended subscription agreement with the Company on or before the "Change Notice Date." Unless changed by the

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Company, the "Change Notice Date" is the seventh day prior to the end of the first pay period for which such election is to be effective.

(3) LIMITATION ON PAYROLL WITHHOLDING. Payroll withholding under the Plan may not exceed 10% of a Participant's Compensation during any pay period.

(4) ADDITIONAL LIMITATIONS. The Company may, from time to time establish (i) a minimum required withholding amount for participation in any Offering which shall not exceed one percent of the Participant's Compensation, (ii) limitations on the frequency and/or number of changes in the amount withheld during an Offering, (iii) an exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, and/or (iv) such other limitations or procedures as deemed advisable by the Company in the Company's sole discretion which are consistent with the Plan and in accordance with the requirements of section 423 of the Code.

(5) TAX WITHHOLDING. At the time the Option is exercised, in whole or in part, or at the time some or all of the Shares are disposed of, the Company may withhold from the Participant's Compensation the amount necessary to make adequate provision for federal and state tax withholding obligations of the Company, if any, which arise upon exercise of the Option or disposition of Shares, respectively.

(6) INDIVIDUAL ACCOUNTS. Individual accounts will be maintained for each Participant. All payroll deductions from a Participant's Compensation will be credited to his or her account and will be deposited with the general funds of the Company. All payroll deductions received or held by the Company may be used by the Company for any corporate purpose. Interest will not be paid on sums withheld from a Participant's Compensation.

(7) REPORTS. Each Participant who exercised all or part of his or her Option for an Offering Period will receive after the end of the Offering Period a report of the Participant's account setting forth the total payroll deductions accumulated, the number of Shares purchased and the remaining cash balance to be refunded or retained in the Participant's account, if any.

F. WITHDRAWAL

(1) WITHDRAWAL FROM AN OFFERING. A Participant may withdraw from an Offering by signing and delivering to the Company's payroll office a written notice of withdrawal on a form provided by the Company for such purpose. Such withdrawal may be elected at any time prior to the end of an Offering Period. Unless otherwise indicated, withdrawal from an Offering will not result in a withdrawal from the Plan or any succeeding Offering Period. A Participant

is prohibited from again participating in an Offering after withdrawing from such Offering at any time.

(2) RETURN OF PAYROLL DEDUCTIONS. Upon withdrawal from an Offering, a Participant's accumulated payroll deductions will be returned to the Participant as soon as practicable after the withdrawal, without the payment of any interest, and all of the Participant's rights in the Offering will terminate. Such accumulated payroll deductions may not be applied to any other Offering under the Plan.

(3) WITHDRAWAL FROM THE PLAN. A Participant may withdraw from the Plan by signing a written notice of withdrawal on a form provided by the Company for such purpose and delivering the notice to the Company's payroll office. A Participant who elects to withdraw from the Plan may not resume participation in the Plan during the same Offering Period, but may participate in any subsequent Offering under the Plan by filing a new subscription agreement in the same manner as set forth above for initial participation in the Plan.

G. TERMINATION OF EMPLOYMENT

Termination of a Participant's employment with the Company for any reason, including retirement or death or the failure of a Participant to remain an employee eligible to participate in the Plan, will terminate the Participant's participation in the Plan immediately. In such event, the payroll deductions credited to the Participant's account will be returned to the Participant or, in the case of the Participant's death, to the Participant's legal

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representative, and all of the Participant's rights under the Plan will terminate. No interest will be paid on sums returned to a Participant.

H. NONTRANSFERABILITY

An Option may not be transferred in any manner other than by will or the laws of descent and distribution, and will be exercisable during the lifetime of a Participant only by the Participant.

I. CAPITAL CHANGES

In the event of changes in the Common Stock of the Company due to a stock split, reverse stock split, stock dividend, combination, reclassification, or like change in the Company's capitalization, or in the event of a merger, sale, or any other reorganization, appropriate adjustments will be made by the Company in the shares of stock subject to purchase and in the purchase price per share.

J. AMENDMENT OR TERMINATION OF THE PLAN

The Board may at any time amend or terminate the Plan, except that the termination of the Plan cannot affect any Option previously granted under the Plan, nor may any amendment to the Plan make any change in an Option previously granted under the Plan which would adversely affect the right of any Participant (except as may be necessary to qualify the Plan as an employee stock purchase plan pursuant to section 423 of the Code). No amendment may be made without approval of the stockholders of the Company within twelve months of the adoption of such amendment if such amendment would authorize the sale of more Shares than are authorized for issuance under the Plan or would change the designation of corporations whose employees may be offered Options under the Plan.

K. ERISA AND INTERNAL REVENUE CODE SECTION 401

The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, and is not qualified under section 401(a) of the Code.

L. FEDERAL INCOME TAX INFORMATION

The Plan is intended to be an "employee stock purchase plan" as defined in section 423 of the Code, and shall be construed in accordance with

this intention. The following summary is intended only as a general guide to the federal income tax consequences as of the date hereof with respect to participation in the Plan and does not attempt to describe all possible federal or other tax consequences of such participation. In addition, a Participant's particular situation may be such that some variation of the general rules is applicable.

PARTICIPANTS SHOULD CONSULT THEIR OWN TAX ADVISORS PRIOR TO PARTICIPATING IN THE PLAN AND PRIOR TO THE DISPOSITION OF ANY SHARES.

(1) TAX CONSEQUENCES TO PARTICIPANTS

(a) TAX CONSEQUENCES OF PARTICIPATING IN PLAN.

Generally, there are no tax consequences to an employee of either becoming a Participant in the Plan or purchasing Shares under the Plan.

(b) TAX CONSEQUENCES OF DISPOSITION OF SHARES. The tax consequences of a disposition of Shares vary depending on the period such stock is held before its disposition. If a Participant disposes of the Shares within two years of the Offering Date or within one year after the Shares are transferred to the Participant (a "disqualifying disposition"), the Participant recognizes ordinary income in the year of disposition in an amount equal to the amount by which the fair market value of the Shares on the last day of the Offering Period exceeded the purchase price. Such income may be subject to withholding of income and employment taxes. The amount of such ordinary income is added to the Participant's basis in the Shares and any additional gain or resulting

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loss recognized by the Participant from the disposition of the Shares after such basis adjustment is a capital gain or loss.

If the Participant disposes of Shares more than two years after the Offering Date and more than one year after the Shares are transferred to the Participant, the Participant recognizes ordinary income in the year of disposition in an amount equal to the lesser of (i) the amount by which the fair market value of the Shares on the date of disposition exceeded the purchase price or (ii) 15% of the fair market value of the Shares on the Offering Date. Such income may be subject to withholding of income and employment taxes. The amount of such ordinary income is added to the Participant's basis in the Shares, and any additional gain recognized by the Participant on the disposition of the Shares after such basis adjustment is a capital gain. If the fair market value of the Shares on the date of disposition is less than the purchase price, there is no ordinary income and the loss recognized is a capital loss.

(c) TAX CONSEQUENCES UPON DEATH. If the Participant owns the Shares at the time of the Participant's death, the lesser of (i) the amount by which the fair market value of the Shares on the date of death exceeded the purchase price or (ii) 15% of the fair market value of the Shares on the Offering Date is recognized as ordinary income in the year of the Participant's death.

(d) FAILURE TO SATISFY SECTION 423. If the exercise of an Option for some reason does not constitute an exercise pursuant to an "employee stock purchase plan" under section 423 of the Code, the exercise of the Option will be treated as the exercise of a nonqualified stock option. The Participant would therefore recognize ordinary income on the last day of the Offering Period equal to the excess of the fair market value of the Shares acquired over the purchase price. Such income is subject to withholding of income and employment taxes. Any gain or loss recognized on a subsequent sale of the Shares, as measured by the difference between the sales proceeds and the sum of (i) the purchase price for such Shares and (ii) the amount of ordinary income recognized on the exercise of the Option, will be treated as a capital gain or loss, as the case may be.

(e) CAPITAL GAINS. Upon a disposition of Shares, federal income tax law currently provides generally for a maximum tax rate of 28% on capital gain where the Participant's holding period is more than one year but not more than 18 months, and a maximum tax rate of 20% on capital gain where the Participant's holding period is more than 18 months. For Shares purchased after December 31, 2000, and held for more than 5 years, the maximum tax rate on

capital gain will be 18%.

(2) TAX CONSEQUENCES TO COMPANY. If the Participant disposes of the Shares in a disqualifying disposition (or acquires the Shares upon the exercise of a nonqualified stock option), the Company is entitled to a deduction equal to the amount of ordinary income recognized by the Participant as a result of the disposition (or exercise). In all other cases, no deduction is allowed the Company.

(3) OTHER TAXES. The above discussion is only a summary of certain aspects of the highly complex federal income tax rules applicable to a Participant in the Plan and does not deal with other taxes which may affect such an individual, such as state and local income taxes, federal and state estate, inheritance and gift taxes, and taxes of countries other than the United States of America. Each individual considering participation in the Plan should obtain and must rely on the advice of his or her own tax advisors with respect to such matters.

M. RESTRICTIONS ON RESALE FOR CERTAIN PERSONS

(1) RULE 144. Persons with the power to manage and direct the policies of the Company, relatives of any of the foregoing persons and trusts, estates, corporations, or other organizations controlled by any of the foregoing persons may be deemed to be "affiliates" of the Company. Affiliates generally will be obligated to resell their Shares in compliance with Rule 144 promulgated under the Securities Act of 1933, as amended (the "Securities Act"), which requires sales to be effected in "broker's transactions," as defined in such Rule, and limits the number of shares of stock which may be sold in any three-month period to no more than the greater of (i) 1% of the outstanding shares of the Common Stock of the Company or (ii) the average weekly reported volume of trading in shares of the Common Stock of the Company during the four calendar weeks preceding the filing of the required notice of the proposed sale. However, since the Shares issuable under the Plan have been registered under the

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Securities Act, affiliates reselling such Shares in compliance with Rule 144 are not subject to the two-year holding period requirement of Rule 144.

(2) SECTION 16(B). Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") permits the recovery by the Company of any profit realized by an officer, director, or greater than 10% stockholder of the Company (an "insider") from each purchase and subsequent sale, or sale and subsequent purchase, of shares of the common stock of the Company within any period of less than six months. The purchase of Shares is an exempt transaction for purposes of Section 16(b) as long as the Plan satisfies the requirements of Rule 16b-3 under the Exchange Act, which it currently does. Participants who are insiders should consult their own legal advisors prior to the disposition of shares of the common stock of the Company in order to ascertain the precise application of Section 16 of the Exchange Act to their particular situation.

(3) RULE 10B-5. All Participants are subject to Rule 10b-5 under the Exchange Act, which prohibits any person from engaging in fraudulent practices in connection with the purchase or sale of securities. This rule generally prohibits Participants from buying or selling the Company's securities using material information about the Company which has not yet been released to the public. Before buying or selling any stock of the Company and, in particular, before selling Shares acquired under the Plan, Participants should consult the Company regarding the applicability of any Company "trading window policies" prohibiting trading in the Company's stock by certain persons during specified periods of the year when material inside information is likely to be held by employees of the Company prior to its release to the public.

N. ADDITIONAL INFORMATION

Additional information about the Plan and the Plan administrators may be obtained from the Company at 8333 Central Avenue, Newark, California 94560-3433, (510) 505-4400.

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THIRD AMENDED AND RESTATED

ROSS STORES, INC.

1988 RESTRICTED STOCK PLAN

(As Amended March 19, 1996)

1. PURPOSE. The Ross Stores, Inc. 1988 Restricted Stock Plan (the "Initial Plan") was adopted on March 14, 1988. On March 17, 1989, the Initial Plan was amended and restated in its entirety (the "First Plan"). On March 18, 1991, the First Plan was amended and restated in its entirety (the "Second Plan"). The Second Plan is hereby amended and restated in its entirety (the "Plan"), effective March 16, 1992. The Plan is established to create additional incentive for key employees of Ross Stores, Inc. and any successor corporation thereto (collectively referred to as the "Company"), and any present or future parent and/or subsidiary corporations of such corporation (all of whom along with the Company being individually referred to as a "Participating Company" and collectively referred to as the "Participating Company Group") to promote the financial success and progress of the Participating Company Group. For purposes of the Plan, a parent corporation and a subsidiary corporation shall be as defined in sections 424(e) and 424(f) of the Internal Revenue Code of 1986, as amended (the "Code").

2. ADMINISTRATION. The Plan shall be administered by the Board of Directors of the Company (the "Board") and/or by a duly appointed committee of the Board having such powers as shall be specified by the Board. Any subsequent references to the Board shall also mean the committee if it has been appointed. All questions of interpretation of the Plan or of the provisions of the grant of shares under the Plan shall be determined by the Board, and such determinations shall be final and binding upon all persons having an interest in the Plan. Any officer of a Participating Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the officer has apparent authority with respect to such matter, right, obligation, or election.

3. ELIGIBILITY. All employees (including officers) of a Participating Company are eligible to participate in the Plan. The Board shall, in the Board's sole discretion, determine which individuals shall have the right to acquire shares under the Plan (the "Participants").

4. SHARE RESERVE. There shall be a share reserve of 3,650,000 shares of the common stock of the Company (the "Stock"). Such share reserve shall be reduced by the number of shares of Stock granted under the Plan. (In the event that any shares granted pursuant to the Plan are reacquired under the terms of the Plan by a Participating Company, the shares so reacquired shall be returned to the share reserve.) Appropriate adjustments shall be made in the number and class of shares of Stock in such share reserve in the event of a stock dividend, stock split, reverse stock split, combination, reclassification or like change in the capital structure of the Company.

5. COMPLIANCE WITH SECURITIES LAWS. Inability of the Company to obtain from any regulatory body having jurisdiction authority deemed by the Company's counsel to be necessary to the lawful issuance of any Stock hereunder shall relieve the Company of any liability in respect of the non-issuance of such Stock as to which such requisite authority shall not have been obtained.

6. STOCK GRANT. After the Board has granted a Participant shares of Stock under the Plan, the Company shall advise such Participant in writing of the terms, conditions and restrictions of the grant, including the number of shares of Stock which the Participant has been granted. The number of shares of Stock which a Participant may receive under the Plan shall be determined by the Board in its sole discretion. Subject to the provisions of paragraph 7 hereof, the grant shall be made in the form attached hereto as EXHIBIT A ("Stock Grant Agreement"). Notwithstanding any other provision of the Plan to the contrary, the Board may not require a Participant to make any monetary payment as a condition of receiving a grant under the Plan. Therefore, for purposes of Rule

16b-3(a)(1), the "price at which securities may be offered" shall be zero (0) dollars.

7. AUTHORITY TO VARY TERMS. The Board shall have the authority from time to time to vary the terms of the standard form of Stock Grant Agreement set forth as Exhibit A either in connection with a single grant or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of such revised or amended stock grant agreements shall be in accordance with the terms of the Plan.

8. PROVISION OF INFORMATION. Each Participant who receives a grant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders so long as the Participant retains ownership of such shares.

9. TERM. Unless otherwise terminated, the Plan shall continue until March 14, 1998.

10. TERMINATION OR AMENDMENT OF PLAN. The Board may terminate or amend the Plan at any time. In any event, no amendment may adversely affect any outstanding grant without the consent of the Participant. A grant shall be considered as outstanding as of the effective date of such grant as determined by the Board.

11. CONTINUATION OF INITIAL PLAN, FIRST PLAN AND SECOND PLAN. Notwithstanding any other provision of the Plan to the contrary, the terms of the Initial Plan, the First Plan and the Second Plan shall remain in effect and apply to grants made pursuant to the terms of the Initial Plan, the First Plan and the Second Plan.

ROSS STORES, INC.

1991 OUTSIDE DIRECTORS STOCK OPTION PLAN

(AS AMENDED MARCH 19, 1996)

1. PURPOSE. The Ross Stores, Inc. 1991 Outside Directors Stock Option Plan (the "Plan") is established effective as of March 18, 1991 (the "Effective Date") to create additional incentive for the non-employee directors of Ross Stores, Inc. and any successor corporation thereto (collectively referred to as the "Company"), to promote the financial success and progress of the Company.

2. ADMINISTRATION. The Plan shall be administered by the Board of Directors of the Company (the "Board") and/or by a duly appointed committee of the Board having such powers as shall be specified by the Board. Any subsequent references herein to the Board shall also mean the committee if such committee has been appointed and, unless the powers of the committee have been specifically limited, the committee shall have all of the powers of the Board granted herein, including, without limitation, the power to terminate or amend the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law. All questions of interpretation of the Plan or of any options granted under the Plan (an "Option") shall be determined by the Board, and such determinations shall be final and binding upon all persons having an interest in the Plan and/or any Option. Any officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the officer has apparent authority with respect to such matter, right, obligation, or election.

3. ELIGIBILITY AND TYPE OF OPTION. Options may be granted only to directors of the Company who are not employees of the Company or any parent and/or subsidiary corporations of the Company. Options granted to eligible directors of the Company ("Outside Directors") shall be nonqualified stock options; that is, options which are not treated as having been granted under section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). For purposes of the Plan, a parent corporation and a subsidiary corporation shall be as defined in sections 424(e) and 424(f) of the Code.

4. SHARES SUBJECT TO OPTION. Options shall be options for the purchase of the authorized but unissued common stock of the Company (the "Stock"), subject to adjustment as provided in paragraph 7 below. The maximum number of shares of Stock which may be issued under the Plan shall be one hundred seventy-five thousand (175,000) shares. In the event that any outstanding Option for any reason expires or is terminated or cancelled and/or shares of Stock subject to repurchase are repurchased by the Company, the shares allocable to the unexercised portion of such Option, or such repurchased shares, may again be subjected to an Option grant.

5. TERMS, CONDITIONS AND FORM OF OPTIONS. Options granted pursuant to the Plan shall be evidenced by written agreements specifying the number of shares of Stock covered

thereby, in substantially the form attached hereto as EXHIBIT A for grants made pursuant to paragraphs (a)(i) or (a)(iii) below, in substantially the form attached hereto as EXHIBIT B for grants made pursuant to paragraph (a)(ii) below, or in substantially the form attached hereto as EXHIBIT C for grants made pursuant to paragraph (a)(iv) below, and incorporated herein by reference (the "Option Agreements"). Options shall comply with and be subject to the following terms and conditions:

(a) AUTOMATIC GRANT OF OPTIONS. Subject to execution by each Outside Director of the appropriate Option Agreement:

(i) On the Effective Date, each present Outside Director shall be granted an Option to purchase five thousand (5,000) shares of Stock.

(ii) Furthermore, on the Effective Date, each present Outside

Director shall be granted an additional option to purchase that number of shares of Stock equal to one thousand (1,000) multiplied by the number of such Outside Director's full years of past service as a non-employee director ending on the Effective Date. The preceding sentence shall not apply to Outside Directors elected after the Effective Date.

(iii) After the Effective Date, each new Outside Director shall be granted an Option to purchase five thousand (5,000) shares of Stock upon the date such Outside Director is first elected to serve on the Board.

(iv) Each Outside Director shall be granted an additional Option to purchase one thousand (1,000) shares of Stock upon each Anniversary Date of such Outside Director.

(v) The Anniversary Date of an Outside Director who was first elected to the Board prior to the Effective Date shall be March 18, commencing with March 18, 1992. The Anniversary Date of an Outside Director who is first elected to the Board on or after the Effective Date shall be the date which is twelve (12) months after such election and successive anniversaries thereof.

(vi) Notwithstanding any other provision of the Plan, no Option shall be granted to any individual who is no longer serving as an Outside Director of the Company on an Anniversary Date which would otherwise be a date of grant.

(b) OPTION EXERCISE PRICE. The option exercise price per share of Stock for an Option shall be the fair market value of the common stock of the Company, as determined by the closing price of a share of such common stock on the National Association of Securities Dealers Automated Quotations system (the "NASDAQ System") or other national securities exchange on which the shares of such common stock are then trading, on the date of the granting of the Option. If the date of the granting of the Option does not fall on a day on which the common stock of the Company is trading on the NASDAQ System or other national securities exchange, the date on which the option exercise price per share shall be established shall be the last day on

which the common stock of the Company was so traded prior to the date of the granting of the Option. Notwithstanding the foregoing, an Option may be granted with an option exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner qualifying with the provisions of section 424(a) of the Code.

(c) EXERCISE PERIOD OF OPTIONS. Any Option granted pursuant to the Plan shall be exercisable for a term of ten (10) years.

(d) PAYMENT OF OPTION PRICE. Payment of the option exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent, or (ii) by the assignment in a form acceptable to the Company of the proceeds of a sale of some or all of the shares being acquired upon the exercise of an Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System). The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve and/or terminate any program and/or procedures for the exercise of Options by means of an assignment of the proceeds of a sale of some or all of the shares of Stock to be acquired upon such exercise.

(e) STOCKHOLDER APPROVAL. Any Option granted pursuant to the Plan shall be subject to obtaining stockholder approval of the Plan at the first annual meeting of stockholders after the Effective Date. Notwithstanding the foregoing, stockholder approval shall not be necessary in order to grant any Option granted on the Effective Date; provided, however, that the exercise of any such Option shall be subject to obtaining stockholder approval of the Plan.

6. AUTHORITY TO VARY TERMS. The Board shall have the authority from time to time to vary the terms of the Option Agreements set forth as EXHIBIT A, EXHIBIT B, and EXHIBIT C, respectively, either in connection with the grant of an individual Option or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of such revised or amended standard form or forms of stock option agreement shall be in

accordance with the terms of the Plan. Such authority shall include, but not by way of limitation, the authority to grant Options which are immediately exercisable subject to the Company's right to repurchase any unvested shares of Stock acquired by the Optionee on exercise of an Option in the event such Optionee's service as a director of the Company is terminated for any reason.

7. EFFECT OF CHANGE IN STOCK SUBJECT TO PLAN. Appropriate adjustments shall be made in the number and class of shares of Stock which may be issued under the Plan and to any outstanding Options and in the option exercise price of any outstanding Options in the event of a stock dividend, stock split, reverse stock split, combination, reclassification, or like change in the capital structure of the Company. No adjustment shall be made pursuant to this paragraph to the number of shares of Stock subject to the automatic grant of an Option pursuant to paragraph 5(a) above.

8. OWNERSHIP CHANGE AND TRANSFER OF CONTROL. An "Ownership Change" shall be deemed to have occurred in the event any of the following occurs with respect to the Company:

(a) the direct or indirect sale or exchange by the stockholders of the Company of all or substantially all of the stock of the Company;

(b) a merger in which the Company is a party; or

(c) the sale, exchange, or transfer of all or substantially all of the Company's assets (other than a sale, exchange or transfer to one or more corporations where the stockholders of the Company before such sale, exchange, or transfer retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the corporation(s) to which the assets were transferred).

A "Transfer of Control" shall mean an Ownership Change in which the stockholders of the Company before such Ownership Change do not retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the Company.

In the event of a Transfer of Control, any unexercisable portion of an outstanding Option shall be immediately exercisable and vested as of a date prior to the Transfer of Control. The exercise and vesting of any Option that is permissible solely by reason of this paragraph 8 shall be conditioned upon the consummation of the Transfer of Control. Any Options which are not exercised as of the date of the Transfer of Control shall terminate effective as of the date of the Transfer of Control.

9. OPTIONS NON-TRANSFERABLE. During the lifetime of the Optionee, an Option shall be exercisable only by the Optionee. No Option shall be assignable or transferable by the Optionee, except by will or by the laws of descent and distribution.

10. TERMINATION OR AMENDMENT OF PLAN. The Board, including any duly appointed committee of the Board, may terminate or amend the Plan at any time; provided, however, that without the approval of the Company's stockholders, there shall be (a) no increase in the total number of shares of Stock covered by the Plan (except by operation of the provisions of paragraph 7 above), (b) no material change in the class of persons eligible to receive Options, and (c) no material change in the amount, timing or exercise price formula of automatic grants of Options pursuant to paragraph 5(a) above. In any event, no amendment may adversely affect any then outstanding Option, or any unexercised portion thereof, without the consent of the Optionee.

GROUP INSURANCE PLAN - ROSS STORES, INC.
MEDICAL

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SERVICES AVAILABLE IN CONJUNCTION WITH YOUR MEDICAL PLAN

The following several pages describe helpful services available in conjunction with your medical plan. You can access these services simply by calling the toll-free number shown on the back of your ID card. These services are provided by Intracorp, a CIGNA Company and can help ensure that you and your covered Dependents benefit fully from your medical coverage.

For example:

Through CIGNA'S TOLL-FREE CARE LINE, you can talk to a trained registered nurse who will help answer general benefit questions and will provide you with the names of participating providers in your area and in other cities should you require medical care while away from home.

CASE MANAGEMENT services help individuals with short-term and catastrophic medical conditions by offering appropriate treatment options which meet the patient's needs and keep costs manageable.

You are encouraged to maximize the benefits under your medical plan by taking advantage of these important services.

CIGNA'S TOLL-FREE CARE LINE

CIGNA's toll-free care line is a medical advisory service provided through Intracorp, a CIGNA company. You can talk to a Registered Nurse (RN) during normal business hours, Monday through Friday, simply by calling the toll-free

number shown on your ID card. All calls are confidential. CIGNA's toll-free care line RNs can help answer general benefit questions, such as questions regarding pre-admission certification, and can provide assistance in locating physicians, hospitals and other health care services.

CIGNA's toll-free care line personnel can also provide you with the names of participating providers. If you or your dependents need medical care, you may consult your Physician Guide which lists the participating providers in your area or call CIGNA's toll-free number for assistance. And, if you or your dependents need medical care while away from home, you may have access to a national network of participating providers through CIGNA's Away-From-Home Care feature. Call CIGNA's toll-free care line for the names of participating providers in other network areas. Whether you obtain the name of a participating provider from your Physician Guide or through the care line, it is recommended that you call the provider to confirm that he or she is a current participant in the CIGNA Preferred Provider Program prior to making an appointment.

CIGNA's toll-free care line personnel cannot: answer specific questions about your medical coverage or claims, provide medical opinions, comment on the competency or reputation of a provider, prescribe medication, give diagnoses or advice about treatment. You may be referred to an appropriate resource for questions related to these topics.

CASE MANAGEMENT

Case Management is a service provided through Intracorp, a CIGNA Company, which assists individuals with treatment needs that extend beyond the acute care setting. The goal of Case Management is to ensure that patients receive appropriate care in the most effective setting possible whether at home, as an outpatient, or an inpatient in a hospital or specialized facility. Should the need for Case Management arise, a Case Management professional will work closely with the patient, his or her family and the attending physician to determine appropriate treatment options which will best meet the patient's needs and keep costs manageable. The Case Manager will help coordinate the treatment program and arrange for necessary resources. Case Managers are also available to answer questions and provide ongoing support for the family in times of medical crisis.

Intracorp Case Managers are Registered Nurses (RNs) and other credentialed health care professionals, each trained in a clinical specialty area such as trauma, high risk pregnancy and neonates, oncology, mental health, rehabilitation or general medicine and surgery. A Case Manager trained in the appropriate clinical specialty area will be assigned to you or your dependent. In addition, Case Managers are supported by a panel of physician advisors who offer guidance on up-to-date treatment programs and medical technology. While the Case Manager recommends alternate treatment programs and helps coordinate needed resources, the patient's attending physician remains responsible for the actual medical care.

CASE MANAGEMENT (cont'd)

1. You, your dependent or an attending physician can request Case Management services by calling the TOLL-FREE CARE LINE NUMBER shown on the back of your ID card during normal business hours, Monday through Friday. In addition, your employer, a claim office or a utilization review program (see the PAC/CSR section of your certificate) may refer an individual for Case Management.
2. Intracorp assesses each case to determine whether Case Management is appropriate.
3. You or your dependent is contacted by an assigned Case Manager who explains in detail how the program works. Participation in the program is voluntary - no penalty or benefit reduction is imposed if you do not wish to participate in Case Management.
4. Following an initial assessment, the Case Manager works with you, your family and physician to determine the needs of the patient and to identify what alternate treatment programs are available. (For example, in-home medical care in lieu of an extended hospital convalescence.) You are not penalized if the alternate treatment program is not followed.
5. The Case Manager arranges for alternate treatment services and supplies, as needed. (For example, nursing services or a hospital bed and other durable medical equipment for the home.)
6. The Case Manager also acts as a liaison between the insurer, the patient, his or her family and physician as needed. (For example, by helping you to understand a complex medical diagnosis or treatment

plan.)

7. Once the alternate treatment program is in place, the Case Manager continues to manage the case to ensure the treatment program remains appropriate to the patient's needs.

While participation in Case Management is strictly voluntary, Case Management professionals can offer quality, cost-effective treatment alternatives, as well as provide assistance in obtaining needed medical resources and ongoing family support in a time of need.

NOTICE

HEALTH CARE SERVICES

A denial of claim or a clinical decision regarding health care services will be made by qualified clinical personnel. Notice of denial or determination will include information regarding the basis for denial or determination and any further appeal rights.

AUTHORIZATION

No authorization will be required prior to receiving Emergency Services.

NON-ENGLISH ASSISTANCE

For non-English assistance in speaking to Member Services, please use the translation service provided by AT+T. For a translated document, please contact your Member Services Representative.

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

a CIGNA company (called CG) certifies that it insures certain Employees for the benefits provided by the following policy(s):

POLICYHOLDER: ROSS STORES, INC.

GROUP POLICY(S) -- COVERAGE
2244113-05 MEDICAL EXPENSE

CERTIFICATE DATE: January 1, 1998

This certificate describes the main features of the insurance. It does not waive or alter any of the terms of the policy(s). If questions arise, the policy(s) will govern.

This certificate takes the place of any other issued to you on a prior date which described the insurance.

EXPLANATION OF TERMS

You will find terms starting with capital letters throughout your certificate. To help you understand your benefits, most of these terms are defined in the Definitions section of your certificate.

THE SCHEDULE

THE SCHEDULE IS A BRIEF OUTLINE OF YOUR MAXIMUM BENEFITS WHICH MAY BE PAYABLE UNDER YOUR INSURANCE. FOR A FULL DESCRIPTION OF EACH BENEFIT, REFER TO THE APPROPRIATE SECTION LISTED IN THE TABLE OF CONTENTS.

COMPREHENSIVE MEDICAL BENEFITS

FOR YOU AND YOUR DEPENDENTS THIS PLAN WILL PAY:

LIFETIME MAXIMUM BENEFIT	Unlimited
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MAXIMUM BENEFITS

Inpatient Mental Illness	150 days
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Maximum
(Calendar Year)

Outpatient Mental Illness,	150 visits
Alcohol and Drug Abuse Maximum (Calendar Year)	
Lifetime Inpatient and Outpatient Alcohol and Drug Abuse Maximum	\$150,000
Outpatient Rehabilitative Therapy Maximum	Unlimited
External Prosthesis Maximum	Unlimited
Durable Medical Equipment Maximum	Unlimited
Preventive Care Maximum	Unlimited
Home Health Care Maximum	120 visits per calendar year
Hospice Care Maximum	Unlimited

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THE SCHEDULE

COMPREHENSIVE MEDICAL BENEFITS (CONT'D)

FOR YOU AND YOUR DEPENDENTS	THIS PLAN WILL PAY:
COVERED EXPENSE DAILY LIMIT	
Skilled Nursing Facility Maximum	120 days per calendar year
Infertility Maximum	Artificial insemination is limited to 3 attempts per cycle, 8 cycles per lifetime
Participating Provider Hospital	100% of the negotiated rate
Non-Participating Provider Hospital	100%
Participating Provider Hospice Facility	100%
Non-Participating Provider Hospice Facility	100%
Skilled Nursing Facility	100% for up to 120 days in a calendar year

COPAYMENTS/DEDUCTIBLES

Copayments are expenses to be paid by you or your Dependent for the services received.

Participating Provider Office Visit Copayment	
All Office Visits	No charge

COMPREHENSIVE MEDICAL BENEFITS (cont'd)
 BENEFIT PERCENTAGE

The Benefit Percentage for Covered Expenses incurred for charges made by a Participating or a Non-Participating Provider is as follows:

	PARTICIPATING PROVIDER	NON-PARTICIPATING PROVIDER
Inpatient Alcohol and Drug Abuse	100%	100%
Outpatient Mental Illness, Alcohol and Drug Abuse	100%	100%
Emergency Services	100%	100%
Well-Baby Care	100%	100%
Preventive Care	100%	100%
All Other Covered Expenses	100%	100%

MATERNITY HOSPITAL STAY

Group health plans and health insurance issuers offering group health insurance coverage generally may not, under federal law, restrict benefits for any Hospital length of stay in connection with childbirth for the mother or newborn child to less than 48 hours following a normal vaginal delivery, or less than 96 hours following a cesarean section, or require that a provider obtain authorization from the plan or insurance issuer for prescribing a length of stay not in excess of the above periods. This does not guarantee coverage for childbirth. Please review this Plan for further details on the specific coverage available to you and your Dependents under this Plan.

PAC/CSR REQUIREMENTS. Pre-Admission Certification (PAC) and Continued Stay Review (CSR) refer to the process used to certify the medical necessity and length of any Hospital Confinement as a registered bed patient. PAC and CSR are performed through a utilization review program by a Review Organization with which CG has contracted. PAC should be requested by you or your Dependent for each inpatient Hospital admission. CSR should be requested, prior to the end of the certified length of stay, for continued inpatient Hospital Confinement.

Expenses incurred for which benefits would otherwise be paid under this plan will not include the first \$300 of Hospital charges made for each separate admission to the Hospital as a registered bed patient unless PAC is received: (a) prior to the date of admission; or (b) in the case of an emergency admission, by the end of the second scheduled work day after the date of admission.

The amount otherwise payable under this plan for the Hospital charges listed below will be reduced by 50% for:

- Hospital charges for Bed and Board, during a Hospital Confinement for which PAC is performed, which are made for any day in excess of the number of days certified through PAC or CSR; and
- any Hospital charges made during any Hospital Confinement as a registered bed patient: (a) for which PAC was performed; but (b) which was not certified as medically necessary.

PAC/CSR REQUIREMENTS (CONT'D)

In any case, those expenses incurred for which payment is excluded by the terms set forth above will not be considered as expenses incurred for the purpose of any other part of this plan, except for the "Coordination of Benefits" section.

You should start the PAC process by calling the Review Organization prior

details.

HOW TO FILE YOUR CLAIM

The prompt filing of any required claim form will result in faster payment of your claim.

You may get the required claim forms from your Benefit Plan Administrator. All fully completed claim forms and bills should be sent directly to your servicing CG Claim Office.

Depending on your Group Insurance Plan benefits, file your claim forms as described below.

If you utilize a CIGNA participating provider that provider will usually file the claim on your behalf. If you do not utilize a CIGNA provider, claim submission will be your responsibility.

HOSPITAL CONFINEMENT

If possible, get your Group Medical Insurance claim form before you are admitted to the Hospital. This form will make your admission easier and any cash deposit usually required will be waived.

If you have a Benefit Identification Card, present it at the admission office at the time of your admission. The card certifies that you are insured and tells the Hospital to send its bills directly to CG.

DOCTOR'S BILLS AND OTHER MEDICAL EXPENSES

The first Medical Claim should be filed as soon as you have incurred covered expenses. Itemized copies of your bills should be sent with the claim form. If you have any additional bills after the first treatment, file them periodically.

CLAIM REMINDERS

BE SURE TO USE YOUR SOCIAL SECURITY AND ACCOUNT NUMBER WHEN YOU FILE CG'S CLAIM FORMS, OR WHEN YOU CALL YOUR CG CLAIM OFFICE.

YOUR ACCOUNT NUMBER IS 2244113.

PROMPT FILING OF ANY REQUIRED CLAIM FORMS RESULTS IN FASTER PAYMENT OF YOUR CLAIMS.

WARNING: Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit is guilty of a crime and may be subject to fines and confinement in prison.

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ELIGIBILITY - EFFECTIVE DATE

ELIGIBILITY FOR EMPLOYEE INSURANCE

You will become eligible for insurance on the day you complete the waiting period if:

- you are in a Class of Eligible Employees; and
- you are an eligible, full-time Employee.

Initial Employee Group: You are in the Initial Employee Group if you are employed in a class of employees on the date that class of employees becomes a Class of Eligible Employees as determined by your Employer.

New Employee Group: You are in the New Employee Group if you are not in the Initial Employee Group.

ELIGIBILITY FOR DEPENDENT INSURANCE

You will become eligible for Dependent insurance on the later of:
the day you become eligible for yourself; or
the day you acquire your first Dependent.

WAITING PERIOD

Initial Employee Group: None
New Employee Group: Date of hire

CLASSES OF ELIGIBLE EMPLOYEES

All Employees as specified by your Employer

ELIGIBILITY - EFFECTIVE DATE

EMPLOYEE INSURANCE

This plan is offered to you as an Employee.

EFFECTIVE DATE OF YOUR INSURANCE

You will become insured on the date you become eligible.

If you are not in Active Service on the date you would otherwise become insured, you will become insured on the date you return to Active Service.

EFFECTIVE DATE OF DEPENDENT INSURANCE

Insurance for your Dependents will become effective on the date you become eligible for Dependent Insurance. All of your Dependents as defined will be included.

Your Dependents will be insured only if you are insured.

EXCEPTION FOR NEWBORNS

Any Dependent child born while you are insured for Medical Insurance will become insured for Medical Insurance on the date of his birth if you elect Dependent Medical Insurance no later than 31 days after his birth. If you do not elect to insure your newborn child within such 31 days, coverage for that child will end on the 31st day. No benefits for expenses incurred beyond the 31st day will be payable.

If you acquire a new Dependent through marriage, birth, adoption or placement for adoption, you may enroll yourself and your Dependents provided you request enrollment by the last day of the 30-day period which begins on the day of the event. Coverage will be effective for a spouse, on the first day of the month after enrollment, and for a child, on the date of birth, adoption, or placement for adoption. If you are covered by a plan which includes a Pre-existing Condition limitation, the limitation will apply to you and your Dependents upon enrollment, reduced by prior Creditable Coverage.

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REQUIREMENTS OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1993 (OBRA'93)
THESE HEALTH COVERAGE REQUIREMENTS DO NOT APPLY TO ANY BENEFITS FOR LOSS OF LIFE, DISMEMBERMENT OR LOSS OF INCOME.

Any other provisions in this certificate that provide for: (a) the definition of an adopted child and the effective date of eligibility for coverage of that child; and (b) eligibility requirements for a child for whom a court order for medical support is issued; are superseded by these provisions required by the federal Omnibus Budget Reconciliation Act of 1993, where applicable.

A. ELIGIBILITY FOR COVERAGE UNDER A QUALIFIED MEDICAL CHILD SUPPORT ORDER

If a Qualified Medical Child Support Order is issued for your child, that child will be eligible for coverage as required by the order and you will not be considered a Late Entrant for Dependent Insurance.

You must notify your Employer and elect coverage for that child as soon as reasonably possible.

QUALIFIED MEDICAL CHILD SUPPORT ORDER

A Qualified Medical Child Support Order is a judgment, decree or order (including approval of a settlement agreement) issued by a court of competent jurisdiction, and satisfies all of the following:

1. the order specifies your name and last known address, and the child's name and last known address;
2. the order provides a description of the coverage to be provided, or the manner in which the type of coverage is to be determined;
3. the order states the period to which it applies; and
4. the order specifies each plan that it applies to.

The Qualified Medical Child Support Order may not require the health insurance policy to provide coverage for any type or form of benefit not otherwise provided under the policy.

B. ELIGIBILITY FOR COVERAGE FOR ADOPTED CHILDREN

Any child under the age of 18 who is adopted by you, including a child who is placed with you for adoption, will be eligible for Dependent Insurance upon the date of placement with you. A child will be considered placed for adoption when you become legally obligated to support that child, totally or partially, prior to that child's adoption.

If a child placed for adoption is not adopted, all health coverage ceases when the placement ends, and will not be continued.

The provisions in the "Exceptions for Newborns" section of this certificate that describe requirements for enrollment and effective date of insurance will also apply to an adopted child or a child placed with you for adoption.

COMPREHENSIVE MEDICAL BENEFITS FOR YOU AND YOUR DEPENDENTS

If you or any one of your Dependents, while insured for these benefits, incurs Covered Expenses, CG will pay an amount determined as follows:

The Benefit Percentage of Covered Expenses incurred as shown in The Schedule.

Payment of any benefits will be subject to: (a) any applicable Copayments, deductibles and maximum benefits shown in The Schedule; (b) the Maximum Benefit Provision; and (c) any Mental Illness, Alcohol and Drug Abuse Maximums.

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COMPREHENSIVE MEDICAL BENEFITS
MAXIMUM BENEFIT PROVISION

The total amount of Comprehensive Medical Benefits payable for all expenses incurred during a person's lifetime will not exceed the Maximum Benefit shown in The Schedule.

INPATIENT MENTAL ILLNESS, ALCOHOL AND DRUG ABUSE
Maximums (Calendar Year)

The total number of days for which benefits are payable for all expenses incurred in any calendar year while a person is Confined in a Hospital due to mental illness, alcohol or drug abuse will not exceed any Inpatient Maximums as shown in The Schedule for those causes.

OUTPATIENT MENTAL ILLNESS, ALCOHOL AND DRUG ABUSE
Maximums (Calendar Year)

The total number of visits for which benefits are payable or the maximum amount payable for all expenses incurred in any calendar year due to mental illness, alcohol or drug abuse while a person is not Confined in a Hospital will not exceed any Outpatient Maximums as shown in The Schedule for those causes.

LIFETIME INPATIENT AND OUTPATIENT ALCOHOL AND DRUG ABUSE MAXIMUMS

The total amount of Comprehensive Medical Benefits payable for all expenses incurred for a person in his lifetime due to mental illness, alcohol or drug abuse will not exceed any Lifetime Inpatient and Outpatient Alcohol and Drug Abuse Maximums as shown in The Schedule for those causes.

COMPREHENSIVE MEDICAL BENEFITS
COVERED EXPENSES

The term Covered Expenses means the expenses incurred by or on behalf of a person for the charges listed below, if they are incurred after he becomes insured for these benefits. Expenses incurred for such charges are considered Covered Expenses to the extent that the services or supplies provided are recommended by a Physician and are essential for the necessary care and treatment of an Injury or a Sickness.

COVERED EXPENSES

charges made by a Hospital, on its own behalf, for Bed and Board and other Necessary Services and Supplies; except that for any day of Hospital Confinement, Covered Expenses will not include that portion of charges for Bed and Board which is more than the Bed and Board Limits shown in The Schedule.

charges made by a Hospital for inpatient care for a mother and newborn for at least 48 hours following a vaginal delivery or at least 96 hours following a cesarean section. The mother has the option of being discharged early. Services may be rendered by a certified nurse-midwife, a licensed facility, or a Physician. These services include parent education, assistance in feeding the newborn, and maternal and newborn clinical assessments. If discharge is prior to 48 or 96 hours, at least 1 home health care visit will be covered in full if made within 24 hours of discharge.

charges for licensed ambulance service to or from the nearest Hospital where the needed medical care and treatment can be provided.

charges made by a Hospital, on its own behalf, for medical care and treatment received as an outpatient.

charges made by a Free-Standing Surgical Facility, on its own behalf, for medical care and treatment.

charges made by a Skilled Nursing Facility, on its own behalf, for medical care and treatment; except that Covered Expenses will not include that portion which is more than the Skilled Nursing Facility Limit shown in The Schedule.

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COMPREHENSIVE MEDICAL BENEFITS
COVERED EXPENSES (CONT'D)

charges made for surgical implants of any type including any

prosthetic device attached to it.
 charges made by a facility licensed to furnish mental health services, on its own behalf, for care and treatment of mental illness provided on an outpatient basis.
 charges made by a facility licensed to furnish treatment of alcohol and drug abuse, on its own behalf, for care and treatment provided on an outpatient basis.
 charges made by a Physician or a Psychologist for professional services.
 charges made by a Nurse for professional nursing service.
 charges made for anesthetics and their administration; diagnostic x-ray and laboratory examinations; x-ray, radium, and radioactive isotope treatment; chemotherapy; blood transfusions and blood not donated or replaced; oxygen and other gases and their administration; rental or, at CG's option, purchase of Durable Medical Equipment; therapy provided by a licensed physical, occupational or speech therapist; prosthetic appliances including devices to restore a method of speaking following a laryngectomy other than electronic voice producing machines; dressings.
 charges made for or in connection with approved organ transplant services, including immunosuppressive medication; organ procurement costs; and donor's medical costs. The amount payable for donor's medical costs will be reduced by the amount payable for those costs from any other Plan. Certain transplants will not be covered based on General Limitations. Contact CG before you incur any such costs.
 charges made for or in connection with a mammogram for breast cancer screenings or diagnostic purposes.
 charges made by a Participating Provider for: (a) an annual routine physical examination and (b) immunizations.
 expenses eligible for reimbursement under Internal Revenue Code 502.
 charges made for artificial insemination limited to three attempts per cycle, eight cycles per lifetime.
 charges made by a licensed social worker, a registered Nurse licensed in psychiatric-mental health or a licensed marriage, family or child counselor, for professional services in connection with mental illness when such services are recommended by a Physician.
 charges made for or in connection with an annual Papanicolaou screening test.

In addition, Covered Expenses will include expenses incurred at any of the Approximate Age Intervals shown below for a Dependent child from birth to age 19 for charges made for Preventive Care for children consisting of the following services delivered or supervised by a Physician, in keeping with prevailing medical standards as determined by the American Academy of Pediatrics:

- (a) postnatal Hospital visit by a Physician, while the Dependent Child is an inpatient; and
- (b) well-child visits to a Physician which will include:
 - a medical history;
 - a complete physical examination;
 - developmental assessment;
 - anticipatory guidance;
 - appropriate immunizations; and
 - laboratory tests when ordered at the time of a visit and performed in the practitioner's office or in a clinical laboratory;
 - excluding any charges for:
 - services for which benefits are otherwise provided under this Comprehensive Medical Benefits section;
 - services for which benefits are not payable according to the Expenses Not Covered section.

COMPREHENSIVE MEDICAL BENEFITS
 COVERED EXPENSES (CONT'D)

Approximate Age Intervals are: Birth, 2 or 3 weeks, 2 months, 4 months, 6 months, 9 months, 12 months, 15 months, 18 months, 2 years, 3 years, 4 years, 5 years, one visit every 2 years from age 6 to age 12, and one visit every 3 years from age 12 to age 18.

charges for a drug that has been prescribed for the treatment of a type of cancer for which it has not been approved by the Food and Drug Administration (FDA), only if such drug is recognized for the treatment of the specific type of cancer for which the drug has been prescribed in one of the established reference compendia: (i) the

American Medical Association Drug Evaluations; (ii) the American Hospital Formulary Service Drug Information; (iii) the United States Pharmacopeia Drug Information; or (iv) recommended by a review article or editorial comment in a major peer-reviewed professional journal; charges for medically necessary nutritional supplements (formulas that enable the body to process or metabolize amino acids) for the treatment of phenylketonuria (PKU), branched-chain ketonuria, galactosemia, and homocystinuria when administered under the direction of a Physician;

charges made by a Physician or member of his office staff, certified diabetes nurse-educator, certified nutritionist, or licensed dietitian for a program which provides instruction for a person with diabetes, for the purpose of instructing such person about the disease and its control. Training will be provided in group sessions, where practicable. If medically necessary, training will be provided in the person's home;

charges for glucometers, blood glucose-monitors, monitors for the legally blind, insulin pumps, infusion devices and related accessories;

charges made by a Home Health Care Agency for the following medical services and supplies provided under the terms of a Home Health Care Plan for the person named in that plan:

part-time or intermittent nursing care by or under the supervision of a Registered Graduate Nurse;

part-time or intermittent services of a Home Health Aide;

physical, occupational, or speech therapy;

medical supplies; drugs and medicines lawfully dispensed only on the written prescription of a Physician; and laboratory services; but only to the extent that such charges would have been considered Covered Expenses had a person required confinement in the Hospital as a registered bed patient or confinement in a Skilled Nursing Facility;

excluding any charges for:

home health care visits during a calendar year, in excess of the Home Health Care Maximum shown in The Schedule. (To determine the benefits payable, each visit by an employee of a Home Health Care Agency will be considered one home health care visit and each 4 hours of Home Health Aide services will be considered one home health care visit.); the services of a person who is a member of your family or your Dependent's family or who normally lives in your home or your Dependent's home;

a period when a person is not under the continuing care of a Physician.

charges made due to Terminal Illness for the following Hospice Care Services provided under a Hospice

COMPREHENSIVE MEDICAL BENEFITS
COVERED EXPENSES (CONT'D)

Care Program:

by a Hospice Facility for Bed and Board and Services and Supplies, except that, for any day of confinement in a private room, Covered Expenses will not include that portion of charges which is more than the Hospice Bed and Board Limit shown in The Schedule;

by a Hospice Facility for services provided on an outpatient basis;

by a Physician for professional services;

by a Psychologist, social worker, family counselor or ordained minister for individual and family counseling, including bereavement counseling within one year after the person's death;

for pain relief treatment, including drugs, medicines and medical supplies;

by a Home Health Care Agency for:

part-time or intermittent nursing care by or under the supervision of a Nurse;

part-time or intermittent services of a Home Health Aide;

physical, occupational and speech therapy;

medical supplies; drugs and medicines lawfully dispensed only on the written prescription of a Physician; and laboratory services; but only to the extent such charges would have been payable under the policy if the person had remained or been Confined in a Hospital or Hospice Facility.

The following charges for Hospice Care Services are not included as Covered

Expenses:

for the services of a person who is a member of your family or your Dependent's family or who normally resides in your house or your Dependent's house;
for any period when you or your Dependent is not under the care of a Physician;
for services or supplies not listed in the Hospice Care Program;
for any curative or life-prolonging procedures;
to the extent that any other benefits are payable for those expenses under the policy;
for services or supplies that are primarily to aid you or your Dependent in daily living.

COMPREHENSIVE MEDICAL BENEFITS
EXPENSES NOT COVERED

Covered Expenses will not include, and no payment will be made for, expenses incurred:

for eyeglasses, hearing aids or examinations for prescription or fitting thereof.
for or in connection with treatment of the teeth or periodontium unless such expenses are incurred for: (a) charges made for or in connection with dental treatment due to an accidental Injury to sound natural teeth which is performed within twelve months after the Injury; (b) charges made by a Hospital for Bed and Board or Necessary Services and Supplies; or (c) charges made by the outpatient department of a Hospital in connection with surgery.
for which benefits are not payable according to the "General Limitations" section; except that the limitations with respect to a maximum for multiple surgical procedures and an allowable charge for an assistant surgeon or cosurgeon will not apply to charges made by a Participating Provider.
for or in connection with cosmetic surgery unless: (a) it qualifies as Reconstructive Surgery; or (b) it is performed on any one of your Dependents who is less than 16 years old.

RECONSTRUCTIVE SURGERY

Reconstructive Surgery is: (a) surgery performed in addition to or following surgery needed because of trauma, infection or other diseases of the involved part; or (b) surgery needed because of an abnormal congenital condition of any Dependent child of yours if that condition has resulted in a functional defect.

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COMPREHENSIVE MEDICAL BENEFITS
SECOND OPINION SURGICAL BENEFITS

If, as a result of an Injury or a Sickness, you or any one of your Dependents, while insured for these benefits and prior to the performance of an Elective Surgical Procedure recommended by a surgeon, asks for an opinion from another Physician who is qualified to diagnose and treat that Injury or Sickness, CG will pay 100% of the Covered Expenses incurred for the fee charged for that opinion. If a person incurs Covered Expenses for diagnostic laboratory or x-ray examinations asked for by the Physician who gives that opinion, CG will pay 100% of the Covered Expenses so incurred.

Payment will be made whether or not the Surgical Procedure is performed.

Payment will be subject to all terms of the policy except as otherwise provided in this section.

The benefits provided in this section are not subject to the Comprehensive Medical Deductible.

LIMITATIONS

No payment will be made for expenses incurred in connection with:
cosmetic or dental Surgical Procedures not covered under the policy;
minor Surgical Procedures that are routinely performed in a Physician's office, such as incision and drainage for abscess or excision of benign lesions;
an opinion obtained more than 6 months after a surgeon has first recommended the Elective Surgical Procedure.

Other Limitations are shown in the "General Limitations" Section.

No payment will be made under any other section for expenses incurred to the extent that benefits are payable for those expenses under this section.

ELECTIVE SURGICAL PROCEDURE

The term Elective Surgical Procedure means a Surgical Procedure which is

not considered emergency in nature and which may be avoided without undue risk to the individual.

PRESCRIPTION DRUG BENEFITS

If you or any one of your Dependents, while insured for these benefits, incurs expenses for charges made by a Pharmacy for Covered Prescription Drugs for an Injury or a Sickness, CG will pay that portion of the expense remaining after you or your Dependent has paid the required Copayment shown in the Schedule.

No payment will be made under any other section for expenses incurred to the extent that benefits are payable for those expenses under this section.

COVERED PRESCRIPTION DRUGS

The term Covered Prescription Drugs means:

- a Prescription Legend Drug for which a written prescription is required;
- oral or injectable insulin dispensed only upon the written prescription of a Physician;
 - insulin needles and syringes, glucose-monitor test strips, visual reading strips, urine test strips, prefilled insulin cartridges for the legally blind; and injection aids, such as lancets and alcohol swabs (any Copayment which would otherwise apply to Prescription drug Benefits will be waived for these items);
- a compound medication of which at least one ingredient is a Prescription Legend Drug; tretinoin;
- any other drug which, under the applicable state law, may be dispensed only upon the written prescription of a Physician;
- oral or injectable infertility drugs, if considered essential for the necessary care and treatment of an

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COVERED PRESCRIPTION DRUGS (CONT'D)

- Injury or Sickness;
- a drug that has been prescribed for the treatment of a type of cancer for which it has not been approved by the Food and Drug Administration (FDA), only if such drug is recognized for the treatment of the specific type of cancer for which the drug has been prescribed in one of the established reference compendia: (i) the American Medical Association Drug Evaluations; (ii) the American Hospital Formulary Service Drug Information; (iii) the United States Pharmacopeia Drug Information; or (iv) recommended by a review article or editorial comment in a major peer-reviewed professional journal.
- oral contraceptives or contraceptive devices, regardless of intended use, except that implantable contraceptive devices, such as Norplant, are not considered Covered Prescription Drugs;
- vitamins, including prenatal vitamins, upon written prescription;
- smoking cessation products;
- fluoride preps;
- injectable drugs;
- for immunization agents, biological sera, blood or blood plasma;
- for therapeutic devices or appliances, including hypodermic needles, syringes, support garments and other nonmedical substances;

LIMITATIONS

No payment will be made for expenses incurred:

- for nonlegend drugs, other than those specified under "Covered Prescription Drugs";
- to the extent that payment is unlawful where the person resides when expenses are incurred;
- for charges which the person is not legally required to pay;
- for charges which would not have been made if the person were not covered by these benefits;
- for experimental drugs or for drugs labeled: "Caution - limited by federal law to investigational use";
- for drugs which are not considered essential for the necessary care and treatment of an Injury or Sickness, as determined by Connecticut General Life Insurance Company or RxPRIME;
- for drugs obtained from a non-Participating Mail-Order Pharmacy;
- for any prescription filled in excess of the number specified by the Physician or dispensed more than one year from the date of the Physician's order;
- for more than a 90-day supply in any prescription order of maintenance drugs when issued through a Retail Pharmacy;

for more than a 30-day supply when dispensed in any one Prescription Order through a Retail Pharmacy;
for more than a 90-day supply when dispensed in any one Prescription Order through a Participating Mail-Order Pharmacy;
for indications not approved by the Food and Drug Administration, except as specified under "Covered Prescription Drugs."
for drugs for cosmetic purposes;
for tretinoin for individuals age 36 and over;
for administration of any drug;
for medication which is taken or administered, in whole or in part, at the place where it is dispensed or while a person is a patient in an institution which operates, or allows to be operated on its premises, a facility for dispensing pharmaceuticals;
for prescriptions which an eligible person is entitled to receive without charge from any workers' compensation or similar law or any public program other than Medicaid;
for growth hormones and anabolic steroids;
for nutritional or dietary supplements, antiobesity drugs or anorexients;

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REIMBURSEMENT/FILING A CLAIM

If you or your Dependent purchases Covered Prescription Drugs from a Participating Retail Pharmacy, you pay only the portion shown in the Schedule at the time of purchase. You do not need to file a claim form.

If you or your Dependent purchases Covered Prescription Drugs from a non-Participating Retail Pharmacy, you pay the full cost at the time of purchase. You must submit a claim form in order to be reimbursed for the amount payable by the plan.

If you or your Dependent purchases Covered Prescription Drugs from a Participating Mail-Order Pharmacy, you should refer to your "Mail-Order Drug Introductory Kit" for details.

You may obtain the required claim form from your Benefit Plan Administrator. All claim forms should be completed by you.

The section in your certificate entitled "How to File a Claim" does not apply to Prescription Drug Benefits.

GENERAL LIMITATIONS

MEDICAL BENEFITS

No payment will be made for expenses incurred for you or any one of your Dependents:

for or in connection with an Injury arising out of, or in the course of, any employment for wage or profit;
for or in connection with a Sickness which is covered under any workers' compensation or similar law;
for charges made by a Hospital owned or operated by or which provides care or performs services for the United States Government: (a) unless there is a legal obligation to pay such charges whether or not there is insurance; or (b) if such charges are directly related to a military-service-connected Sickness or Injury;
to the extent that payment is unlawful where the person resides when the expenses are incurred;
for charges which the person is not legally required to pay;
for charges which would not have been made if the person had no insurance;
for charges for unnecessary care, treatment or surgery, except as specified in any certification requirement shown in The Schedule;
to the extent that you or any one of your Dependents is in any way paid or entitled to payment for those expenses by or through a public program, other than Medicaid;
for experimental drugs or substances not approved by the Food and Drug Administration, or for drugs labeled: "Caution - limited by federal law to investigational use";
for or in connection with experimental procedures or treatment methods not approved by the American Medical Association or the appropriate medical specialty society;
to the extent of the exclusions imposed by any certification requirement or second opinion requirement shown in The Schedule;
all clinical lab services, pharmacy services, x-ray or imaging services, if referred by a practitioner who has a financial relationship (or whose immediate family member has a financial relationship) with the provider of those services.
for charges made for or in connection with the purchase or replacement

of contact lenses; except, the purchase of the first pair of contact lenses that follows cataract surgery will be covered;
for charges made for or in connection with routine refractions, eye exercises and for surgical treatment for the correction of a refractive error, including radial keratotomy, when eyeglasses or contact lenses may be worn;
for charges for supplies, care, treatment or surgery which are not considered essential for the necessary care and treatment of an Injury or Sickness, as determined by CG;
for charges made for or in connection with tired, weak or strained feet for which treatment consists of routine footcare, including but not limited to, the removal of calluses and corns or the trimming of nails unless medically necessary;

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GENERAL LIMITATIONS

MEDICAL BENEFITS (cont'd)

for or in connection with speech therapy, if such therapy is: (a) used to improve speech skills that have not fully developed; (b) can be considered custodial or educational; or (c) is intended to maintain speech communication; speech therapy which is not restorative in nature will not be covered;
for charges made by any covered provider who is a member of your family or your Dependent's family.

No payment will be made for expenses incurred by you or any one of your Dependents to the extent that benefits are paid or payable for those expenses under the mandatory part of any auto insurance policy written to comply with:

- a "no-fault" insurance law; or
- an uninsured motorist insurance law.

CG will take into account any adjustment option chosen under such part by you or any one of your Dependents.

MEDICARE ELIGIBLES

The Medical Expense Insurance for:

(a) a former Employee who is eligible for Medicare and whose insurance is continued for any reason as provided in this plan;

(b) a former Employee's Dependent, or a former Dependent Spouse, who is eligible for Medicare and whose insurance is continued for any reason as provided in this plan;

(c) an Employee whose Employer and each other Employer participating in the Employer's plan have fewer than 100 Employees and that Employee is eligible for Medicare due to disability;

(d) the Dependent of an Employee whose Employer and each other Employer participating in the Employer's plan have fewer than 100 Employees and that Dependent is eligible for Medicare due to disability;

(e) an Employee or a Dependent of an Employee of an Employer who has fewer than 20 Employees, if that person is eligible for Medicare due to age;

(f) an Employee, retired Employee, Employee's Dependent or retired Employee's Dependent who is eligible for Medicare due to End Stage Renal Disease after that person has been eligible for Medicare for 18 months;
will be modified, where permitted by the rules established by the Social Security Act of 1965 as amended, as follows:

The amount payable under this plan will be reduced so that the total amount payable by Medicare and by CG will be no more than 100% of the expenses incurred.

CG will assume the amount payable under:

Part A of Medicare for a person who is eligible for that Part without premium payment, but has not applied, to be the amount he would receive if he had applied.

Part B of Medicare for a person who is entitled to be enrolled in that Part, but is not, to be the amount he would receive if he were enrolled. A person is considered eligible for Medicare on the earliest date any coverage under Medicare could become effective for him. This reduction will not apply to any Employee and his Dependent or any former Employee and his Dependent unless he is listed under (a) through (f) above.

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COORDINATION OF BENEFITS

If you or any one of your Dependents is covered under more than one Plan, benefits payable from all such Plans will be coordinated.

Coordination of Benefits will be used to determine the benefits payable for a person for any Claim Determination Period if, for the Allowable Expenses incurred in that Period, the sum of:

- (a) the benefits that would be payable from this Plan in the absence of coordination; and
- (b) the benefits that would be payable from all other Plans without Coordination of Benefits provisions in those Plans;

would exceed such Allowable Expenses.

The benefits that would be payable from this Plan for Allowable Expenses incurred in any Claim Determination Period in the absence of Coordination of Benefits will be reduced to the extent required so that the sum of:

- (a) those reduced benefits; and
- (b) all the benefits payable for those Allowable Expenses from all other Plans;

will not exceed the total of such Allowable Expenses. Benefits payable from all other Plans include the benefits that would have been payable had proper claim been made for them.

However, the benefits of another Plan will be ignored when the benefits of this Plan are determined if: (a) the Benefit Determination Rules would require this Plan to determine its benefits before that Plan; and (b) the other Plan has a provision that coordinates its benefits with those of this Plan and would, based on its rules, determine its benefits after this Plan.

CG reserves the right to release to or obtain from any other Insurance Company or other organization or person any information which, in its opinion, it needs for the purpose of Coordination of Benefits.

When payments which should have been made under this Plan based on the terms of this section have been made under any other Plans, CG will have the right to pay to any organizations making these payments the amount it determines to be warranted. Amounts paid in this manner will be considered to be benefits paid under this Plan. CG will be released from all liability under this Plan to the extent of these payments. When an overpayment has been made by CG at any time, it will have the right to recover that payment, to the extent of the excess, from the person to whom it was made or any other Insurance Company or organization, as it may determine.

PLAN

Plan means any of the following which provides medical or dental benefits or services: (1) group or blanket insurance coverage other than blanket group school accident policies or policies for substantially similar groups where the premium is paid by the policyholder; (2) service plan contracts, group or individual practice or other prepayment plans; or (3) coverage under any: labor-management trustee plans; union welfare plans; employer organization plans; or employee benefit organization plans. Plan does not include coverage under individual or family policies or contracts. Each Plan or part of a Plan which has the right to coordinate benefits will be considered a separate Plan.

ALLOWABLE EXPENSE

Allowable Expense means any necessary, reasonable and customary item of expense, at least a part of which is covered by any one of the Plans that covers the person for whom claim is made. When the benefits from a Plan are in the form of services, not cash payments, the reasonable cash value of each service is both an Allowable Expense and a benefit paid. Allowable Expense will not include the difference between: (a) the cost of a private room; and (b) the cost of a semiprivate room; except while the person's stay in a private room is medically necessary in terms of generally accepted medical practice.

COORDINATION OF BENEFITS CLAIM DETERMINATION PERIOD

Claim Determination Period means a calendar year or that part of a calendar year in which the person has been covered under this Plan.

BENEFIT DETERMINATION RULES

The rules below establish the order in which benefits will be determined:

- (1) The benefits of a Plan which covers the person for whom claim is made other than as a dependent will be determined before a Plan which covers that person as a dependent.
- (2) The benefits of a Plan which covers the person for whom claim is made as a dependent of a person whose day of birth occurs first in a calendar year will be determined before a Plan which covers that person as a dependent of

- a person whose day of birth occurs later in that year; except that: (a) if the other Plan does not have this rule, its alternate rule will govern; and (b) in the case of a dependent child of divorced or separated parents, the rules in item (3) will apply.
- (3) If there is a court decree which establishes financial responsibility for medical, dental or other health care of the child, the benefits of the Plan which covers the child as a dependent of the parent so responsible will be determined before any other plan from the date the Provider of such plan has knowledge of the decree; otherwise:
- (a) The benefits of a Plan which covers the child as a dependent of the parent with custody will be determined before a Plan which covers the child as a dependent of a stepparent or a parent without custody.
 - (b) The benefits of a Plan which covers the child as a dependent of a stepparent will be determined before a plan which covers the child as a dependent of the parent without custody.
- (4) When the above rules do not establish the order, the benefits of a plan which has covered the person for whom claim is made for the longer period of time will be determined before a Plan which has covered the person for the shorter period of time; except that:
- (a) The benefits of a Plan which covers the person as a laid-off or retired employee, or his dependent will be determined after a Plan which covers the person as an employee, other than a laid-off or retired employee, or his dependent.
 - (b) If the other Plan does not have the rule in item (4) (a), which results in each Plan determining its benefits after the other, then item (4) (a) will not apply.

EXPENSES FOR WHICH A THIRD PARTY MAY BE LIABLE

This policy does not cover expenses for which another party may be responsible as a result of having caused or contributed to the Injury or Sickness. If you incur a Covered Expense for which, in the opinion of CG, another party may be liable:

1. CG shall, to the extent permitted by law, be subrogated to all rights, claims or interests which you may have against such party and shall automatically have a lien upon the proceeds of any recovery by you from such party to the extent of any benefits paid under the Policy. You or your representative shall execute such documents as may be required to secure CG's subrogation rights.
2. Alternatively, CG may, at its sole discretion, pay the benefits otherwise payable under the Policy. However, you must first agree in writing to refund to CG the lesser of:
 - a. the amount actually paid for such Covered Expenses by CG; or
 - b. the amount you actually receive from the third party for such Covered Expenses;

at the time that the third party's liability for medical expenses is determined and satisfied, whether by settlement, judgment, arbitration or award or otherwise.

CG will only exercise its subrogation rights if the amount received by you is specifically identified in the settlement or judgment as amounts paid for medical expenses.

**PAYMENT OF BENEFITS
TO WHOM PAYABLE**

All Medical Benefits are payable to you. However, at the option of CG and with the consent of the Policyholder, all or any part of them may be paid directly to the person or institution on whose charge claim is based. In any case, upon receipt of your written request for payment of Medical Benefits directly to the person or institution on whose charge claim is based, such benefits will be so paid.

If any person to whom benefits are payable is a minor or, in the opinion of CG, is not able to give a valid receipt for any payment due him, such payment will be made to his legal guardian. If no request for payment has been made by his legal guardian, CG may, at its option, make payment to the person or institution appearing to have assumed his custody and support.

If you die while any of these benefits remain unpaid, CG may choose to make direct payment to any of your following living relatives: spouse, mother, father, child or children, brothers or sisters; or to the executors or administrators of your estate.

Payment as described above will release CG from all liability to the extent of any payment made.

TIME OF PAYMENT

Benefits will be paid by CG when it receives due proof of loss.

RECOVERY OF OVERPAYMENT

When an overpayment has been made by CG, CG will have the right at any time to: (a) recover that overpayment from the person to whom or on whose behalf it was made; or (b) offset the amount of that overpayment from a future claim payment.

TERMINATION OF INSURANCE - EMPLOYEES

Your insurance will cease on the earliest date below:

the date you cease to be in a Class of Eligible Employees or cease to qualify for the insurance.

the last day for which you have made any required contribution for the insurance.

the date the policy is canceled.

Any continuation of insurance must be based on a plan which precludes individual selection.

TEMPORARY LAYOFF OR LEAVE OF ABSENCE

If your Active Service ends due to temporary layoff or leave of absence, your insurance will be continued until the date your Employer: (a) stops paying premium for you; or (b) otherwise cancels your insurance. However, your insurance will not be continued for more than 60 days past the date your Active Service ends.

INJURY OR SICKNESS

If your Active Service ends due to an Injury or Sickness, your insurance will be continued while you remain totally and continuously disabled as a result of the Injury or Sickness. However, your insurance will not continue past the date your Employer stops paying premium for you or otherwise cancels the insurance.

TERMINATION OF INSURANCE - DEPENDENTS

Your insurance for all of your Dependents will cease on the earliest date below:

the date your insurance ceases.

the date you cease to be eligible for Dependent Insurance.

the last day for which you have made any required contribution for the insurance.

the date Dependent Insurance is canceled.

The insurance for any one of your Dependents will cease on the last day of the calendar month in which that Dependent no longer qualifies as a Dependent.

TERMINATION OF INSURANCE - CONTINUATION REQUIRED BY NEW YORK STATE LAW

FOR YOU AND YOUR DEPENDENTS

THIS CONTINUATION DOES NOT APPLY TO ANY BENEFITS FOR LOSS OF LIFE, DISMEMBERMENT OR LOSS OF INCOME.

New York state law enables you or your Dependent to continue health insurance if coverage would cease due to a reduction of your work hours or your termination of employment. New York State law also enables your Dependents to continue health insurance if their coverage ceases due to your death or entitlement to Medicare, divorce or legal separation, or with respect to a Dependent child, failure to continue to qualify as a Dependent. Continuation must be elected in accordance with the rules of your employer's group health plan(s) and is subject to New York state law, regulations and interpretations.

A. EMPLOYEES AND DEPENDENTS CONTINUATION PROVISION

If you and your Dependent's insurance would otherwise cease because of a reduction in the number of hours you work or your termination of employment for any reason, you or your Dependent may continue health insurance upon payment of the required premium to the Employer. You and your Dependents must elect to continue insurance within 60 days from the later of: (a) the date of a reduction of your work hours or your termination of employment; or (b) the date notice of the right to continue insurance is sent via first class mail. Such insurance will not be continued by CG for you and/or your Dependents, as applicable, beyond the earliest of the following dates:

18 months from the date your work hours are reduced or your employment terminates, whichever may occur first;

the date the policy cancels;
the date coverage ends due to your failure to pay the required subsequent premium within 30 days of the due date;
the date your Dependent ceases to qualify as an eligible Dependent;
the date you become entitled to Medicare, following your enrollment in Medicare; or
the effective date of coverage under another group health plan, unless you have a condition for which the new plan limits or excludes coverage, in which case coverage will continue until the earliest of any other point above.

B. DEPENDENTS CONTINUATION PROVISION

If health insurance for your Dependents would otherwise cease because of:

- (1) your death;
- (2) your entitlement to Medicare;
- (3) divorce or legal separation; or
- (4) with respect to a Dependent child, failure to continue to qualify as a Dependent,

such insurance may be continued upon payment of the required premium to the Employer. In the case of (3) or (4) above, you or your Dependent must notify your Employer within 60 days of such event. In addition, a Dependent must elect to continue insurance within 60 days from the later of: (a) the date the insurance would otherwise cease; or (b) the date notice of the right to continue insurance is sent via first class mail.

CG will not continue the health insurance of a Dependent beyond the earliest of the following dates:

36 months from the date of (1), (3) or (4) above, whichever may occur first;
the date coverage ends due to failure to pay the required subsequent premium within 30 days of the due date;
the date the Dependent becomes entitled to Medicare, following his/her enrollment in Medicare;
the date the policy cancels; or
the date the Dependent becomes covered under another group health plan, unless the Dependent has a condition for which the new plan limits or excludes coverage, in which case coverage will continue until the earliest of any other point above.

TERMINATION OF INSURANCE - CONTINUATION REQUIRED BY NEW YORK STATE LAW FOR YOU AND YOUR DEPENDENTS

B. DEPENDENTS CONTINUATION PROVISION (CONT'D)

If your dependent would lose coverage because of an event described in (1), (3), or (4) of Section B after you have continued your Dependent's coverage due to your employment termination or reduction in work hours, your dependent may continue coverage for up to 36 months from the date of loss of employment or reduction in work hours.

If, after you have continued your Dependent's coverage due to your loss of employment or reduction in work hours, your dependent would lose coverage because you became entitled to (enrolled in) Medicare, your Dependent may continue coverage for up to 36 months from the date you become entitled to Medicare.

DISABLED INDIVIDUALS CONTINUATION PROVISIONS

If you or your Dependent is disabled on the date of termination of employment or a reduction in work hours you may continue health insurance for up to an additional 11 months beyond the 18-month period.

To be eligible you or your Dependent must:

- a) be declared disabled under Title II or XVI by the Social Security Administration; and
- b) notify the Plan Administrator of the Social Security Administration's determination within 60 days following the determination and within the initial 18-month continuation period, and provide the Plan Administrator with a copy of the determination.

Termination of coverage during the 29-month period will occur if you or your Dependent is found by the Social Security Administration to be no longer disabled. Termination will occur on the first day of the month beginning more than 30 days after the date of the final determination. All reasons for

termination which apply to the initial 18 months will also apply for any additional months of coverage.

CONVERSION AVAILABLE FOLLOWING CONTINUATION

If you or your Dependent's Continuation ends due to the expiration of the maximum 18- or 36-month continuation period, whichever applies, you or your Dependent will be entitled to convert to the insurance in accordance with the Medical Conversion benefit then available to Employees and their Dependents.

INTERACTION WITH OTHER CONTINUATION BENEFITS

A person who is eligible to continue insurance under both (1) and (2) below may continue the insurance, upon payment of any required premium, for a period of time not to exceed the longer of: (1) continuation required by New York state law; or (2) any other continuation of insurance provided in this Certificate.

TERMINATION OF INSURANCE - CONTINUATION REQUIRED BY NEW YORK STATE LAW FOR YOU AND YOUR DEPENDENTS

NEWLY ACQUIRED DEPENDENTS

If your insurance is being continued under New York state law provisions, and you acquire a new Dependent, such Dependent will be eligible for this Continuation provided:

the required premium is paid; and

CG is notified of your newly acquired Dependent in accordance with the terms of the policy.

However, such newly acquired Dependents will not be entitled to continue their insurance if items (1), (2), (3) or (4) listed in Section B, should subsequently occur.

INTERACTION WITH OTHER CONTINUATION BENEFITS

A person who is eligible to continue insurance under both (1) and (2) below may continue the insurance, upon payment of any required premium, for a period of time not to exceed the longer of: (1) continuation required by New York state law; or (2) any other continuation of insurance provided in this Certificate.

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TERMINATION OF INSURANCE - CONTINUATION REQUIRED BY NEW YORK STATE LAW FOR YOU AND YOUR DEPENDENTS

NEWLY ACQUIRED DEPENDENTS

If your insurance is being continued under New York state law provisions, and you acquire a new Dependent, such Dependent will be eligible for this Continuation provided:

the required premium is paid; and

CG is notified of your newly acquired Dependent in accordance with the terms of the policy.

However, such newly acquired Dependents will not be entitled to continue their insurance if items (1), (2), (3) or (4) listed in Section B, should subsequently occur.

TERMINATION OF INSURANCE

SPECIAL CONTINUATION OF MEDICAL INSURANCE FOR MILITARY RESERVISTS AND THEIR DEPENDENTS

If you are a reservist whose Medical Insurance would otherwise cease because you are called to active military duty, you may continue Medical Insurance for yourself and your Dependents, upon payment of the required premium to your Employer. You may continue the insurance for up to four years, but not beyond the earliest of the following dates:

the last day for which the required premium has been paid;

the date you or your Dependent becomes eligible for insurance under another group policy, other than the Civilian Health and Medical Program of the Uniformed Services;

the date you become eligible for Medicare.

The continuation of Medical Insurance will provide the same benefits as those provided to any similarly situated person insured under the policy who has not been called to active duty.

Provisions Regarding Notification and Election of Special Continuation

You or your Dependent must request continuation, in writing, within 60 days of being called to active duty. You must also pay the required premium to the Employer.

CONVERSION AVAILABLE FOLLOWING CONTINUATION

The provisions of the "Medical Conversion Privilege" section will apply following the termination of insurance.

TERMINATION OF INSURANCE

REINSTATEMENT OF MEDICAL INSURANCE FOR MILITARY RESERVISTS AND THEIR DEPENDENTS

If you return to employment when your active military duty as a reservist ends, you are entitled to the reinstatement of medical insurance for yourself and your Dependents. Such reinstatement will be without the application of:

- a new waiting period. However, the remainder of a waiting period not satisfied before active military duty began may still be applied.
- the Pre-existing Condition Limitation to any new condition that you or your Dependent may have developed while coverage was interrupted due to active military duty. However, the Pre-existing Condition Limitation may still be applied to conditions resulting directly from military duty.

"Reservist" means a member of a reserve component of the armed forces of the United States. "Reservist" includes a member of the National Guard whose active duty is extended at a time when the president is authorized to order: a) units of the ready reserve; or b) members of a reserve component, to active duty. Such additional active duty must be at the request and for the convenience of the federal government. It does not include: a) reservists entering active duty for the purpose of training or determining physical fitness; or b) reservists who have served more than four years of active duty.

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TERMINATION OF INSURANCE - CONTINUATION REQUIRED BY FEDERAL LAW

FOR YOU AND YOUR DEPENDENTS

PROVISIONS APPLICABLE TO REINSTATEMENT

If you return to employment after your discharge, you may reinstate your medical insurance. You must notify your Employer that you elect reinstatement within 90 days from your date of discharge. Such reinstatement will be retroactive to your date of discharge.

THE CONTINUATION REQUIRED BY FEDERAL LAW DOES NOT APPLY TO ANY BENEFITS FOR LOSS OF LIFE, DISMEMBERMENT OR LOSS OF INCOME.

Federal law enables you or your Dependent to continue health insurance if coverage would cease due to a reduction of your work hours or your termination of employment (other than for gross misconduct). Federal law also enables your Dependents to continue health insurance if their coverage ceases due to your death, divorce or legal separation, or with respect to a Dependent child, failure to continue to qualify as a Dependent. Continuation must be elected in accordance with the rules of your Employer's group health plan(s) and is subject to federal law, regulations and interpretations.

A. EMPLOYEES AND DEPENDENTS CONTINUATION PROVISION

If you and your Dependent's insurance would otherwise cease because of a reduction in the number of hours you work or your termination of employment for any reason other than gross misconduct, you or your Dependent may continue health insurance upon payment of the required premium to the Employer. You and your Dependents must elect to continue insurance within 60 days from the later of: (a) the date of a reduction of your work hours or your termination of employment; or (b) the date notice of the right to continue insurance is sent. Such insurance will not be continued by CG for you and/or your Dependents, as applicable, beyond the earliest of the following dates:

- 18 months from the date your work hours are reduced or your employment terminates, whichever may occur first;
- the date the policy cancels;
- the date coverage ends due to your failure to pay the required subsequent premium within 30 days of the due date;
- the date your Dependent ceases to qualify as an eligible Dependent; following enrollment in Medicare; for you, the date you become entitled to Medicare, and for your Dependent, the date he becomes entitled to Medicare;
- the effective date of coverage under another group health plan, unless you have a condition for which the new plan limits or excludes coverage, in which case coverage will continue until the earliest of any other point above.

B. DEPENDENT CONTINUATION PROVISION

- If health insurance for your Dependents would otherwise cease because of:
- (1) your death;
 - (2) divorce or legal separation; or

(3) with respect to a Dependent child, failure to continue to qualify as a Dependent, such insurance may be continued upon payment of the required premium to the Employer. In the case of (2) or (3) above, you or your Dependent must notify your Employer within 60 days of such event. In addition, a Dependent must elect to continue insurance within 60 days from the later of: (a) the date the insurance would otherwise cease; or (b) the date notice of the right to continue insurance is sent.

CG will not continue the health insurance of a Dependent beyond the earliest of the following dates:

- 36 months from the date of (1), (2) or (3) above, whichever may occur first;
- the date coverage ends due to failure to pay the required subsequent premium within 30 days of the due date;

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TERMINATION OF INSURANCE - CONTINUATION REQUIRED BY FEDERAL LAW FOR YOU AND YOUR DEPENDENTS (Continued)

- the date the Dependent becomes entitled to Medicare, following his/her enrollment in Medicare;
- the date the policy cancels; or
- the date the Dependent becomes covered under another group health plan, unless the Dependent has a condition for which the new plan limits or excludes coverage, in which case coverage will continue until the earliest of any other point above.

C. SUBSEQUENT EVENTS AFFECTING DEPENDENT COVERAGE

If, within the initial 18 month continuation period, your Dependent would lose coverage because of an event described in (1), (2), or (3) of Section B, or because of your coverage loss due to your subsequent entitlement to Medicare, after you have continued your Dependent's coverage due to your employment termination or reduction in work hours, your Dependent may continue coverage for up to 36 months from the date of loss of employment or reduction in work hours.

If your employment ends or your work hours are reduced within 18 months after your entitlement to Medicare, your covered Dependent may continue coverage for up to 36 months from the date you become entitled to Medicare.

If your employment ends or your work hours are reduced more than 18 months after your entitlement to Medicare, your covered Dependent may continue coverage for up to 18 months from the date your employment ends or your work hours are reduced.

DISABLED INDIVIDUALS CONTINUATION PROVISIONS

If you or your Dependent is disabled before or within the first 60 days of continuation of coverage which follow termination of employment or a reduction in work hours, the disabled person may continue health insurance for up to an additional 11 months beyond the 18-month period.

The disabled person may also continue the coverage for other family members continuously covered for the initial 18-month continuation period as either the Employee covering a Dependent, or as the Employee's Dependents; if they otherwise remain eligible.

To be eligible you or your Dependent must:

- a) be declared disabled as of a day before or during the first 60 days of continuation, under Title II or XVI by the Social Security Administration; and
- b) notify the plan administrator of the Social Security Administration's determination within 60 days following the determination and within the initial 18-month continuation period, and provide the plan administrator with a copy of the determination.

Termination of coverage for all covered persons during the 29-month period will occur if the disabled person is found by the Social Security Administration to be no longer disabled. Termination for this reason will occur on the first day of the month beginning more than 30 days after the date of the final determination.

All reasons for termination described in sections A and B which apply to the initial 18 months will also apply to any or all covered persons for any additional months of coverage.

CONVERSION AVAILABLE FOLLOWING CONTINUATION

If you or your Dependent's Continuation ends due to the expiration of the maximum 18-, 29- or 36-month continuation period, whichever applies, you or your Dependent may be entitled to convert to the insurance in accordance with the

Medical Conversion benefit then available to Employees and their Dependents.

INTERACTION WITH OTHER CONTINUATION BENEFITS

A person who is eligible to continue insurance under both (1) and (2) below may continue the insurance, upon payment of any required premium, for a period of time not to exceed the longer of: (1) the continuation required by federal law; or (2) any other continuation of insurance provided in this Certificate.

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TERMINATION OF INSURANCE - CONTINUATION REQUIRED BY FEDERAL LAW

FOR YOU AND YOUR DEPENDENTS (Continued)

NEWLY ACQUIRED DEPENDENTS

If, while your insurance is being continued under the continuation required by federal law provisions, you acquire a new Dependent, such Dependent will be eligible for this Continuation provided:

the required premium is paid; and

CG is notified of your newly acquired Dependent in accordance with the terms of the policy.

If events (1) or (2) of Section B should subsequently occur for your newly acquired Dependent spouse, such spouse will not be entitled to continue his insurance. However, your Dependent child will be able to continue his insurance.

If events described in Section C should subsequently occur for your child who is born, adopted or placed for adoption as a newly acquired Dependent, coverage will be continued according to that section.

TERMINATION OF INSURANCE

REQUIREMENTS OF FAMILY AND MEDICAL LEAVE ACT OF 1993

Any provisions of the policy that provide for: (a) continuation of insurance during a leave of absence; and (b) reinstatement of insurance following a return to Active Service; are modified by the following provisions of the federal Family and Medical Leave Act of 1993, where applicable:

A. CONTINUATION OF HEALTH INSURANCE DURING LEAVE

Your health insurance will be continued during a leave of absence if:

that leave qualifies as a leave of absence under the Family and Medical Leave Act of 1993; and

you are an eligible Employee under the terms of that Act.

The cost of your health insurance during such leave must be paid, whether entirely by your Employer or in part by you and your Employer.

B. REINSTATEMENT OF CANCELED INSURANCE FOLLOWING LEAVE

Upon your return to Active Service following a leave of absence that qualifies under the Family and Medical Leave Act of 1993, any canceled insurance (health, life or disability) will be reinstated as of the date of your return.

You will not be required to satisfy any eligibility or benefit waiting period or the requirements of any Pre-existing Condition Limitation to the extent that they had been satisfied prior to the start of such leave of absence.

Your Employer will give you detailed information about the Family and Medical Leave Act of 1993.

MEDICAL BENEFITS EXTENSION

Any expense incurred within one year after a person's Comprehensive Medical Benefits cease will be deemed to be incurred while he is insured if such expense is for an Injury or Sickness which causes him to be Totally Disabled from the day his insurance ceases until that expense is incurred.

The terms of this Medical Benefits Extension will not apply to: (a) a child born as a result of a pregnancy which exists when a person's benefits cease; or (b) any person when he becomes insured under another group policy for medical benefits.

TOTALLY DISABLED

You will be considered Totally Disabled if, because of an Injury or a Sickness:

you are unable to perform the basic duties of your occupation; and
you are not performing any other work or engaging in any other occupation for wage or profit.

Your Dependent will be considered Totally Disabled if, because of an Injury or a Sickness:

he is unable to engage in the normal activities of a person of the same age, sex and ability; or
in the case of a Dependent who normally works for wage or profit, he is not performing such work.

ACCIDENT AND HEALTH PROVISIONS

NOTICE OF CLAIM

Written notice of claim must be given to CG within 30 days after the occurrence or start of the loss on which claim is based. If notice is not given in that time, the claim will not be invalidated or reduced if it is shown that written notice was given as soon as was reasonably possible.

CLAIM FORMS

When CG receives the notice of claim, it will give to the claimant, or to the Policyholder for the claimant, the claim forms which it uses for filing proof of loss. If the claimant does not get these claim forms within 15 days after CG receives notice of claim, he will be considered to meet the proof of loss requirements of the policy if he submits written proof of loss within 90 days after the date of loss. This proof must describe the occurrence, character and extent of the loss for which claim is made.

PROOF OF LOSS

Written proof of loss must be given to CG within 90 days after the date of the loss for which claim is made. If written proof of loss is not given in that time, the claim will not be invalidated nor reduced if it is shown that written proof of loss was given as soon as was reasonably possible.

PHYSICAL EXAMINATION

CG, at its own expense, will have the right to examine any person for whom claim is pending as often as it may reasonably require.

LEGAL ACTIONS

No action at law or in equity will be brought to recover on the policy until at least 60 days after proof of loss has been filed with CG. No action will be brought at all unless brought within 3 years after the time within which proof of loss is required.

ACCIDENT AND HEALTH PROVISIONS

The following applies only to the In-Network plan.

YOUR RIGHT TO APPEAL UTILIZATION REVIEW DETERMINATION

You, your designee, and in connection with retrospective adverse determination, a provider, may appeal an adverse determination.

An expedited appeal may be granted in the case of an adverse determination involving continued health care services prescribed by a provider or if the provider believes an immediate appeal is warranted, except for retrospective determination. Expedited appeals must be determined within two working days after receipt of necessary information. Expedited appeals which do not result in a resolution satisfactory to the appealing party may be further appealed through the standard appeal process.

For a standard appeal, you must file the appeal in writing or by telephone in no more than 45 days after the utilization review determination. You shall receive written acknowledgement of the filing of the appeal within 15 working days of filing. A determination on the appeal will be made within 60 days after receipt of necessary information. You will be notified of the appeal determination within two working days.

You have the right to name a designee to handle an appeal on your behalf.

SUMMARY PLAN DESCRIPTION

The name of the Plan is:

ROSS STORES, INC.

The name, address and ZIP code of the sponsor of the Plan is:

Ross Stores, Inc.
8333 Central Ave.
Newark, CA 94560

Employer Identification Number (EIN) Plan Number

The name, address and ZIP code of the Plan Administrator is:

Employer named above

The name, address and ZIP code of the person designated as agent for the service of legal process is:

Employer named above

The office designated to consider the appeal of denied claims is:

The CG Claim Office responsible for this Plan

The cost of the Plan is paid for by your Employer.

The Plan's fiscal year ends on December 31.

The preceding pages set forth the eligibility requirements and benefits provided for you under this Plan.

DISCRETIONARY AUTHORITY

The Plan Administrator delegates to CG the discretionary authority to interpret and apply plan terms and to make factual determinations in connection with its review of claims under the plan. Such discretionary authority is intended to include, but not limited to, the determination of the eligibility of persons desiring to enroll in or claim benefits under the plan, the determination of whether a person is entitled to benefits under the plan, and the computation of any and all benefit payments. The Plan Administrator also delegates to CG the discretionary authority to perform a full and fair review, as required by ERISA, of each claim denial which has been appealed by the claimant or his duly authorized representative.

SUMMARY PLAN DESCRIPTION

PLAN MODIFICATION, AMENDMENT AND TERMINATION

The Employer as Plan Sponsor reserves the right to, at any time, change or terminate benefits under the Plan, to change or terminate the eligibility of classes of employees to be covered by the Plan, to amend or eliminate any other plan term or condition, and to terminate the whole plan or any part of it. The procedure by which benefits may be changed or terminated, by which the eligibility of classes of employees may be changed or terminated, or by which part or all of the Plan may be terminated, is contained in the Employer's Plan Document, which is available for inspection and copying from the Plan Administrator designated by the Employer. No consent of any participant is required to terminate, modify, amend or change the Plan.

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SUMMARY PLAN DESCRIPTION

PLAN MODIFICATION, AMENDMENT AND TERMINATION (CONT'D)

Termination of the Plan together with termination of the insurance policy(s) which funds the Plan benefits will have no adverse effect on any benefits to be paid under the policy(s) for any covered medical expenses incurred prior to the date that policy(s) terminates. Likewise, any extension of benefits under the policy(s) due to you or your Dependents total disability which began prior to and has continued beyond the date the policy(s) terminates will not be affected by the Plan termination. Rights to purchase limited amounts of life and medical insurance to replace part of the benefits lost because the policy(s) terminated may arise under the terms of the policy(s). A subsequent Plan termination will not affect the extension of benefits and rights under the policy(s).

Your coverage under the Plan's insurance policy(s) will end on the earliest of the following dates:

- the date you leave Active Service;
- the date you are no longer in an eligible class;
- if the Plan is contributory, the date you cease to contribute, or;
- the date the policy(s) terminates.

See your Plan Administrator to determine if any extension of benefits or rights are available to you or your Dependents under this policy(s). No extension of benefits or rights will be available solely because the Plan terminates.

FUNDING

The method for funding the insured parts of the Plan is for the employer to pay premiums for the insurance benefits from the general assets of the employer's business, after any required contribution for the insurance benefits is obtained from the employees by payroll deduction. To the extent that the premiums paid, other than premiums paid for coverage provided on a pooled basis, exceed the final premium costs for any policy year, the excess will be returned to and retained by the employer and will not become an asset of the Plan.

However, for the insured parts of the Plan which require employee contribution, to the extent such premium excess exceeds the employer's contributions for the insurance premiums, including the costs expended to administer the plan, that amount will be applied by the employer for the sole benefit of the employees.

CLAIM REVIEW PROCEDURE

You may get claim forms and guidance for filing claims from the Plan Administrator or from the CG claim office. If a claim is denied, you will be given the reason for denial in writing. You, or a person in your behalf, may ask the CG claim office for a review of the denied claim in writing within 60 days of receipt of the denial notice. This written request for review should state the reasons why you feel your claim should not have been denied. It should include any additional documents (medical or dental records, etc.) which you feel support your claim. You may also ask additional questions or make comments and you may review pertinent documents. In normal cases, you will receive the final decision within 60 days of the date your request for review is received. In special cases requiring a delay, you will receive notice of the final decision no later than 120 days after your request for review is received.

The Plan is handled by the Plan Administrator with benefits as set forth in the group insurance policies issued by CG.

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SUMMARY PLAN DESCRIPTION

PLAN MODIFICATION, AMENDMENT AND TERMINATION (CONT'D) STATEMENT OF RIGHTS

The following statement of ERISA rights is required by Federal law and rulings:

As a person covered under this Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974. This law called ERISA, provides that all people covered by the Plan are entitled to:

- examine, without charge, all Plan documents, including insurance policies, collective bargaining agreements and copies of all documents filed by the Plan with the U.S. Department of Labor, such as detailed annual reports and Plan descriptions.

- obtain copies of all Plan documents and other Plan information by writing to the Plan Administrator and asking for them. The Administrator may make a reasonable charge for the copies.

- receive a summary of the Plan's annual financial report if the Plan covers 100 or more people. The Plan Administrator is required by law to furnish each person under the Plan with a copy of this summary financial report.

In addition to creating rights for persons covered by the Plan, ERISA imposes duties upon the people who are responsible for the operation of the benefit portion of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in your interest and in the interest of the other people covered by the Plan and beneficiaries.

The law provides that no one may fire you or otherwise discriminate against you in any way to prevent you from getting a benefit or exercising your rights under ERISA. The law provides that if your claim for a benefit is denied in whole or in part, you will receive a written notice, explaining why your claim was denied. You have the right to have your claim reviewed and reconsidered.

Under ERISA, there are steps you can take to enforce your rights. For instance, if you request copies of documents from the Plan and do not receive them within 30 days, you may file suit in federal court. In such a case, the court may require the Plan Administrator to provide the documents and pay up to \$100 a day until you receive them, unless they were not sent because of reasons beyond the control of the Administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that the people who operate the Plan misuse the Plan's money or if you are discriminated against for asserting your rights, you may ask the U.S. Department of Labor for help, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If your suit is successful, the court may order the person you have sued to pay costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim frivolous.

If you have any questions about your rights under ERISA, you should get in touch with the nearest Area Office of the U.S. Labor-Management Services Administration of the Department of Labor.

If you have any questions about your Plan, you should see your Plan Administrator.

SUMMARY PLAN DESCRIPTION

CG will provide administrative services of the following nature: Claim Administration; Cost Containment; Financial; Banking and Billing Administration. Benefits provided under this certificate are fully guaranteed by CG. This certificate is issued by:
Connecticut General Life Insurance Company
900 Cottage Grove Road
Hartford, CT 06152

If you have questions about this statement or about your rights under ERISA, you should contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W. Washington, D.C. 20210.

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DEFINITIONS

ACTIVE SERVICE

You will be considered in Active Service:
on any of your Employer's scheduled work days if you are performing the regular duties of your work on a full-time basis on that day either at your Employer's place of business or at some location to which you are required to travel for your Employer's business.

BED AND BOARD

The term Bed and Board includes all charges made by a Hospital on its own behalf for room and meals and for all general services and activities needed for the care of registered bed patients.

CHARGES

The term "charges" means the actual billed charges. It also means an amount negotiated by a provider, directly or indirectly, with CG if that amount is different from the actual billed charges.

COINSURANCE

The term Coinsurance means the percentage of charges for Covered Expenses that an insured person is required to pay under the Plan.

CUSTODIAL SERVICES

The term Custodial Services means any services which are not intended primarily to treat a specific Injury or Sickness (including mental illness, alcohol or drug abuse). Custodial Services include, but shall not be limited to:
services related to watching or protecting a person;
services related to performing or assisting a person in performing any activities of daily living, such as: (a) walking; (b) grooming; (c) bathing; (d) dressing; (e) getting in or out of bed; (f) toileting; (g) eating; (h) preparing foods; or (i) taking medications that can usually be self-administered; and
services not required to be performed by trained or skilled medical or paramedical personnel.

DEPENDENT

Dependents are:
your lawful spouse; and
any unmarried child of yours who is
less than 19 years old;
19 years but less than 25 years old, enrolled in school as a full-time student and primarily supported by you;
19 or more years old and primarily supported by you and incapable of self-sustaining employment by reason of mental or physical handicap. Proof of the child's condition and dependence must be submitted to CG within 31 days after the date the child ceases to qualify above. During the next two years CG may, from time to time, require proof of the continuation of such condition and dependence. After that, CG may require proof no more than once a year.

A child includes a legally adopted child from the start of any waiting period prior to the finalization of the child's adoption. It also includes a newly born infant who is adopted by the insured from the moment the insured takes physical custody of the child upon the child's release from the hospital

prior to the finalization of the child's adoption. It also includes a stepchild who lives with you.

Anyone who is eligible as an Employee will not be considered as a Dependent.

Benefits for a Dependent child will continue until the last day of the calendar month in which his 19th birthday occurs, or in case of a student, until the last day of the month in which his 25th birthday occurs.

No one may be considered as a Dependent of more than one Employee.

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DEFINITIONS (Cont'd)

DURABLE MEDICAL EQUIPMENT

The term Durable Medical Equipment means equipment which:

- can withstand repeated use;
- is primarily and customarily used to serve a medical purpose;
- is generally not useful to a person in the absence of Sickness or Injury; and
- is appropriate for use in the home.

EMERGENCY SERVICES

Emergency Services are medical, surgical, Hospital and related health care services, including ambulance service, required in the case of an Emergency Condition. An Emergency Condition means a medical or behavioral condition, the onset of which is sudden, that manifests itself by symptoms of sufficient severity, including pain, that a prudent layperson, possessing an average knowledge of medicine and health, could reasonably expect the absence of immediate medical attention to result in: (a) placing the health of such person or other in serious jeopardy; or (b) serious impairment to such person's bodily functions; or (c) serious dysfunction of any bodily organ or part of such person; or (d) serious disfigurement of such person.

EMPLOYEE

The term Employee means a full-time employee of the Employer. The term does not include employees who are part-time or temporary.

EMPLOYER

The term Employer means the Policyholder and all Affiliated Employers.

EXPENSE INCURRED

An expense is incurred when the service or the supply for which it is incurred is provided.

FREE-STANDING SURGICAL FACILITY

The term Free-standing Surgical Facility means an institution which meets all of the following requirements:

- it has a medical staff of Physicians, Nurses and licensed anesthesiologists;
- it maintains at least two operating rooms and one recovery room;
- it maintains diagnostic laboratory and x-ray facilities;
- it has equipment for emergency care;
- it has a blood supply;
- it maintains medical records;
- it has agreements with Hospitals for immediate acceptance of patients who need Hospital Confinement on an inpatient basis; and
- it is licensed in accordance with the laws of the appropriate legally authorized agency.

HOME HEALTH AIDE

The term Home Health Aide means a person who: (a) provides care of a medical or therapeutic nature; and (b) reports to and is under the direct supervision of a Home Health Care Agency.

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DEFINITIONS (Cont'd)

HOME HEALTH CARE AGENCY

The term Home Health Care Agency means a Hospital or a non-profit or public home health care agency which:

primarily provides skilled nursing service and other therapeutic service under the supervision of a Physician or a Registered Graduate Nurse;

is run according to rules established by a group of professional persons;

maintains clinical records on all patients;

does not primarily provide custodial care or care and treatment of the mentally ill;

but only if, in those jurisdictions where licensure by statute exists, that Home Health Care Agency is licensed and run according to the laws that pertain to agencies which provide home health care.

HOME HEALTH CARE PLAN

The term Home Health Care Plan means a plan for care and treatment of a person in his home. To qualify, the plan must be established and approved in writing by a Physician who certifies that the person would require confinement in a Hospital or Skilled Nursing Facility if he did not have the care and treatment stated in the plan.

HOSPICE CARE PROGRAM

The term Hospice Care Program means:

a coordinated, interdisciplinary program to meet the physical, psychological, spiritual and social needs of dying persons and their families;

a program that provides palliative and supportive medical, nursing and other health services through home or inpatient care during the illness;

a program for persons who have a Terminal Illness and for the families of those persons.

HOSPICE CARE SERVICES

The term Hospice Care Services means any services provided by: (a) a Hospital, (b) a Skilled Nursing Facility or a similar institution, (c) a Home Health Care Agency, (d) a Hospice Facility, or (e) any other licensed facility or agency under a Hospice Care Program.

HOSPICE FACILITY

The term Hospice Facility means an institution or part of it which:

primarily provides care for Terminally Ill patients;

is accredited by the National Hospice Organization;

meets standards established by CG; and

fulfills any licensing requirements of the state or locality in which it operates.

HOSPITAL

The term Hospital means:

an institution licensed as a hospital, which: (a) maintains, on the premises, all facilities necessary for medical and surgical treatment;

(b) provides such treatment on an inpatient basis, for compensation, under the supervision of Physicians; and (c) provides 24-hour service by Registered Graduate Nurses;

an institution which qualifies as a hospital, a psychiatric hospital or a tuberculosis hospital, and a provider of services under Medicare, if such institution is accredited as a hospital by the Joint Commission on the Accreditation of Hospitals;

an institution which: (a) specializes in treatment of mental illness, alcohol or drug abuse or other related illness; (b) provides residential treatment programs; and (c) is licensed in accordance with the laws of the appropriate legally authorized agency; or a Free-standing Surgical Facility.

The term Hospital will not include an institution which is primarily a place for rest, a place for the aged, or a nursing home.

DEFINITIONS

HOSPITAL CONFINEMENT OR CONFINED IN A HOSPITAL

A person will be considered Confined in a Hospital if he is:

a registered bed patient in a Hospital upon the recommendation of a Physician;

an outpatient in a Hospital because of surgery;

receiving emergency care in a Hospital for: (a) an Injury, on his

first visit as an outpatient within 72 hours after the Injury is received; or (b) a sudden and unexpected Sickness within 12 hours after the Sickness begins, if lack of such care would cause his condition to worsen seriously; or Partially Confined for treatment of mental illness, alcohol or drug abuse or other related illness. Two days of being Partially Confined will be equal to one day of being Confined in a Hospital.

The term Partially Confined means continually treated for at least 3 hours but not more than 12 hours in any 24-hour period.

INJURY

The term Injury means an accidental bodily injury.

MAIL-ORDER PHARMACY

The term Mail-Order Pharmacy means a pharmacy designated as a primary distribution center for a mail-service program.

MEDICAID

The term Medicaid means a state program of medical aid for needy persons established under Title XIX of the Social Security Act of 1965 as amended.

MEDICALLY NECESSARY

The term Medically Necessary means:

a service or supply which is determined by CG to be required for the treatment or evaluation of a medical condition, is consistent with the diagnosis and which would not have been omitted under generally accepted medical standards or provided in a less intensive setting.

MEDICARE

The term Medicare means the program of medical care benefits provided under Title XVIII of the Social Security Act of 1965 as amended.

MENTAL ILLNESS

The term "mental illness" means any disorder, other than a disorder induced by alcohol or drug abuse, which impairs the behavior, emotional reaction or thought process of a person, regardless of medical origin. In determining benefits payable, charges made for the treatment of any physiological symptoms related to a mental illness will not be considered to be charges made for treatment of a mental illness.

NECESSARY SERVICES AND SUPPLIES

The term Necessary Services and Supplies includes:

any charges, except charges for Bed and Board, made by a Hospital on its own behalf for medical services and supplies actually used during Hospital Confinement;
any charges, by whomever made, for licensed ambulance service to or from the nearest Hospital where the needed medical care and treatment can be provided; and
any charges, by whomever made, for the administration of anesthetics during Hospital Confinement.

The term Necessary Services and Supplies will not include any charges for special nursing fees, dental fees or medical fees.

DEFINITIONS (cont'd)

NURSE

The term Nurse means a Registered Graduate Nurse, a Licensed Practical Nurse or a Licensed Vocational Nurse who has the right to use the abbreviation "R.N.," "L.P.N." or "L.V.N."

PARTICIPATING MAIL-ORDER PHARMACY

The term Participating Mail-Order Pharmacy means a Mail-Order Pharmacy which has contracted directly or indirectly with Connecticut General Life Insurance Company on behalf of RxPRIME.

PARTICIPATING PROVIDER

The term Participating Provider means:

an institution, facility or agency which has entered into a contract with a Preferred Provider Organization (referred to as the PPO) to provide medical services at a predetermined cost in accordance with the agreement between CG and the PPO.

a health care professional who has entered into a contract with a PPO to provide medical services at predetermined fees as negotiated by CG and that PPO.

The providers qualifying as Participating Providers may change from time to time. A list of the current Participating Providers will be provided by your Employer.

PARTICIPATING RETAIL PHARMACY

The term Participating Retail Pharmacy means a Retail Pharmacy which has contracted directly or indirectly with Connecticut General Life Insurance Company on behalf of RxPRIME.

PHARMACY

The term Pharmacy means a licensed establishment where prescription drugs are dispensed by a pharmacist.

PHYSICIAN

The term Physician means a licensed medical practitioner who is practicing within the scope of his license and who is licensed to prescribe and administer drugs or to perform surgery. It will also include any other licensed medical practitioner whose services are required to be covered by law in the locality where the policy is issued if he is:

- operating within the scope of his license; and
- performing a service for which benefits are provided under this plan when performed by a Physician.

PRESCRIPTION LEGEND DRUG

The term Prescription Legend Drug means any medicinal substance requiring, under the Federal Food, Drug and Cosmetic Act, a label that reads: "Caution: Federal law prohibits dispensing without a prescription."

PRESCRIPTION ORDER

The term Prescription Order means the request for each separate drug or medication by a Physician or each authorized refill of such request.

PSYCHOLOGIST

The term Psychologist means a person who is licensed or certified as a clinical psychologist. Where no licensure or certification exists, the term Psychologist means a person who is considered qualified as a clinical psychologist by a recognized psychological association. It will also include any other licensed counseling practitioner whose services are required to be covered by law in the locality where the policy is issued if he is:

- operating within the scope of his license; and
- performing a service for which benefits are provided under this plan when performed by a Psychologist.

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DEFINITIONS (Cont'd)

REASONABLE AND CUSTOMARY CHARGE

- A charge will be considered Reasonable and Customary if:
- it is the normal charge made by the provider for a similar service or supply; and
 - it does not exceed the normal charge made by most providers of such service or supply in the geographic area where the service is received, as determined by CG.

To determine if a charge is Reasonable and Customary, the nature and severity of the Injury or Sickness being treated will be considered.

RETAIL PHARMACY

The term Retail Pharmacy means any pharmacy other than a pharmacy designated as a primary distribution center for a mail service program.

SICKNESS - FOR MEDICAL INSURANCE

The term Sickness means a physical or mental illness. It also includes pregnancy. Expenses incurred for routine Hospital and pediatric care of a newborn child prior to discharge from the Hospital nursery will be considered to be incurred as a result of Sickness.

SKILLED NURSING FACILITY

The term Skilled Nursing Facility means a licensed institution (other than a Hospital, as defined) which specializes in:
physical rehabilitation on an inpatient basis; or

skilled nursing and medical care on an inpatient basis;
but only if that institution: (a) maintains on the premises all facilities
necessary for medical treatment; (b) provides such treatment, for compensation,
under the supervision of Physicians; and (c) provides Nurses' services.

TERMINAL ILLNESS

A Terminal Illness will be considered to exist if a person becomes
terminally ill with a prognosis of six months or less to live, as diagnosed by a
Physician.

GROUP INSURANCE PLAN - ROSS STORES, INC.
DENTAL

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HEALTH CARE SERVICES

A denial of claim or a clinical decision regarding health care services will be made by qualified clinical personnel. Notice of denial or determination will include information regarding the basis for denial or determination and any further appeal rights.

NON-ENGLISH ASSISTANCE

For non-English assistance in speaking to Member Services, please use the translation service provided by AT+T. For a translated document, please contact your Member Services Representative.

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

A CIGNA company (called CG) certifies that it insures certain Employees for the benefits provided by the following policy(s):

POLICYHOLDER: ROSS STORES, INC.

GROUP POLICY(S) -- COVERAGE

2244113-08 DENTAL INSURANCE

CERTIFICATE DATE: JANUARY 1, 1998

This certificate describes the main features of the insurance. It does not waive or alter any of the terms of the policy(s). If questions arise, the policy(s) will govern.

This certificate takes the place of any other issued to you on a prior date which described the insurance.

EXPLANATION OF TERMS

You will find terms starting with capital letters throughout your certificate. To help you understand your benefits, most of these terms are defined in the Definitions section of your certificate.

THE SCHEDULE

THE SCHEDULE IS A BRIEF OUTLINE OF YOUR MAXIMUM BENEFITS WHICH MAY BE PAYABLE UNDER YOUR INSURANCE. FOR A FULL DESCRIPTION OF EACH BENEFIT, REFER TO THE APPROPRIATE SECTION LISTED IN THE TABLE OF CONTENTS.

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CIGNA TRADITIONAL DENTAL
FOR YOU AND YOUR DEPENDENTS

HOW YOUR DENTAL PLAN WORKS

CLASS I	Preventive Plan pays 100%
CLASS II	Basic Restorative Plan pays 100%
CLASS III	Major Restorative Plan pays 100%
CLASS IV	Orthodontia Plan pays 100%
CLASS V	TMJ Plan pays 100%
CLASS VI	Implants Plan pays 100%
CLASSES I, II, III, V, VI COMBINED Calendar Year Maximum	\$25,000
CLASS IV Lifetime Maximum	\$25,000

SECTION 125 PLAN

Your Employer has agreed to provide benefits according to Section 125 of the Internal Revenue Code. A Section 125 plan is a written group insurance plan which allows Employees a choice among two or more benefits consisting of salary (cash) and non-taxable benefits. Non-taxable benefits may be in the form of salary reduction.

Therefore, normally taxable salary remains Employer money and is put toward benefits tax-free. Because your group insurance plan is a Section 125 plan, certain provisions of this certificate are superseded as described below.

NO LONGER IN ACTIVE SERVICE

If you return to Active Service within the same benefit plan year following your termination of employment, Section 125 plan provisions supersede the "Eligibility - Effective Date" section under the "Eligibility For Employee Insurance" provisions of your certificate as follows:

If your insurance ceases due to your termination of employment, your Employer may allow you to become insured again for your previously selected benefits upon your return to Active Service.

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TERMINATION OF INSURANCE DUE TO FAILURE TO PAY PREMIUM

If you fail to pay premium resulting in termination of your group insurance coverage, Section 125 plan provisions supersede the "Eligibility - Effective Date" section under the "Eligibility For Employee Insurance" provisions of your certificate as follows:

If your insurance ceases due to your failure to pay required premium, unless you are not in Active Service due to qualified leave of absence under the Family and Medical Leave Act of 1993, you will not be permitted to elect any coverage until the next Open Enrollment Period. In addition, due to failure to pay premium resulting in termination of your group insurance coverage, Section 125 plan provisions supersede the "Eligibility - Effective Date" section under the "Late Entrant - Employee" provisions of your certificate as follows:

You may not enroll as a Late Entrant by providing evidence of good health, if your coverage terminates due to cancellation of your payroll deduction. You are not considered enrolled in the group insurance plan. You will not be able to select group insurance coverage until the next benefit plan year.

CHANGE IN FAMILY STATUS

Due to a change in your family status, which changes your coverage needs, you may be eligible to change your benefits. Section 125 plan provisions supersede the "Eligibility - Effective Date" section under the "Eligibility For Employee Insurance" provisions in your certificate as follows: You may be eligible to change your original selection of benefits when a change in your family status occurs. Consult your Employer for details.

HOW TO FILE YOUR CLAIM

The prompt filing of any required claim form will result in faster payment of your claim.

You may get the required claim forms from your Benefit Plan Administrator. All fully completed claim forms and bills should be sent directly to your servicing CG Claim Office.

DENTAL EXPENSES

The first Dental Claim should be filed as soon as you have incurred covered expenses. Itemized copies of your bills should be sent with the claim form. If you have any additional bills after the first treatment, file them periodically. You must follow the Predetermination of Benefits procedure when it is necessary for dental forms.

CLAIM REMINDERS:

BE SURE TO USE YOUR SOCIAL SECURITY AND ACCOUNT NUMBER WHEN YOU FILE CG'S CLAIM FORMS, OR WHEN YOU CALL YOUR CG CLAIM OFFICE. YOUR ACCOUNT NUMBER IS 2244113. PROMPT FILING OF ANY REQUIRED CLAIM FORMS RESULTS IN FASTER PAYMENT OF YOUR CLAIMS.

WARNING: Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit is guilty of a crime and may be subject to fines and confinement in prison.

ELIGIBILITY - EFFECTIVE DATE
ELIGIBILITY FOR EMPLOYEE INSURANCE

You will become eligible for insurance on the day you complete the waiting period if:

- you are in a Class of Eligible Employees; and
- you are an eligible, full-time Employee.

Initial Employee Group: You are in the Initial Employee Group if you are employed in a class of employees on the date that class of employees becomes a Class of Eligible Employees as determined by your Employer.

New Employee Group: You are in the New Employee Group if you are not in the Initial Employee Group.

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ELIGIBILITY FOR DEPENDENT INSURANCE

You will become eligible for Dependent insurance on the later of:

- the day you become eligible for yourself; or the day you
- acquire your first Dependent.

WAITING PERIOD

Initial Employee Group: None

New Employee Group: Date of hire

CLASSES OF ELIGIBLE EMPLOYEES

All Employees as specified by your Employer

ELIGIBILITY - EFFECTIVE DATE

This plan is offered to you as an Employee.

EFFECTIVE DATE OF YOUR INSURANCE

You will become insured on the date you become eligible.

If you are not in Active Service on the date you would otherwise become insured, you will become insured on the date you return to Active Service.

EFFECTIVE DATE OF DEPENDENT INSURANCE

Insurance for your Dependents will become effective on the date you become eligible for Dependent Insurance. All of your Dependents as defined will be included. Your Dependents will be insured only if you are insured.

REQUIREMENTS OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1993 (OBRA'93)
THESE HEALTH COVERAGE REQUIREMENTS DO NOT APPLY TO ANY BENEFITS FOR LOSS OF LIFE, DISMEMBERMENT OR LOSS OF INCOME.

Any other provisions in this certificate that provide for: (a) the definition of an adopted child and the effective date of eligibility for coverage of that child; and (b) eligibility requirements for a child for whom a

court order for medical support is issued; are superseded by these provisions required by the federal Omnibus Budget Reconciliation Act of 1993, where applicable.

A. ELIGIBILITY FOR COVERAGE UNDER A QUALIFIED MEDICAL CHILD SUPPORT ORDER

If a Qualified Medical Child Support Order is issued for your child, that child will be eligible for coverage as required by the order and you will not be considered a Late Entrant for Dependent Insurance.

You must notify your Employer and elect coverage for that child as soon as reasonably possible.

QUALIFIED MEDICAL CHILD SUPPORT ORDER

A Qualified Medical Child Support Order is a judgment, decree or order (including approval of a settlement agreement) issued by a court of competent jurisdiction, and satisfies all of the following:

1. the order specifies your name and last known address, and the child's name and last known address;
2. the order provides a description of the coverage to be provided, or the manner in which the type of coverage is to be determined;
3. the order states the period to which it applies; and
4. the order specifies each plan that it applies to.

The Qualified Medical Child Support Order may not require the health insurance policy to provide coverage for any type or form of benefit not otherwise provided under the policy.

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B. ELIGIBILITY FOR COVERAGE FOR ADOPTED CHILDREN

Any child under the age of 18 who is adopted by you, including a child who is placed with you for adoption, will be eligible for Dependent Insurance upon the date of placement with you. A child will be considered placed for adoption when you become legally obligated to support that child, totally or partially, prior to that child's adoption. If a child placed for adoption is not adopted, all health coverage ceases when the placement ends, and will not be continued. The provisions in the "Exceptions for Newborns" section of this certificate that describe requirements for enrollment and effective date of insurance will also apply to an adopted child or a child placed with you for adoption.

DENTAL BENEFITS - CIGNA TRADITIONAL DENTAL FOR YOU AND YOUR DEPENDENTS

If you or any one of your Dependents incurs Covered Expenses, CG will:

pay for the Covered Expenses incurred in that calendar year up to the Maximum Covered Expense determined from the Dental Services Schedule for each Dental Service subject to the Alternate Benefit Provision.

ORTHODONTIA PROVISION

The total amount payable for all expenses incurred for Orthodontics during a person's lifetime will not be more than the Orthodontia Maximum shown in The Schedule. Payments for Comprehensive Full-Banded Orthodontic Treatments are made in installments. Payment of benefits will be made every 3 months. The first payment becomes payable when the appliance is installed. Later payments are payable at the end of each 3-month period. In determining the first installment, CG assigns 25% of the charge for the entire course of treatment to the appliance. The rest of such charge is prorated over the estimated duration of such treatment. These payments are made only for services performed while a person is insured. If insurance or treatment on a person ceases during a period, the amount payable for that period will be prorated.

MAXIMUM BENEFIT PROVISION

The total amount payable for all expenses incurred for other than Orthodontics for a person in a calendar year will not be more than the Maximum Benefit shown in The Schedule.

TEMPOROMANDIBULAR JOINT DYSFUNCTION PROVISION

The total amount payable for all expenses incurred for a person in his lifetime for Temporomandibular Joint Dysfunction will not be more than the Calendar Year Maximum shown in The Schedule.

DENTAL BENEFITS COVERED EXPENSES

The term Covered Expenses means expenses incurred by or on behalf of you or any one of your Dependents for charges made by a Dentist for the performance of a Dental Service listed in the Dental Services Schedule.

Covered Expenses will include only those expenses incurred for such charges when the Dental Service:

is performed by or under the direction of a Dentist; is essential for the necessary care of the teeth; and starts and

is completed while the person is insured.

Any portion of charges for a Dental Service that exceeds the Maximum Covered Expense shown for that service in the Dental Services Schedule is not included.

A Dental Service is deemed to start when the actual performance of the service starts except that:

for fixed bridgework and full or partial dentures, it starts when the first impressions are taken and/or abutment teeth are fully prepared.

for a crown, inlay or onlay, it starts on the first date of preparation of the tooth involved.

for root canal therapy, it starts when the pulp chamber of the tooth is opened.

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IMPLANTS

An implant is a device surgically placed in the jawbone which is used to specifically provide support for an attached dental prosthesis. The procedure of placing the implant includes the materials and components associated with the surgical implantation.

Prosthetic devices attached to the implant include the crown, abutment crown connector bar and fixed bridge.

Covered Expenses for implants will include;

surgical placement of dental implant;

abutment, repair, maintenance, cleansing, removal, and reinsertion of implant and/or abutment.

DENTAL SERVICES SCHEDULE - CIGNA TRADITIONAL DENTAL

Covered Dental Expenses will include expenses incurred for Dental Services listed in this Schedule. CG may agree to accept, as Covered Dental Expenses, expenses for services not listed. To be considered, services should be identified in terms of the American Dental Association Uniform Code on Dental Procedures and Nomenclature and/or by description and submitted to CG.

CG will determine the Maximum Covered Expense for services that it accepts. The Maximum Covered Expense so determined will be consistent with the maximums listed.

CLASS I SERVICES - DIAGNOSTIC AND PREVENTIVE

The Maximum Covered Expense for any Class I Service is the Reasonable and Customary Charge. Clinical oral examination - Only 2 per person per calendar year.

Palliative (emergency) treatment of dental pain, minor procedures, when no other definitive Dental Services are performed. (Any x-ray taken in connection with such treatment is a separate Dental Service.)

X-rays - Complete series - Only one per person, including panoramic film, in any 3 calendar years.

Bitewing X-rays - Only 2 charges per person per calendar year.

Panoramic (Panorex) X-ray - Only one per person in any 3 calendar years.

Prophylaxis (Cleaning) - Only 2 per person per calendar year.
Periodontal maintenance procedures (following active therapy),
Periodontal Prophylaxis.

Topical application of fluoride (excluding prophylaxis) - Limited to persons less than 19 years old. Only one per person per calendar year.

Topical application of sealant, per tooth, on a posterior tooth for a person less than 14 years old - Only one treatment per tooth in any 3 calendar years.

Space Maintainers, fixed unilateral - Limited to nonorthodontic treatment.

DENTAL SERVICES SCHEDULE - CIGNA TRADITIONAL DENTAL
CLASS II SERVICES - BASIC RESTORATIONS, ENDODONTICS, PERIODONTICS, PROSTHODONTIC
MAINTENANCE AND ORAL SURGERY

The Maximum Covered Expense for any Class II Service is 100%.

Amalgam Filling - Primary (Baby) Teeth, One Surface

Amalgam Filling - Permanent Teeth, One Surface

Composite/Resin Filling, One Surface

Root Canal Therapy - Any x-ray, test, laboratory exam or follow-up care is part of the allowance for root canal therapy and not a separate Dental Service.

Osseous Surgery - Flap entry and closure is part of the allowance for osseous surgery and osseous graft and not a separate Dental Service.

If more than one periodontal surgical service is performed per quadrant only the one with the largest Maximum Covered Expense is a Dental Service.

Periodontal Scaling and Root Planing - Entire Mouth

Adjustments - Complete Denture

Any adjustment of or repair to a denture within 6 months of its installation is not a separate Dental Service.

DENTAL SERVICES SCHEDULE - CIGNA TRADITIONAL DENTAL
CLASS II SERVICES - BASIC RESTORATIONS, ENDODONTICS, PERIODONTICS, PROSTHODONTIC
MAINTENANCE AND ORAL SURGERY (CONT'D)

Recement Bridge

Simple Extractions

Surgical Removal of Erupted Tooth Requiring Elevation of Mucoperiosteal Flap and Removal of Bone and/or Section of Tooth

Removal of Impacted Tooth, Soft Tissue

Removal of Impacted Tooth, Partially Bony Removal of Impacted Tooth, Completely Bony Local anesthetic, analgesic and routine post-operative care for extractions and other oral surgery are part of the allowance for each Dental Service.

General Anesthesia - The administration of a general anesthetic is a Dental Service covered by this Schedule only: (a) when medically necessary in conjunction with oral or dental surgery; and (b) if the anesthetic agent produces a state of unconsciousness with absence of pain sensation over the whole body.

DENTAL SERVICES SCHEDULE

CLASS III SERVICES - MAJOR RESTORATIONS, DENTURES AND BRIDGEWORK

The Maximum Covered Expense for any Class III Service is 100% of the Reasonable and Customary Charge. Gold or Crown restorations are Dental Services only when the tooth, as a result of extensive caries or fracture, cannot be restored with amalgam, silicate, acrylic or plastic restoration.

*Crowns

Porcelain with Gold

Cast Gold - Full

Cast Gold - Three-Fourths

*Fixed or Removable Appliances

Complete (Full) Dentures, Upper or Lower

Partial Dentures - Acrylic Base

Lower, with Two Clasps and Chrome Lingual Bar

Upper, with Two Clasps and Chrome Palatal Bar

Bridge Pontics - Cast Gold Bridge Pontics - Porcelain Fused to Gold Bridge

Pontics - Plastic Processed to Gold *Abutment Crowns - Plastic Processed to Gold

*Abutment Crowns - Porcelain Fused to Gold *Abutment Crowns - Full Cast Gold

*A crown or fixed appliance, used as a prosthetic device over a surgical implant will be subject to the provisions of the contract for Class III Services as noted above.

DENTAL SERVICES SCHEDULE - CIGNA TRADITIONAL DENTAL

CLASS IV SERVICES - ORTHODONTICS

The Maximum Covered Expense for any Class IV Service is 100% of the Reasonable and Customary Charge. Each month of active treatment is a separate Dental Service. Orthodontic work-up including x-rays, diagnostic casts and treatment plan and

first month of active treatment including all active treatment and retention appliance

Active treatment per month after the first month Fixed or Removable Appliances -Only one appliance per person

For Tooth Guidance

To Control Harmful Habits

DENTAL SERVICES SCHEDULE

CLASS V SERVICES - TEMPOROMANDIBULAR JOINT DYSFUNCTION

The Maximum Covered Expense for any Class V Service is 100% of the Reasonable and Customary Charge. Only the Dental Services listed below will be considered covered expenses for the treatment of Temporomandibular Joint Dysfunction:

Office Visit - Adjustment to Appliance No more than 6 adjustments in 6 consecutive months after seating or placement of appliance

Transcutaneous Electro-neural Stimulation No more than 4 treatments in a 6-month period

Trigger Point Injection of Local Anesthetic into Muscle Fascia No more than 4 treatments in a 6-month period

Mandibular Orthopedic Repositioning Appliance Only one appliance per person in any 5-year period

DENTAL SERVICES SCHEDULE

CLASS VII - DENTAL IMPLANT SERVICE

The Maximum Covered Expense for any Class VII Service is 100%.

A Dental Implant includes any type of surgical implant placed in the jawbone for the specific purpose of providing support for an attached dental prosthesis.

Surgical placement of implant body - (Any type dental implant).

Abutment placement or substitution. Implant maintenance procedures, including removal of attached prosthesis, cleansing of prosthesis, repair of implant abutment and abutments, and re-insertion of prosthesis.

Surgical removal of (failed) implant.

An implant supported connector bar and/or denture will be subject to the provisions of the contract for Class III Major Restorative Services. Cleaning of teeth, including Implant supported crowns and/or fixed bridges will be subject to the provisions of the contract for Class I Diagnostic and Preventive Service, provided there is no removal or reinsertion of implant.

DENTAL BENEFITS

EXPENSES NOT COVERED

Covered Expenses will not include, and no payment will be made for, expenses incurred for:

services performed solely for cosmetic reasons;

dental services that do not meet commonly recognized dental standards;

services that are deemed to be medical services;

services and supplies received from a hospital; services for which benefits are not payable according to the "General Limitations" section.

In addition, these benefits will be reduced so that the total payment under the items below will not be more than 100% of the charge made for the Dental Service if benefits are provided for that service under:

this plan; and

any medical expense plan or prepaid treatment program sponsored or made available by your Employer.

GENERAL LIMITATIONS
DENTAL BENEFITS

No payment will be made for expenses incurred for you or any one of your Dependents:

- for or in connection with an injury arising out of, or in the course of, any employment for wage or profit;
- for or in connection with a sickness which is covered under any workers' compensation or similar law;
- for charges made by a Hospital owned or operated by or which provides care or performs services for, the United States Government, if such charges are directly related to a military-service-connected condition;
- to the extent that payment is unlawful where the person resides when the expenses are incurred;
- for charges which the person is not legally required to pay;
- for charges for unnecessary care, treatment or surgery; to the extent that you or any of your Dependents is in any way paid or entitled to payment for those expenses by or through a public program, other than Medicaid or Medi-Cal;
- for or in connection with experimental procedures or treatment methods not approved by the American Dental Association or the appropriate dental specialty society;
- for or in connection with surgical implants when an underlying known medical condition would contraindicate implants as appropriate dental care.

GENERAL LIMITATIONS
CIGNA TRADITIONAL DENTAL BENEFITS

No payment will be made for expenses incurred by you or any one of your Dependents to the extent that benefits are paid or payable for those expenses under the mandatory part of any auto insurance policy written to comply with:

- a "no-fault" insurance law; or an uninsured motorist insurance law.

CG will take into account any adjustment option chosen under such part by you or any one of your Dependents.

MEDICARE ELIGIBLES The Dental Insurance for:

- (a) a former Employee who is eligible for Medicare and whose insurance is continued for any reason as provided in this plan;
- (b) a former Employee's Dependent or a former Dependent Spouse, who is eligible for Medicare and whose insurance is continued for any reason as provided in this plan;
- (c) an Employee whose Employer and each other Employer participating in the Employer's plan have fewer than 100 Employees and that Employee is eligible for Medicare due to disability;
- (d) the Dependent of an Employee whose Employer and each other Employer participating in the Employer's plan have fewer than 100 Employees and that Dependent is eligible for Medicare due to disability;
- (e) an Employee or a Dependent of an Employee of an Employer who has fewer than 20 Employees if that person is eligible for Medicare due to age;
- (f) an Employee, retired Employee, Employee's Dependent or retired Employee's Dependent who is eligible for Medicare due to End Stage Renal Disease after that person has been eligible for Medicare for

18 months;

will be modified, where permitted by the rules established by the Social Security Act of 1965 as amended, as follows:

The amount payable under this plan will be reduced so that the total amount payable by Medicare and by CG will be no more than 100% of the expenses incurred.

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MEDICARE ELIGIBLES (CONT'D)

CG will assume the amount payable under:

Part A of Medicare for a person who is eligible for that Part without premium payment, but has not applied, to be the amount he would receive if he had applied.

Part B of Medicare for a person who is entitled to be enrolled in that Part, but is not, to be the amount he would receive if he were enrolled.

A person is considered eligible for Medicare on the earliest date any coverage under Medicare could become effective for him. This reduction will not apply to any Employee and his Dependent or any former Employee and his Dependent unless he is listed under (a) through (f) above.

COORDINATION OF BENEFITS

If you or any one of your Dependents is covered under more than one Plan, benefits payable from all such Plans will be coordinated.

Coordination of Benefits will be used to determine the benefits payable for a person for any Claim Determination Period if, for the Allowable Expenses incurred in that Period, the sum of:

- (a) the benefits that would be payable from this Plan in the absence of coordination; and
- (b) the benefits that would be payable from all other Plans without Coordination of Benefits provisions in those Plans; would exceed such Allowable Expenses.

The benefits that would be payable from this Plan for Allowable Expenses incurred in any Claim Determination Period in the absence of Coordination of Benefits will be reduced to the extent required so that the sum of:

- (a) those reduced benefits; and
- (b) all the benefits payable for those Allowable Expenses from all other Plans; will not exceed the total of such Allowable Expenses. Benefits payable from all other Plans include the benefits that would have been payable had proper claim been made for them.

However, the benefits of another Plan will be ignored when the benefits of this Plan are determined if: (a) the Benefit Determination Rules would require this Plan to determine its benefits before that Plan; and (b) the other Plan has a provision that coordinates its benefits with those of this Plan and would, based on its rules, determine its benefits after this Plan.

CG reserves the right to release to or obtain from any other Insurance Company or other organization or person any information which, in its opinion, it needs for the purpose of Coordination of Benefits.

When payments which should have been made under this Plan based on the terms of this section have been made under any other Plans, CG will have the right to pay to any organizations making these payments the amount it determines to be warranted. Amounts paid in this manner will be considered to be benefits paid under this Plan. CG will be released from all liability under this Plan to the

extent of these payments. When an overpayment has been made by CG at any time, it will have the right to recover that payment, to the extent of the excess, from the person to whom it was made or any other Insurance Company or organization, as it may determine.

PLAN

Plan means any of the following which provides medical or dental benefits or services: (1) group or blanket insurance coverage other than blanket group school accident policies or policies for substantially similar groups where the premium is paid by the policyholder; (2) service plan contracts, group or individual practice or other prepayment plans; or (3) coverage under any: labor-management trustee plans; union welfare plans; employer organization plans; or employee benefit organization plans. Plan does not include coverage under individual or family policies or contracts. Each Plan or part of a Plan which has the right to coordinate benefits will be considered a separate Plan.

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COORDINATION OF BENEFITS ALLOWABLE EXPENSE

Allowable Expense means any necessary, reasonable and customary item of expense, at least a part of which is covered by any one of the Plans that covers the person for whom claim is made. When the benefits from a Plan are in the form of services, not cash payments, the reasonable cash value of each service is both an Allowable Expense and a benefit paid.

CLAIM DETERMINATION PERIOD

Claim Determination Period means a calendar year or that part of a calendar year in which the person has been covered under this Plan.

BENEFIT DETERMINATION RULES

The rules below establish the order in which benefits will be determined:

- (1) The benefits of a Plan which covers the person for whom claim is made other than as a dependent will be determined before a Plan which covers that person as a dependent.
- (2) The benefits of a Plan which covers the person for whom claim is made as a dependent of a person whose day of birth occurs first in a calendar year will be determined before a Plan which covers that person as a dependent of a person whose day of birth occurs later in that year; except that: (a) if the other Plan does not have this rule, its alternate rule will govern; and (b) in the case of a dependent child of divorced or separated parents, the rules in item (3) will apply.
- (3) If there is a court decree which establishes financial responsibility for medical, dental or other health care of the child, the benefits of the Plan which covers the child as a dependent of the parent so responsible will be determined before any other plan from the date the Provider of such plan has knowledge of the decree; otherwise:
 - (a) The benefits of a Plan which covers the child as a dependent of the parent with custody will be determined before a Plan which covers the child as a dependent of a stepparent or a parent without custody.
 - (b) The benefits of a Plan which covers the child as a dependent of a stepparent will be determined before a plan which covers the child as a dependent of the parent without custody.
- (4) When the above rules do not establish the order, the benefits of a plan which has covered the person for whom claim is made for the longer period of time will be determined before a Plan which has covered the person for the shorter period of time; except that:

- (a) The benefits of a Plan which covers the person as a laid-off or retired employee, or his dependent will be determined after a Plan which covers the person as an employee, other than a laid-off or retired employee, or his dependent.
- (b) If the other Plan does not have the rule in item (4)(a), which results in each Plan determining its benefits after the other, then item (4)(a) will not apply.

EXPENSES FOR WHICH A THIRD PARTY MAY BE LIABLE

This policy does not cover expenses for which another party may be responsible as a result of having caused or contributed to the Injury or Sickness. If you incur a Covered Expense for which, in the opinion of CG, another party may be liable:

1. CG shall, to the extent permitted by law, be subrogated to all rights, claims or interests which you may have against such party and shall automatically have a lien upon the proceeds of any recovery by you from such party to the extent of any benefits paid under the Policy. You or your representative shall execute such documents as may be required to secure CG's subrogation rights.

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EXPENSES FOR WHICH A THIRD PARTY MAY BE LIABLE (CONT'D)

2. Alternatively, CG may, at its sole discretion, pay the benefits otherwise payable under the Policy. However, you must first agree in writing to refund to CG the lesser of:
 - a. the amount actually paid for such Covered Expenses by CG; or
 - b. the amount you actually receive from the third party for such Covered Expenses;

at the time that the third party's liability for medical expenses is determined and satisfied, whether by settlement, judgment, arbitration or award or otherwise.

CG will only exercise its subrogation rights if the amount received by you is specifically identified in the settlement or judgment as amounts paid for medical expenses.

PAYMENT OF BENEFITS TO WHOM PAYABLE

All Dental Benefits are payable to you. However, at the option of CG and with the consent of the Policyholder, all or any part of them may be paid directly to the person or institution on whose charge claim is based.

If any person to whom benefits are payable is a minor or, in the opinion of CG, is not able to give a valid receipt for any payment due him, such payment will be made to his legal guardian. If no request for payment has been made by his legal guardian, CG may, at its option, make payment to the person or institution appearing to have assumed his custody and support.

If you die while any of these benefits remain unpaid, CG may choose to make direct payment to any of your following living relatives: spouse, mother, father, child or children, brothers or sisters; or to the executors or administrators of your estate.

Payment as described above will release CG from all liability to the extent of any payment made.

TIME OF PAYMENT

Benefits will be paid by CG when it receives due proof of loss.

RECOVERY OF OVERPAYMENT

When an overpayment has been made by CG, CG will have the right at any time to: (a) recover that overpayment from the person to whom or on whose behalf it was made; or (b) offset the amount of that overpayment from a future claim payment.

TERMINATION OF INSURANCE - EMPLOYEES

Your insurance will cease on the earliest date below:

the date you cease to be in a Class of Eligible Employees or cease to qualify for the insurance.

the last day for which you have made any required contribution for the insurance.

the date the policy is canceled.

Any continuation of insurance must be based on a plan which precludes individual selection.

TEMPORARY LAYOFF OR LEAVE OF ABSENCE

If your Active Service ends due to temporary layoff or leave of absence, your insurance will be continued until the date your Employer: (a) stops paying premium for you; or (b) otherwise cancels your insurance. However, your insurance will not be continued for more than 60 days past the date your Active Service ends.

INJURY OR SICKNESS

If your Active Service ends due to an Injury or Sickness, your insurance will be continued while you remain totally and continuously disabled as a result of the Injury or Sickness. However, your insurance will not continue past the date your Employer stops paying premium for you or otherwise cancels the insurance.

TERMINATION OF INSURANCE - DEPENDENTS

Your insurance for all of your Dependents will cease on the earliest date below:

the date your insurance ceases.

the date you cease to be eligible for Dependent Insurance.

the last day for which you have made any required contribution for the insurance.

the date Dependent Insurance is canceled.

The insurance for any one of your Dependents will cease on the last day of the calendar month in which Dependent no longer qualifies as a Dependent.

TERMINATION OF INSURANCE CONTINUATION REQUIRED BY NEW YORK STATE LAW FOR YOU AND YOUR DEPENDENTS

THIS CONTINUATION DOES NOT APPLY TO ANY BENEFITS FOR LOSS OF LIFE, DISMEMBERMENT OR LOSS OF INCOME.

New York state law enables you or your Dependent to continue health insurance if coverage would cease due to a reduction of your work hours or your termination of employment. New York State law also enables your Dependents to continue health insurance if their coverage ceases due to your death or entitlement to Medicare, divorce or legal separation, or with respect to a Dependent child, failure to continue to qualify as a Dependent. Continuation must be elected in accordance with the rules of your employer's group health plan(s) and is subject to New York state law, regulations and interpretations.

A. EMPLOYEES AND DEPENDENTS CONTINUATION PROVISION

If you and your Dependent's insurance would otherwise cease because of a reduction in the number of hours you work or your termination of employment for any reason, you or your Dependent may continue health insurance upon payment of the required premium to the Employer. You and your Dependents must elect to continue insurance within 60 days from the later of: (a) the date of a reduction of your work hours or your termination of employment; or (b) the date notice of the right to continue insurance is sent via first class mail. Such insurance will not be continued by CG for you and/or your Dependents, as applicable, beyond the earliest of the following dates:

18 months from the date your work hours are reduced or your employment terminates, whichever may occur first;

the date the policy cancels;

the date coverage ends due to your failure to pay the required subsequent premium within 30 days of the due date;

the date your Dependent ceases to qualify as an eligible Dependent;

the date you become entitled to Medicare, following your enrollment in Medicare;

or the effective date of coverage under another group health plan, unless you have a condition for which the new plan limits or excludes coverage, in which case coverage will continue until the earliest of any other point above.

B. DEPENDENTS CONTINUATION PROVISION

If health insurance for your Dependents would otherwise cease because of:

- (1) your death;
- (2) your entitlement to Medicare;
- (3) divorce or legal separation; or
- (4) with respect to a Dependent child, failure to continue to qualify as a Dependent,

such insurance may be continued upon payment of the required premium to the Employer. In the case of (3) or (4) above, you or your Dependent must notify your Employer within 60 days of such event. In addition, a Dependent must elect to continue insurance within 60 days from the later of: (a) the date the insurance would otherwise cease; or (b) the date notice of the right to continue insurance is sent via first class mail.

TERMINATION OF INSURANCE CONTINUATION REQUIRED BY NEW YORK STATE LAW
FOR YOU AND YOUR DEPENDENTS (CONTINUED)

B. DEPENDENTS CONTINUATION PROVISION

CG will not continue the health insurance of a Dependent beyond the earliest of the following dates:

36 months from the date of (1), (3) or (4) above, whichever may occur first; the date coverage ends due to failure to pay the required subsequent premium within 30 days of the due date;

the date the Dependent becomes entitled to Medicare, following his/her enrollment in Medicare; the date the policy cancels;

or the date the Dependent becomes covered under another group health plan, unless the Dependent has a condition for which the new plan limits or excludes coverage, in which case coverage will continue until the earliest of any other point above.

If your dependent would lose coverage because of an event described in (1), (3), or (4) of Section B after you have continued your Dependent's coverage due to your employment termination or reduction in work hours, your dependent may continue coverage for up to 36 months from the date of loss of employment or reduction in work hours.

If, after you have continued your Dependent's coverage due to your loss of employment or reduction in work hours, your dependent would lose coverage because you became entitled to (enrolled in) Medicare, your Dependent may continue coverage for up to 36 months from the date you become entitled to Medicare.

DISABLED INDIVIDUALS CONTINUATION PROVISIONS

If you or your Dependent is disabled on the date of termination of employment or a reduction in work hours you may continue health insurance for up to an additional 11 months beyond the 18-month period.

To be eligible you or your Dependent must:

- a) be declared disabled under Title II or XVI by the Social Security Administration; and
- b) notify the Plan Administrator of the Social Security Administration's determination within 60 days following the determination and within the initial 18-month continuation period, and provide the Plan Administrator with a copy of the determination.

Termination of coverage during the 29-month period will occur if you or your Dependent is found by the Social Security Administration to be no longer disabled. Termination will occur on the first day of the month beginning more than 30 days after the date of the final determination. All reasons for termination which apply to the initial 18 months will also apply for any additional months of coverage.

INTERACTION WITH OTHER CONTINUATION BENEFITS

A person who is eligible to continue insurance under both (1) and (2) below may continue the insurance, upon payment of any required premium, for a period of time not to exceed the longer of: (1) continuation required by New York state law; or (2) any other continuation of insurance provided in this Certificate.

NEWLY ACQUIRED DEPENDENTS

If your insurance is being continued under New York state law provisions, and you acquire a new Dependent, such Dependent will be eligible for this Continuation provided:

the required premium is paid; and

CG is notified of your newly acquired Dependent in accordance with the terms of the policy.

However, such newly acquired Dependents will not be entitled to continue their insurance if items (1), (2), (3) or (4) listed in Section B, should subsequently occur.

TERMINATION OF INSURANCE CONTINUATION REQUIRED BY FEDERAL LAW FOR YOU AND YOUR DEPENDENTS

THE CONTINUATION REQUIRED BY FEDERAL LAW DOES NOT APPLY TO ANY BENEFITS FOR LOSS OF LIFE, DISMEMBERMENT OR LOSS OF INCOME.

Federal law enables you or your Dependent to continue health insurance if coverage would cease due to a reduction of your work hours or your termination of employment (other than for gross misconduct). Federal law also enables your Dependents to continue health insurance if their coverage ceases due to your

death, divorce or legal separation, or with respect to a Dependent child, failure to continue to qualify as a Dependent. Continuation must be elected in accordance with the rules of your Employer's group health plan(s) and is subject to federal law, regulations and interpretations.

A. EMPLOYEES AND DEPENDENTS CONTINUATION PROVISION

If you and your Dependent's insurance would otherwise cease because of a reduction in the number of hours you work or your termination of employment for any reason other than gross misconduct, you or your Dependent may continue health insurance upon payment of the required premium to the Employer. You and your Dependents must elect to continue insurance within 60 days from the later of: (a) the date of a reduction of your work hours or your termination of employment; or (b) the date notice of the right to continue insurance is sent. Such insurance will not be continued by CG for you and/or your Dependents, as applicable, beyond the earliest of the following dates:

18 months from the date your work hours are reduced or your employment terminates, whichever may occur first;

the date the policy cancels;

the date coverage ends due to your failure to pay the required subsequent premium within 30 days of the due date;

the date your Dependent ceases to qualify as an eligible Dependent;

following enrollment in Medicare; for you, the date you become entitled to Medicare, and for your Dependent, the date he becomes entitled to Medicare;

the effective date of coverage under another group health plan, unless you have a condition for which the new plan limits or excludes coverage, in which case coverage will continue until the earliest of any other point above.

B. DEPENDENT CONTINUATION PROVISION

If health insurance for your Dependents would otherwise cease because of:

- (1) your death;
- (2) divorce or legal separation; or
- (3) with respect to a Dependent child, failure to continue to qualify as a Dependent,

such insurance may be continued upon payment of the required premium to the Employer. In the case of (2) or (3) above, you or your Dependent must notify your Employer within 60 days of such event. In addition, a Dependent must elect to continue insurance within 60 days from the later of: (a) the date the insurance would otherwise cease; or (b) the date notice of the right to continue insurance is sent.

CG will not continue the health insurance of a Dependent beyond the earliest of the following dates:

36 months from the date of (1), (2) or (3) above, whichever may occur first;

the date coverage ends due to failure to pay the required subsequent premium within 30 days of the due date;

the date the Dependent becomes entitled to Medicare, following his/her enrollment in Medicare;

the date the policy cancels; or

the date the Dependent becomes covered under another group health plan, unless the Dependent has a condition for which the new plan limits or excludes coverage, in which case coverage will continue until the earliest of any other point above.

TERMINATION OF INSURANCE CONTINUATION REQUIRED BY FEDERAL LAW
FOR YOU AND YOUR DEPENDENTS (CONTINUED)

C. SUBSEQUENT EVENTS AFFECTING DEPENDENT COVERAGE

If, within the initial 18 month continuation period, your Dependent would lose coverage because of an event described in (1), (2), or (3) of Section B, or because of your coverage loss due to your subsequent entitlement to Medicare, after you have continued your Dependent's coverage due to your employment termination or reduction in work hours, your Dependent may continue coverage for up to 36 months from the date of loss of employment or reduction in work hours.

If your employment ends or your work hours are reduced within 18 months after your entitlement to Medicare, your covered Dependent may continue coverage for up to 36 months from the date you become entitled to Medicare.

If your employment ends or your work hours are reduced more than 18 months after your entitlement to Medicare, your covered Dependent may continue coverage for up to 18 months from the date your employment ends or your work hours are reduced.

DISABLED INDIVIDUALS CONTINUATION PROVISIONS

If you or your Dependent is disabled before or within the first 60 days of continuation of coverage which follow termination of employment or a reduction in work hours, the disabled person may continue health insurance for up to an additional 11 months beyond the 18-month period.

The disabled person may also continue the coverage for other family members continuously covered for the initial 18-month continuation period as either the Employee covering a Dependent, or as the Employee's Dependents; if they otherwise remain eligible.

To be eligible you or your Dependent must:

- a) be declared disabled as of a day before or during the first 60 days of continuation, under Title II or XVI by the Social Security Administration; and
- b) notify the plan administrator of the Social Security Administration's determination within 60 days following the determination and within the initial 18-month continuation period, and provide the plan administrator with a copy of the determination.

Termination of coverage for all covered persons during the 29-month period will occur if the disabled person is found by the Social Security Administration to be no longer disabled. Termination for this reason will occur on the first day of the month beginning more than 30 days after the date of the final determination.

All reasons for termination described in sections A and B which apply to the initial 18 months will also apply to any or all covered persons for any additional months of coverage.

CONVERSION AVAILABLE FOLLOWING CONTINUATION

If you or your Dependent's Continuation ends due to the expiration of the maximum 18-, 29- or 36-month continuation period, whichever applies, you or your Dependent may be entitled to convert to the insurance in accordance with the Medical Conversion benefit then available to Employees and their Dependents.

INTERACTION WITH OTHER CONTINUATION BENEFITS

A person who is eligible to continue insurance under both (1) and (2) below may continue the insurance, upon payment of any required premium, for a period of time not to exceed the longer of: (1) the continuation required by federal law; or (2) any other continuation of insurance provided in this Certificate.

TERMINATION OF INSURANCE CONTINUATION REQUIRED BY FEDERAL LAW
FOR YOU AND YOUR DEPENDENTS (CONTINUED)

NEWLY ACQUIRED DEPENDENTS

If, while your insurance is being continued under the continuation required by federal law provisions, you acquire a new Dependent, such Dependent will be eligible for this Continuation provided:

the required premium is paid; and

CG is notified of your newly acquired Dependent in accordance with the terms of the policy.

If events (1) or (2) of Section B should subsequently occur for your newly acquired Dependent spouse, such spouse will not be entitled to continue his insurance. However, your Dependent child will be able to continue his insurance.

If events described in Section C should subsequently occur for your child who is born, adopted or placed for adoption as a newly acquired Dependent, coverage will be continued according to that section.

TERMINATION OF INSURANCE
REQUIREMENTS OF FAMILY AND MEDICAL LEAVE ACT OF 1993

Any provisions of the policy that provide for: (a) continuation of insurance during a leave of absence; and (b) reinstatement of insurance following a return to Active Service; are modified by the following provisions of the federal Family and Medical Leave Act of 1993, where applicable:

A. CONTINUATION OF HEALTH INSURANCE DURING LEAVE

Your health insurance will be continued during a leave of absence if:

that leave qualifies as a leave of absence under the Family and Medical Leave Act of 1993;

and you are an eligible Employee under the terms of that Act.

The cost of your health insurance during such leave must be paid, whether entirely by your Employer or in part by you and your Employer.

B. REINSTATEMENT OF CANCELED INSURANCE FOLLOWING LEAVE

Upon your return to Active Service following a leave of absence that qualifies under the Family and Medical Leave Act of 1993, any canceled insurance (health, life or disability) will be reinstated as of the date of your return.

You will not be required to satisfy any eligibility or benefit waiting period or the requirements of any Pre-existing Condition Limitation to the extent that they had been satisfied prior to the start of such leave of absence.

Your Employer will give you detailed information about the Family and Medical Leave Act of 1993.

DENTAL BENEFITS EXTENSION

An expense incurred in connection with a Dental Service that is completed after a person's benefits cease will be deemed to be incurred while he is insured if:

for fixed bridgework and full or partial dentures, the final impressions are taken and/or abutment teeth fully prepared while he is insured and the prosthesis inserted within 3 calendar months after his insurance ceases.

for a crown, inlay or onlay, the tooth is prepared while he is insured and the crown, inlay or onlay installed within 3 calendar months after his insurance ceases.

for root canal therapy, the pulp chamber of the tooth is opened while

he is insured and the treatment is completed within 3 calendar months after his insurance ceases.

for Orthodontic Services, the treatment commenced while the person was insured and the expenses are incurred within 60 days after his insurance ceases.

There is no extension for any Dental Service not shown above.

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ACCIDENT AND HEALTH PROVISIONS NOTICE OF CLAIM

Written notice of claim must be given to CG within 30 days after the occurrence or start of the loss on which claim is based. If notice is not given in that time, the claim will not be invalidated or reduced if it is shown that written notice was given as soon as was reasonably possible.

CLAIM FORMS

When CG receives the notice of claim, it will give to the claimant, or to the Policyholder for the claimant, the claim forms which it uses for filing proof of loss. If the claimant does not get these claim forms within 15 days after CG receives notice of claim, he will be considered to meet the proof of loss requirements of the policy if he submits written proof of loss within 90 days after the date of loss. This proof must describe the occurrence, character and extent of the loss for which claim is made.

PROOF OF LOSS

Written proof of loss must be given to CG within 90 days after the date of the loss for which claim is made. If written proof of loss is not given in that time, the claim will not be invalidated nor reduced if it is shown that written proof of loss was given as soon as was reasonably possible.

PHYSICAL EXAMINATION

CG, at its own expense, will have the right to examine any person for whom claim is pending as often as it may reasonably require.

LEGAL ACTIONS

No action at law or in equity will be brought to recover on the policy until at least 60 days after proof of loss has been filed with CG. No action will be brought at all unless brought within 3 years after the time within which proof of loss is required.

ACCIDENT AND HEALTH PROVISIONS

The following applies only to the In-Network plan.

YOUR RIGHT TO APPEAL UTILIZATION REVIEW DETERMINATION

You, your designee, and in connection with retrospective adverse determination, a provider, may appeal an adverse determination.

An expedited appeal may be granted in the case of an adverse determination involving continued health care services prescribed by a provider or if the provider believes an immediate appeal is warranted, except for retrospective determination. Expedited appeals must be determined within two working days after receipt of necessary information. Expedited appeals which do not result in a resolution satisfactory to the appealing party may be further appealed through the standard appeal process.

For a standard appeal, you must file the appeal in writing or by telephone in no more than 45 days after the utilization review determination. You shall receive written acknowledgement of the filing of the appeal within 15 working days of filing. A determination on the appeal will be made within 60 days after receipt of necessary information. You will be notified of the appeal determination within two working days.

You have the right to name a designee to handle an appeal on your behalf.

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SUMMARY PLAN DESCRIPTION

The name of the Plan is:

ROSS STORES, INC.

The name, address and ZIP code of the sponsor of the Plan is:

Ross Stores, Inc.
8333 Central Ave.
Newark, CA 94560

Employer Identification
Number (EIN)

Plan Number

94-1390387

501

The name, address and ZIP code of the Plan Administrator is:

Employer named above

The name, address and ZIP code of the person designated as agent for the service of legal process is:

Employer named above

The office designated to consider the appeal of denied claims is:

The CG Claim Office responsible for this Plan

The cost of the Plan is paid for by your Employer. The Plan's fiscal year ends on December 31.

The preceding pages set forth the eligibility requirements and benefits provided for you under this Plan.

DISCRETIONARY AUTHORITY

The Plan Administrator delegates to CG the discretionary authority to interpret and apply plan terms and to make factual determinations in connection with its review of claims under the plan. Such discretionary authority is intended to include, but not limited to, the determination of the eligibility of persons desiring to enroll in or claim benefits under the plan, the determination of whether a person is entitled to benefits under the plan, and the computation of any and all benefit payments. The Plan Administrator also delegates to CG the discretionary authority to perform a full and fair review, as required by ERISA, of each claim denial which has been appealed by the claimant or his duly authorized representative.

SUMMARY PLAN DESCRIPTION

PLAN MODIFICATION, AMENDMENT AND TERMINATION

The Employer as Plan Sponsor reserves the right to, at any time, change or terminate benefits under the Plan, to change or terminate the eligibility of classes of employees to be covered by the Plan, to amend or eliminate any other plan term or condition, and to terminate the whole plan or any part of it. The procedure by which benefits may be changed or terminated, by which the eligibility of classes of employees may be changed or terminated, or by which part or all of the Plan may be terminated, is contained in the Employer's Plan Document, which is available for inspection and copying from the Plan

Administrator designated by the Employer. No consent of any participant is required to terminate, modify, amend or change the Plan.

Termination of the Plan together with termination of the insurance policy(s) which funds the Plan benefits will have no adverse effect on any benefits to be paid under the policy(s) for any covered medical expenses incurred prior to the date that policy(s) terminates. Likewise, any extension of benefits under the policy(s) due to you or your Dependents total disability which began prior to and has continued beyond the date the policy(s) terminates will not be affected by the Plan termination. Rights to purchase limited amounts of life and medical insurance to replace part of the benefits lost because the policy(s) terminated may arise under the terms of the policy(s). A subsequent Plan termination will not affect the extension of benefits and rights under the policy(s).

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SUMMARY PLAN DESCRIPTION
PLAN MODIFICATION, AMENDMENT AND TERMINATION (CONT'D)

Your coverage under the Plan's insurance policy(s) will end on the earliest of the following dates:

the date you leave Active Service; the date you are no longer in an eligible class; if the Plan is contributory, the date you cease to contribute, or;

the date the policy(s) terminates.

See your Plan Administrator to determine if any extension of benefits or rights are available to you or your Dependents under this policy(s). No extension of benefits or rights will be available solely because the Plan terminates.

FUNDING

The method for funding the insured parts of the Plan is for the employer to pay premiums for the insurance benefits from the general assets of the employer's business, after any required contribution for the insurance benefits is obtained from the employees by payroll deduction. To the extent that the premiums paid, other than premiums paid for coverage provided on a pooled basis, exceed the final premium costs for any policy year, the excess will be returned to and retained by the employer and will not become an asset of the Plan. However, for the insured parts of the Plan which require employee contribution, to the extent such premium excess exceeds the employer's contributions for the insurance premiums, including the costs expended to administer the plan, that amount will be applied by the employer for the sole benefit of the employees.

CLAIM REVIEW PROCEDURE

You may get claim forms and guidance for filing claims from the Plan Administrator or from the CG claim office. If a claim is denied, you will be given the reason for denial in writing. You, or a person in your behalf, may ask the CG claim office for a review of the denied claim in writing within 60 days of receipt of the denial notice. This written request for review should state the reasons why you feel your claim should not have been denied. It should include any additional documents (medical or dental records, etc.) which you feel support your claim. You may also ask additional questions or make comments and you may review pertinent documents. In normal cases, you will receive the final decision within 60 days of the date your request for review is received. In special cases requiring a delay, you will receive notice of the final decision no later than 120 days after your request for review is received.

The Plan is handled by the Plan Administrator with benefits as set forth in the group insurance policies issued by CG.

STATEMENT OF RIGHTS

The following statement of ERISA rights is required by Federal law and rulings:

As a person covered under this Plan, you are entitled to certain rights and

protections under the Employee Retirement Income Security Act of 1974. This law called ERISA, provides that all people covered by the Plan are entitled to:

examine, without charge, all Plan documents, including insurance policies, collective bargaining agreements and copies of all documents filed by the Plan with the U.S. Department of Labor, such as detailed annual reports and Plan descriptions.

obtain copies of all Plan documents and other Plan information by writing to the Plan Administrator and asking for them. The Administrator may make a reasonable charge for the copies. receive a summary of the Plan's annual financial report if the Plan covers 100 or more people. The Plan Administrator is required by law to furnish each person under the Plan with a copy of this summary financial report.

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SUMMARY PLAN DESCRIPTION
STATEMENT OF RIGHTS (CONT'D)

In addition to creating rights for persons covered by the Plan, ERISA imposes duties upon the people who are responsible for the operation of the benefit portion of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in your interest and in the interest of the other people covered by the Plan and beneficiaries.

The law provides that no one may fire you or otherwise discriminate against you in any way to prevent you from getting a benefit or exercising your rights under ERISA. The law provides that if your claim for a benefit is denied in whole or in part, you will receive a written notice, explaining why your claim was denied. You have the right to have your claim reviewed and reconsidered.

Under ERISA, there are steps you can take to enforce your rights. For instance, if you request copies of documents from the Plan and do not receive them within 30 days, you may file suit in federal court. In such a case, the court may require the Plan Administrator to provide the documents and pay up to \$100 a day until you receive them, unless they were not sent because of reasons beyond the control of the Administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that the people who operate the Plan misuse the Plan's money or if you are discriminated against for asserting your rights, you may ask the U.S. Department of Labor for help, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If your suit is successful, the court may order the person you have sued to pay costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim frivolous.

If you have any questions about your rights under ERISA, you should get in touch with the nearest Area Office of the U.S. Labor-Management Services Administration of the Department of Labor.

If you have any questions about your Plan, you should see your Plan Administrator.

CG will provide administrative services of the following nature: Claim Administration; Cost Containment; Financial; Banking and Billing Administration.

Benefits provided under this certificate are fully guaranteed by CG.

This certificate is issued by:

Connecticut General Life Insurance Company
900 Cottage Grove Road
Hartford, CT 06152

If you have questions about this statement or about your rights under ERISA, you should contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits

DEFINITIONS

ACTIVE SERVICE

You will be considered in Active Service:

on any of your Employer's scheduled work days if you are performing the regular duties of your work on a full-time basis on that day either at your Employer's place of business or at some location to which you are required to travel for your Employer's business. on a day which is not one of your Employer's scheduled work days if you were in Active Service on the preceding scheduled work day.

COINSURANCE

The term Coinsurance means the percentage of charges for Covered Expenses that an insured person is required to pay under the Plan.

DENTIST

The term Dentist means a person practicing dentistry or oral surgery within the scope of his license. It will also include a physician operating within the scope of his license when he performs any of the Dental Services described in the policy.

DEPENDENT

Dependents are:

your lawful spouse; and

any unmarried child of yours who is less than 19 years old;

19 years but less than 25 years old, enrolled in school as a full-time student and primarily supported by you;

19 or more years old and primarily supported by you and incapable of self-sustaining employment by reason of mental or physical handicap. Proof of the child's condition and dependence must be submitted to CG within 31 days after the date the child ceases to qualify above. During the next two years CG may, from time to time, require proof of the continuation of such condition and dependence. After that, CG may require proof no more than once a year.

A child includes a legally adopted child from the start of any waiting period prior to the finalization of the child's adoption. It also includes a newly born infant who is adopted by the insured from the moment the insured takes physical custody of the child upon the child's release from the hospital prior to the finalization of the child's adoption. It also includes a stepchild who lives with you.

Anyone who is eligible as an Employee will not be considered as a Dependent.

Benefits for a Dependent child will continue until the last day of the calendar month in which his 19th birthday occurs, or in the case of a student, until the last day of the calendar month in which his 25th birthday occurs. No one may be considered as a Dependent of more than one Employee.

EMPLOYEE

The term Employee means a full-time employee of the Employer. The term does not include employees who are part-time or temporary or who normally work less than 30 hours a week for the Employer.

EMPLOYER

The term Employer means the Policyholder and all Affiliated Employers.

MEDICAID

The term Medicaid means a state program of medical aid for needy persons established under Title XIX of the Social Security Act of 1965 as amended.

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DEFINITIONS MEDICARE

The term Medicare means the program of medical care benefits provided under Title XVIII of the Social Security Act of 1965 as amended.

REASONABLE AND CUSTOMARY CHARGE

A charge will be considered Reasonable and Customary if:

it is the normal charge made by the provider for a similar service or supply; and

it does not exceed the normal charge made by most providers of such service or supply in the geographic area where the service is received, as determined by CG.

To determine if a charge is Reasonable and Customary, the nature and severity of the Injury or Sickness being treated will be considered.

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SECOND AMENDED AND RESTATED

ROSS STORES, INC.

NONQUALIFIED DEFERRED COMPENSATION PLAN

THIS SECOND AMENDED AND RESTATED ROSS STORES, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN (the "Plan") amends the Ross Stores, Inc. Nonqualified Deferred Compensation Plan, which was originally adopted effective January 1, 1994, by Ross Stores, Inc., a Delaware corporation ("Ross"), for the purpose of providing deferred compensation for a select group of management or highly compensated employees of Ross and its subsidiaries. This Second Amended and Restated Plan shall replace and supersede the plan being amended hereby.

ARTICLE I

DEFINITIONS

Whenever used herein, the masculine pronoun shall be deemed to include the feminine, and the singular to include the plural, unless the context clearly indicates otherwise, and the following definitions shall govern the Plan:

1.1 "ADDITIONAL CONTRIBUTION" means an Additional Contribution, contributed by the Employer on behalf of a Participant pursuant to Article III.

1.2 "BENEFICIARY" means one, some, or all (as the context shall require) of those persons, trusts or other entities entitled to receive benefits which may be payable hereunder upon Participant's death as determined under Article VI.

1.3 "BENEFITS" means the amount(s) credited to Participant's Deferral Account.

1.4 "BOARD OF DIRECTORS" or "Board" means the Board of Directors of Ross Stores, Inc.

1.5 "BONUS DEFERRAL AMOUNT" means the Bonus Deferral Amount which the Participant elects to contribute pursuant to Article HI.

1.6 "CODE" means the Internal Revenue Code of 1986, as amended.

1.7 "CREDITED INVESTMENT RETURN (LOSS)" means the hypothetical investment return which shall be credited to the Participant's Deferral Account pursuant to Article IV.

1.8 "DEFERRAL ACCOUNT" means the book entry account established under the Plan for each Participant to which shall be credited (debited) the Participant's Salary Deferrals, Bonus Deferrals, Matching Contributions, and Additional Contributions made pursuant to Article III and the Participant's Credited Investment Return (Loss) determined under Article IV and which shall be reduced by any distributions made to Participant and any charges which may be imposed on such Deferral Account pursuant to the terms of the Plan.

1.9 "DISTRIBUTION DATE" means the date on which distribution of a Participant's Benefits is made or commenced pursuant to Article V.

1.10 "EARLY BENEFIT DISTRIBUTION DATE" means the date elected by a Participant for the early distribution of Benefits, as provided in Section 5.1(b) or as specified in an election made pursuant to the Prior Plan.

1.11 "EFFECTIVE DATE OF THE SECOND AMENDED AND RESTATED PLAN" means January 1, 1996.

1.12 "ELECTION" means the form of Salary Deferral Election and Annual Bonus Deferral Election prescribed by the Plan Administrator, as they may be modified from time to time.

1.13 "ELIGIBLE EMPLOYEE" means an employee of the Employer who is a member of a select group of management or highly compensated employees as more particularly described in Article II and who has been designated by the Plan Administrator, in the Plan Administrator's sole discretion, to be eligible to participate in the Plan.

1.14 "EMPLOYER" means Ross or a subsidiary thereof.

1.15 "ENTRY DATE" shall mean January 1 of each year.

1.16 "INITIAL ENTRY DATE" shall mean the first day of the month following the date an Eligible Employee is notified of his eligibility to participate in the Plan.

1.17 "MATCHING CONTRIBUTION" means the amount which the Employer contributes on behalf of Participant under the terms of Article III.

1.18 "PARTICIPANT" means an Eligible Employee who has elected to participate in the Plan by executing an Election. A Participant shall also mean an Eligible Employee from whom Additional Contributions are made, regardless of whether such Eligible Employee has executed an Election.

1.19 "PLAN" shall mean this Second Amended and Restated Ross Stores, Inc. Nonqualified Deferred Compensation Plan, as it may be amended from time to time.

1.20 "PLAN ADMINISTRATOR" means the Committee selected to administer this Plan and to take such other actions as may be specified herein.

1.21 "PLAN YEAR" means the calendar year.

1.22 "PRIOR PLAN" means the Ross Stores, Inc. Amended and Restated Nonqualified Deferred Compensation Plan adopted effective January 1, 1996, which is being amended and restated herein.

1.23 "ROSS" means Ross Stores, Inc., a Delaware corporation, and any successor thereto.

1.24 "SALARY DEFERRAL AMOUNT" means the Salary Deferral Amount which the Participant elects to contribute pursuant to Article III.

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1.25 "TERMINATION EVENT" means the termination of the Participant's employment with the Employer for any reason, the Participant's death or Total Disability.

1.26 "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.

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

1.28 "TRUST AGREEMENT" means that trust agreement entered into between Ross and John Vuko, dated December 23, 1993, a copy of which is attached hereto as Exhibit A, as it may be amended from time to time.

1.29 "TRUSTEE" means the original Trustee(s) named in the Trust Agreement and any duly appointed successor to successors thereto.

ARTICLE II

ELIGIBILITY

2.1 ELIGIBILITY. Eligibility for participation in the Plan shall be limited to key management or highly compensated employees of the Employer who are selected by the Plan Administrator, in its sole discretion, to participate in

the Plan. Individuals who are in this select group shall be notified as to their eligibility 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.

2.2 COMMENCEMENT OF PARTICIPATION. An Eligible Employee may begin participation in the Plan upon the Eligible Employee's Initial Entry Date or any Entry Date thereafter, subject to the submission of an Election pursuant to Article III. In order to commence salary or bonus deferrals as of the Initial Entry Date, the Election must be returned to the Employer within thirty days of the Eligible Employee's Notification of eligibility to participate in the Plan; otherwise the Election must be returned to the Employer in advance of the Eligible Employee's Entry Date, in accordance with such rules and procedures as may be established by the Plan Administrator.

2.3 CESSATION OF PARTICIPATION. Active participation in the Plan shall end when a Participant's employment terminates for any reason. No contributions to the Plan shall be made with respect to compensation paid after such termination date. Upon termination of employment, a Participant shall remain an inactive participant in the Plan until all of the Benefits to which he or she is entitled thereunder have been paid in full.

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ARTICLE III

DEFERRALS AND CONTRIBUTIONS

3.1 SALARY DEFERRALS.

(a) As of the Participant's Initial Entry Date through and until the time that Participant elects otherwise in accordance with the provisions of Sections 3.1(b) and 3.1(c), the Participant agrees to irrevocably reduce his or her salary by the amount (or percentage) set forth in an Election duly executed and filed with the Employer (the "Salary Deferral Amount"), subject, however, to the provisions of Section 3.3 below. A Participant who does not file an Election as of his or her Initial Entry Date may file an Election prior to any subsequent Entry Date, to be effective as of such Entry Date. The Salary Deferral Amount shall not be paid to the Participant, but shall be withheld from the Participant's salary and an amount equal to the Salary Deferral Amount shall be credited to the Participant's Deferral Account.

(b) The Participant may, at any time, amend his or her Election to cease salary deferrals pursuant to the Plan, upon written notice to the Plan Administrator. Any such amendment shall be in such form as the Plan Administrator may specify and shall be effective on the first day of the next month following the date such amendment is made, provided the amendment is filed prior to such effective date in accordance with such rules as the Plan Administrator may establish.

(c) The Participant may amend his or her Election to increase or decrease his or her Salary Deferral Amount. Any such amendment shall be in writing or on such form as the Plan Administrator may specify and shall be effective on the next Entry Date following the date such amendment is made, provided the amendment is filed prior to such date in accordance with such rules as the Plan Administrator may establish.

(d) Unless ceased or modified as provided in Sections 3.1(b) and 3.1(c) above, the Participant's Election to reduce his or her salary shall continue in effect until the occurrence of a Termination Event; subject, however, to the provisions of Sections 5.1(b), 5.3 and 5.4, below.

(e) Any such Salary Deferral Election or amended Salary Deferral Election shall apply only to salary earned after the effective date of such Salary Deferral Election.

(f) For the purpose of determining an Eligible Employee's Salary Deferral Amount, "salary" shall mean the base salary paid by the Employer, 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.

3.2 BONUS DEFERRALS.

(a) In addition to the Salary Deferrals described above, each Eligible Employee who has 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 to which such Eligible Employee becomes entitled after the time of notification of eligibility to participate in the Plan (the "Bonus Deferral Amount"). The Bonus Deferral Amount shall not be paid to the Participant, but shall be withheld from the Participant's

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annual bonus and an amount equal to the Bonus Deferral Amount shall be credited to the Participant's Deferral Account.

(b) An Eligible Employee's election to defer all or part of an annual cash bonus shall be made by an Election duly executed and filed with the Employer at the same time as the Salary Deferral Election is filed as specified in Section 3.1. The Bonus Deferral Election shall be irrevocable for the Plan Year for which it was made, and shall continue in effect until revoked or amended, as provided in Section 3.2(c), below.

(c) Participant's Bonus Deferral Election may be amended or revoked as of any subsequent Entry Date.

3.3 LIMITATIONS ON DEFERRALS. A Participant's Salary and Bonus Deferral Amount shall be limited as follows:

(a) The Salary and/or Bonus Deferral Amount elected by the Participant shall be reduced by the amount(s), if any, which may be necessary:

(i) To satisfy all applicable income and employment tax withholding and FICA contributions;

(ii) To pay all contributions elected by the Participant pursuant to Ross' employee stock purchase plan, and other fringe benefit programs; and

(iii) To satisfy all garnishments or other amounts required to be withheld by applicable law or court order.

(b) Any withholding or salary deferral elections made under Ross' 401(k) Plan shall be determined based on the Participant's compensation after reduction for the Salary Deferrals made pursuant to the Plan.

3.4 MATCHING CONTRIBUTION. A Matching Contribution shall be credited to the Participant's Deferral Account in such amount and at such time as the Employer, in its sole discretion, may determine and announce to Participant. The Employer reserves the right to change the formula by which Matching Contributions are determined in any manner or to cease Matching Contributions entirely subsequent to notifying the Participant of such change or cessation.

3.5 ADDITIONAL CONTRIBUTIONS. Additional Contributions may be credited to a Participant's Deferral Account in such amounts and at such times as the Employer may, in its sole discretion, determine and communicate to the Participant. The Employer shall be under no obligation to continue to credit Additional Contributions and may discontinue or change the amount of such Additional Contributions at any time.

3.6 NO WITHDRAWAL. Except as provided in Sections 5.3 and 5.4 below, amounts credited to a Participant's Deferral Account may not be withdrawn by Participant and shall be paid only in accordance with the provisions of this Plan.

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ARTICLE IV

CREDITED INVESTMENT RETURN (LOSS) ON DEFERRAL ACCOUNTS

4.1 DEFERRAL ACCOUNT.

(a) A Deferral Account shall be established and maintained for each Participant which shall be credited (debited) with such Participant's Salary Deferral Amount, Bonus Deferral Amount, Matching Contributions, Additional Contributions and the Credited Investment Return (Loss) as determined under this Article IV. The Participant's Deferral Account shall be charged with distributions therefrom and any charges which may be imposed on the Deferral Account pursuant to the terms of the Plan.

4.2 CREDITED INVESTMENT RETURN (LOSS).

(a) Each Participant's Deferral Account shall be credited monthly, or more frequently as the Plan Administrator may specify, with the Credited Investment Return (Loss) attributable to his or her Deferral Account. The Credited Investment Return (Loss) is the amount which the Participant's Deferral Account would have earned if the amounts credited to the Deferral Account had, in fact, been invested in the Deemed Investment Options, in accordance with the Participant's Deemed Investment Elections.

(b) The Plan Administrator shall designate Deemed Investment Options. The Plan Administrator shall specify the particular funds which shall constitute Deemed Investment Options, and may, in its sole discretion, change or add to the Deemed Investment Options; provided, however, that the Plan Administrator shall notify Participants of any such change prior to the effective date thereof.

4.3 DEEMED INVESTMENT OPTIONS. Each Participant may select among the Deemed Investment Options and specify the manner in which his or her Deferral Account shall be deemed to be invested for purposes of determining Participant's Credited Investment Return (Loss) (the "Deemed Investment Election"). The Plan Administrator shall establish and communicate the rules, procedures and deadlines for making and changing Deemed Investment Elections.

ARTICLE V

BENEFITS

5.1 (a) TIMING OF DISTRIBUTION. The amounts credited to Participant's Deferral Account shall be paid (or payment shall commence) within a reasonable time after the earlier to occur of (i) the Early Benefit Distribution Date, if the Participant elected an Early Benefit Distribution, or (ii) a Termination Event.

(b) EARLY BENEFIT DISTRIBUTION.

(i) TWO-YEAR ADVANCE ELECTION. A Participant may elect an Early Benefit Distribution by filing an Early Benefit Distribution Election at such time and in such manner as the Plan Administrator shall specify. Such Early Benefit Distribution Election shall specify an

Early Benefit Distribution Date which shall be no less than two years from the date such Early Benefit Distribution Election is made. Except as otherwise provided in this Article V, the Early Benefit Distribution Election shall be irrevocable and shall apply to all amounts credited to Participant's Deferral Account on the Early Benefit Distribution Date designated therein, or to such lesser dollar amount as may be specified in the Early Benefit Distribution Election. A Participant who receives an Early Benefit Distribution made pursuant to an Early Benefit Distribution Election, shall automatically cease all deferrals and/or contributions as of the Early Benefit Distribution Date and may not resume participation until the Entry Date which is at least six (6) months after the Early Benefit Distribution Date.

EXAMPLE: Ms. X receives an Early Benefit Distribution on October 15, 1998. Ms. X must discontinue all deferrals to the Plan and may not resume participation

until January 1, 2000.

EXAMPLE: Mr. Y receives an Early Benefit Distribution on June 30, 1999. Mr. Y must discontinue all deferrals to the Plan and may not resume participation until January 1, 2000.

(ii) Revocation of Early Benefit Distribution Election. Example: A Participant may revoke an Early Benefit Distribution Election, or an election made for an early benefit distribution under the Prior Plan, by filing a written revocation at least twelve months prior to the Early Benefit Distribution Date specified in such Election.

(c) TERMINATION EVENT. For purposes of the Plan, a Termination Event means the Participant's termination of employment with the Employer, for any reason, including death or Total Disability. The occurrence of a Termination Event shall automatically revoke any Early Benefit Distribution Election made by the Participant who incurred the Termination Event, if the Early Benefit Distribution Date specified in such Early Benefit Distribution Election is after the date of the Termination Event. For purposes of the Plan, the date of a Participant's termination of employment with the Employer shall be the last day of any period for which the Participant is receiving compensation from the Employer which is being paid through the Employer's payroll system and as to which the Employer reports such compensation to the Internal Revenue Service as "wages" on Form W-2.

5.2 (a) METHOD OF DISTRIBUTION. A Participant's Deferral Accounts shall be paid in one of the following methods specified in his or her most recent Election filed with the Plan Administrator prior to the Plan Year in which the Distribution Date occurs: (i) a single lump sum payment; or (ii) substantially equal annual installments over a period not to exceed ten (10) years.

(b) DISTRIBUTION ELECTION. The Participant may designate the method of distribution ("Distribution Election") on any Election filed pursuant to the Plan and may amend any such Distribution Election by filing a new Distribution Election in writing or on such form as the Plan Administrator may prescribe. However, any amendment which is filed within six (6) months of the Distribution Date shall be null and void.

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(c) DEATH BENEFITS. In the event the Participant dies before his or her Benefits have been fully distributed, the Participant's benefits shall be paid to his or Beneficiary in accordance with Participant's Distribution Election in effect at the time of such Participant's death.

(d) NON-ELECTION. If no Distribution Election has been properly made prior to the Distribution Date, the Participant's Benefits will be distributed in a single lump sum.

5.3 FINANCIAL HARDSHIP. Notwithstanding the foregoing, with the consent of the Plan Administrator, a Participant may withdraw up to one hundred percent (100%) of the amount credited to his or her Deferral Account as may be required to meet unforeseeable emergency of the Participant, provided that the entire amount requested by the Participant is not reasonably available from other resources of the Participant.

(a) The withdrawal must be necessary to satisfy the unforeseeable emergency and no more may be withdrawn from the Participant's Deferral Account than is required to relieve the financial need after taking into account other resources that are reasonably available to the Participant for this purpose.

(b) The Participant must certify that the financial need cannot be relieved: (i) through reimbursement or compensation by insurance or otherwise; (ii) by reasonable liquidation of the Participant's assets, to the extent such liquidation would not itself cause an immediate and heavy financial need; (iii) by discontinuing the Participant's Salary and Bonus Deferrals; or (iv) by borrowing from commercial sources on reasonable commercial terms.

(c) 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 emergencies include the need to send a child of Participant to college or the desire to purchase a home.

(d) A Participant shall be prohibited from making any further Salary or Bonus Deferrals pursuant to the Plan for the remainder of the Plan Year in which a financial hardship withdrawal occurs pursuant to this Section 5.3.

5.4 EARLY WITHDRAWAL. Notwithstanding any other provision of the Plan, the Participant may withdraw up to ninety percent (90%) of the amount credited to the Participant's Deferral Account and the amount so withdrawn shall be paid in a single lump sum. Upon such withdrawal, the remaining ten percent (10%) of the Participant's Deferral Account shall be forfeited and the Participant shall have no further right thereto. A Participant shall be prohibited from making any further Salary Deferrals or Bonus Deferrals pursuant to the Plan and no further Matching Contributions or Additional Contributions shall be credited to Participant for the remainder of the Plan Year in which an early withdrawal occurs pursuant to this Section 5.4.

5.5 LIMITATION ON DISTRIBUTIONS TO COVERED EMPLOYEES. Notwithstanding any other provision of this Article V, in the event that the Participant is a "covered employee" as defined in section 162(m) (3) of the Code, or would be a covered employee if the Benefits were distributed in

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accordance with his or her Distribution Election or withdrawal request, the maximum amount which may be distributed from the Participant's Deferral Account, in any Plan Year, shall not exceed one million dollars (\$1,000,000) less the amount of compensation paid to the Participant in such Plan Year which is not "performance-based" (as defined in Code section 162(m) (4) (c)), which amount shall be reasonably determined by the Plan Administrator at the time of the proposed distribution. Any amount which is not distributed to the Participant in a Plan Year as a result of the limitation set forth in this Section 5.5 shall be distributed to the Participant in the next Plan Year, subject to compliance with the foregoing limitation set forth in this Section 5.5.

5.6 TAX WITHHOLDING. All payments under this Article V shall be subject to all applicable withholding for state and federal income tax and to any other federal, state or local tax which may be applicable thereto.

ARTICLE VI

BENEFICIARIES

6.1 DESIGNATION OF BENEFICIARY. The Participant shall have the right to designate on such form as may be prescribed by the Plan Administrator, a Beneficiary to receive any Benefits due under Article V which may remain unpaid at the Participant's death and shall have the right at any time to revoke such designation and to substitute another such Beneficiary.

6.2 NO DESIGNATED BENEFICIARY. If, upon the death of the Participant, there is no valid designation of Beneficiary, the Beneficiary shall be the Participant's estate.

ARTICLE VII

TRUST OBLIGATION TO PAY BENEFITS

7.1 DEFERRALS HELD IN TRUST. An amount equal to Salary Deferral Amounts, Annual Bonus Deferral Amounts, Matching Contributions and Additional Contributions, if any, made by or on behalf of the Participant shall be transferred to the Trustee within thirty (30) days after the applicable pay period to be held pursuant to the terms of the Trust Agreement.

7.2 BENEFITS PAID FROM TRUST. All benefits payable to Participant hereunder shall be paid by the Trustee to the extent of the assets held in the Trust by

the Trustee, and by the Employer to the extent the assets in the Trust are insufficient to pay a Participant's Benefits as provided under this Plan.

7.3 TRUSTEE INVESTMENT DISCRETION. The Deemed Investment Options shall be for the sole purpose of determining the Credited Investment Return (Loss) and neither the Trustee nor the Employer shall have any obligation to invest the Participants' Deferral Account in the Deemed Investment Options or in any other investment.

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7.4 NO SECURED INTEREST. Except as otherwise provided by the Trust Agreement, the assets of the Trust, shall be subject to the claims of creditors of the Employer and neither any Participant nor any Beneficiary shall have any legal or equitable interest in such assets or policies, or any other asset of the Employer. The Participant is a general unsecured creditor of the Employer with respect to the promises of the Employer made herein, except as otherwise expressly provided by the Trust Agreement.

ARTICLE VIII

MISCELLANEOUS

8.1 NO ASSIGNMENT. The right of any Participant, any Beneficiary, or any other person to the payment of any benefits under this Plan shall not be assigned, transferred, pledged or encumbered.

8.2 SUCCESSORS. This Plan shall be binding upon and inure to the benefit of the Employer, its successors and assigns and the Participant and his or her heirs, executors, administrators and legal representatives.

8.3 NO EMPLOYMENT AGREEMENT. Nothing contained herein shall be construed as conferring upon any Participant the right to continue in the employ of the Employer as an employee.

8.4 ATTORNEYS' FEES. If the Employer, the Participant, any Beneficiary, or a successor in interest to any of the foregoing, brings legal action to enforce any of the provisions of this Plan, the prevailing party in such legal action shall be reimbursed by the other party, the prevailing party's costs of such legal action including, without limitation, reasonable fees of attorneys, accountants and similar advisors and expert witnesses.

8.5 ARBITRATION. Any dispute or claim relating to or arising out of this Plan shall be fully and finally resolved by binding arbitration conducted by the American Arbitration Association in Alameda County, California.

8.6 GOVERNING LAW. This Plan shall be construed in accordance with and governed by the laws of the State of California.

8.7 ENTIRE AGREEMENT. This Plan constitutes the entire understanding and agreement with respect to the subject matter contained herein, and there are no agreements, understandings, restrictions, representations or warranties among any Participant and the Employer other than those as set forth or provided for herein.

8.8 (a) AMENDMENT. This Plan may be amended by Ross at any time in its sole discretion upon an action of at least two-thirds (2/3) of the members of the Plan Administrator provided, however, that no amendment may be made which would alter the irrevocable nature of an Election or which would reduce the amount credited to a Participant's Deferral Account on the date of such amendment; and provided further that no amendment which would affect the Trustee's obligation may be made without the Trustee's consent.

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(b) TERMINATION. Notwithstanding the foregoing paragraph or any other provision in this Plan to the contrary, Ross, by action of its Board or with the

approval of two-thirds (2/3) of the members of the Plan Administrator and the consent of either the president or the chief executive officer of Ross, reserves the right to terminate the Plan in its entirety at any time upon fifteen (15) days notice to the Participants. The termination of the Plan shall automatically revoke all outstanding Early Benefit Distribution Elections and all Elections to have Benefits paid in installments. If the Plan is terminated, all benefits shall be paid in a single lump sum as if such Participant had voluntarily terminated employment on the date of Plan termination. Any amounts remaining in the Trust after all benefits have been paid shall revert to the Employer.

IN WITNESS WHEREOF, Ross has caused this Plan to be executed by a duly authorized officer effective as of the Effective Date of the Second Amended and Restated Plan.

ROSS STORES, INC.

Dated: _____

By: _____

ROSS STORES, INC.
INCENTIVE COMPENSATION PLAN

The Incentive Compensation Plan (the "Plan") of Ross Stores, Inc., a Delaware corporation, and its subsidiaries (the "company"), is authorized annually by the Compensation Committee of the company's Board of Directors which shall be comprised solely of directors who are "outside directors" as defined by Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

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 award amounts 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

At the beginning 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).

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. At the beginning 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.

The terms "salary" and/or "base salary" shall mean the employee's base salary in effect on the final day of the company's fiscal year. Notwithstanding the above, all awards shall be subject to the limit set forth in "Maximum Award

Payable" below.

MAXIMUM AWARD PAYABLE

For any fiscal year, no Executive Officer of the company shall be paid an award in excess of 200% of the Chief Executive Officer's salary at the time the Plan was approved by the company's stockholders.

PROFIT GOALS

At 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. The establishment by the Compensation Committee of the profit performance goal and the Incentive Award Formula for the fiscal year shall be no later than the latest time permitted under Section 162(m) of the Code. 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. Extraordinary items are significant unanticipated and/or non-recurring items that would impact the year's pretax earnings either positively or negatively.

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.

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.

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 1996 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 other 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.

STOCKHOLDER APPROVAL

The material terms of this Plan shall be submitted to the company's stockholders for approval in accordance with Section 162(m) of the Code. The payment of awards under this Plan, for fiscal years beginning in 1996, is contingent upon the company obtaining such stockholder approval.

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; provided, however, that if, and to the extent required to ensure the Plan's qualification under Section 162(m) of the Code as "performance-based compensation", any such amendment shall be subject to stockholder approval.

FIFTH AMENDMENT TO
AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS FIFTH AMENDMENT TO AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Amendment") is made and entered into this 16th Day of December, 1998, by and between ROSS STORES, INC. (the "Company") and NORMAN A. FERBER (the "Executive").

A. The Company and the Executive have previously entered into an Amended and Restated Employment Agreement as of June 1, 1995, which has subsequently been amended on July 29, 1996, March 20, 1997, April 15, 1997, and November 20, 1997 (as amended, the "Agreement").

B. It is now the intention of the Company and the Executive to further amend the Agreement.

Accordingly, the Company and the Executive hereby agree as follows:

A. Paragraph 2 of the Agreement is hereby amended to provide that the Executive shall continue to serve as Chairman of the Board of the Company at the will of the Board through January 31, 2000.

B. Paragraph 3 of the Agreement is hereby amended to provide that the Executive shall continue to be retained as a consultant by the Company through January 31, 2000, which date shall be the "Consultancy Termination Date."

C. Paragraph 5(a) of the Agreement is hereby amended to provide that the Executive shall be paid a consulting fee of \$83,333.33 per month for his services as a consultant through January 31, 2000. Notwithstanding the provisions of Paragraph 5(b) of the Agreement, the Executive shall not be entitled to any bonus for performance during the period from February 1, 1998 through January 31, 1999 or the period from February 1, 1999 through January 31, 2000, but shall continue to be entitled to all other benefits and payments provided in the Agreement.

D. Paragraph 5(d)(i) of the Agreement is hereby amended to delete the words "or the date of his 65th birthday, whichever occurs first," at the beginning of the first sentence thereof.

E. Paragraph 5(d)(iv) of the Agreement is hereby amended to read in its entirety as follows:

"Until his death, the Executive shall be reimbursed by the Company, or any successor to the Company, on an annual basis for any estate planning fees or expenses actually incurred by the Executive, up to a maximum annual reimbursement equal to that provided to the chief executive officer of the Company, or any successor to the Company, but in no event less than \$5,000."

F. Paragraph 5(e) of the Agreement is hereby amended to change "the summer of 1998" in the last sentence thereof to "the summer of 1999."

G. Except as amended by this Amendment, the Agreement as amended shall remain in full force and effect.

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

ROSS STORES, INC.

EXECUTIVE

By:

January 15, 1999

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of February 3, 1999, by and between Ross Stores, Inc. (the "Company") and Michael Balmuth (the "Executive"). The Executive is presently employed by the Company as its Vice Chairman of the Board of Directors of the Company (the "Board") and Chief Executive Officer, and it is now the intention for the Company and the Executive to enter into a written employment agreement. Accordingly, the Company and the Executive hereby agree as follows:

1. TERM. The employment of the Executive by the Company will continue as of the date hereof and end on February 3, 2003, unless extended or terminated in accordance with this Agreement. During August 2001, and during August every other year thereafter (every two years) for so long as the Executive is employed by the Company, upon the written request of the Executive, the Board shall consider extending the Executive's employment with the Company. Such request must be delivered to the Chairman of the Compensation Committee no later than the July 31st which precedes the August in which the requested extension will be considered. The Board shall advise the Executive, in writing, on or before the September 1st following its consideration of the Executive's written request, whether it approves of such extension. The failure of the Board to provide such written advice shall constitute approval of the Executive's request for extension. If the Executive's request for an extension is approved, this Agreement shall be extended two additional years.

2. POSITION AND DUTIES. The Executive shall continue to serve as the Vice Chairman of the Board and Chief Executive Officer of the Company with overall responsibility for its corporate policy making, organization and operation, and accomplishment of its plans and objectives. The Executive shall report directly to the Board. During the term of his employment, the Executive may engage in outside activities provided those activities do not conflict with his duties and responsibilities hereunder, and provided further that the Executive gives written notice to the Board of any significant outside business activity in which he plans to become involved, whether or not such activity is pursued for profit. It is intended that the Executive shall be elected Chairman of the Board (in addition to his continuing to serve as Chief Executive Officer of the Company) when the current Chairman vacates that office. The failure to so elect the Executive Chairman of the Board shall constitute Good Reason for the purposes of paragraph 7(e) hereof.

3. PLACE OF PERFORMANCE. The Executive shall be employed at the Company's New York buying office, except for required travel on the Company's business to an extent substantially consistent with present business travel obligations.

4. COMPENSATION AND RELATED MATTERS.

(a) SALARY. During his employment, the Company shall pay the Executive a salary of not less than \$800,000 per annum. This salary shall be payable in equal installments in accordance with the Company's normal payroll practices applicable to senior officers. Subject to the first sentence of this paragraph, the Executive's salary may be adjusted from time to time by the Board in accordance with normal business practices of the Company.

(b) CHANGE OF CONTROL. In the event of a Change of Control (as defined in paragraph 7(f) hereof), (i) the Executive shall immediately become vested in any shares of restricted stock granted to the Executive by the Company which had not vested prior to the Change of Control in accordance with the terms of the applicable stock grant agreements and (ii) the Company shall pay to the Executive as additional salary an amount equal to \$1,500,000 per year during the period commencing on the effective date of the Change of Control and expiring two years thereafter (the "Remaining Term"), which shall be payable in equal installments during the then Remaining Term in accordance with the Company's normal payroll policies applicable for senior officers. Notwithstanding paragraph 1 hereof to the contrary, the Executive's employment by the Company

under this Agreement shall continue until the later of (a) the expiration of the Remaining Term and (b) the expiration of any extension pursuant to Section 1.

(c) BONUS. During his employment, the Company shall continue to pay the Executive an annual bonus in accordance with the terms of the existing bonus incentive plan that covers the Executive (or any replacement plan of substantially equivalent or greater value that may subsequently be established and in effect at the time for such action).

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

(e) OTHER BENEFITS. The Executive shall be entitled to continue to participate in all of the Company's employee benefit plans and arrangements in effect on the date hereof in which the Executive now participates (including without limitation each pension and retirement plan and arrangement, supplemental pension and retirement plan, deferred compensation plan, short-term and long-term incentive plan, stock option plan, life insurance and health-and-accident plan and arrangement, medical insurance plan, physical examination program, dental care plan, accidental death and disability plan, survivor income plan, relocation plan, financial, tax and legal counseling programs, and vacation plan). The Company shall not make any changes in such plans or arrangements which would adversely affect the Executive's rights or benefits thereunder, unless such change occurs pursuant to a program applicable to all senior executives of the Company and does not result in a proportionately greater reduction in the rights or benefits of the Executive as compared with any other senior executive of the Company. The Executive shall be entitled to participate in, or receive benefits under, any employee benefit plan or arrangement made available by the Company in the future to its executives and key management employees, subject to, and on a basis consistent with, the terms, conditions and

overall administration of such plans and arrangements. Except as otherwise specifically provided herein, nothing paid to the Executive under any plan or arrangement presently in effect or made available in the future shall be in lieu of the salary or bonus payable under subparagraphs (a), (b) and (c).

(f) VACATIONS. The Executive shall be entitled to the number of vacation days in each calendar year, and to compensation in respect of earned but unused vacation days, determined in accordance with the Company's vacation plan. The Executive shall also be entitled to all paid holidays given by the Company to its executives. Unused vacation days shall not be forfeited once they have been earned and, if still unused at the time of the Executive's termination of employment with the Company, shall be promptly paid to the Executive at their then-current value, based on the Executive's rate of pay at the time of his termination of employment.

(g) SERVICES FURNISHED. The Company shall furnish the Executive with office space and such services as are suitable to the Executive's position and adequate for the performance of his duties during the term of this Agreement and for a period of six months following the date of any termination, except for termination as described in paragraphs 7(a) [Death], 7(c) [Illegal or Grossly Negligent Conduct], or 7(h) [Non-Renewal]. Upon mutual agreement between the Company and the Executive, the office space furnished during the six month period following termination may be at a location other than the Company's New York buying office.

(h) EXCISE TAX GROSS-UP. If the Executive becomes entitled to one or more payments (with a "payment" including the vesting of restricted stock, a stock option, or other non-cash benefit or property), whether pursuant to the terms of this Agreement or any other plan or agreement with the Company or any affiliated company (collectively, "Change of Control Payments"), which are or become subject to the tax ("Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall pay to the Executive at the time specified below such amount (the "Gross-up Payment") as may be necessary to place the Executive in the same after-tax position as if no portion of the Change of Control Payments and any amounts paid to the Executive

pursuant to this paragraph 4(h) had been subject to the Excise Tax. The Gross-up Payment shall include, without limitation, reimbursement for any penalties and interest that may accrue in respect of such Excise Tax. For purposes of determining the amount of the Gross-up Payment, the Executive shall be deemed: (A) to pay federal income taxes at the highest marginal rate of federal income taxation for the year in which the Gross-up Payment is to be made; and (B) to pay any applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Gross-up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year. If the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time the Gross-up Payment is made, the Executive shall repay to the Company at the time that the amount of such reduction in Excise Tax is finally determined (but, if previously paid to the taxing authorities, not prior to the time the amount of such reduction is refunded to the Executive or otherwise realized as a benefit by the Executive) the portion of the Gross-up Payment that would not have been paid if such Excise Tax had been used in initially calculating the Gross-up Payment, plus interest on the amount of such repayment at the rate provided in Section

1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time the Gross-up Payment is made, the Company shall make an additional Gross-up Payment in respect of such excess (plus any interest and penalties payable with respect to such excess) at the time that the amount of such excess is finally determined.

The Gross-up Payment provided for above shall be paid on the 30th day (or such earlier date as the Excise Tax becomes due and payable to the taxing authorities) after it has been determined that the Change of Control Payments (or any portion thereof) are subject to the Excise Tax; PROVIDED, HOWEVER, that if the amount of such Gross-up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined by counsel or auditors selected by the Company and reasonably acceptable to the Executive, of the minimum amount of such payments. The Company shall pay to the Executive the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to the Executive, payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code). The Company shall have the right to control all proceedings with the Internal Revenue Service that may arise in connection with the determination and assessment of any Excise Tax and, at its sole option, the Company may pursue or forego any and all administrative appeals, proceedings, hearings, and conferences with any taxing authority in respect of such Excise Tax (including any interest or penalties thereon); PROVIDED, HOWEVER, that the Company's control over any such proceedings shall be limited to issues with respect to which a Gross-up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest any other issue raised by the Internal Revenue Service or any other taxing authority. The Executive shall cooperate with the Company in any proceedings relating to the determination and assessment of any Excise Tax and shall not take any position or action that would materially increase the amount of any Gross-up Payment hereunder.

5. OFFICES. The Executive agrees to serve, if elected or appointed thereto, in one or more executive offices of any of the Company's subsidiaries, provided that the Executive is indemnified for serving in any and all such capacities on a basis no less favorable than is currently provided by the Company's by-laws and applicable state law.

6. CONFIDENTIAL INFORMATION

(a) The Executive agrees not to disclose, either while in the Company's employ or at any time thereafter, to any person not employed by the Company, or not engaged to render services to the Company, any confidential information obtained while in the employ of the Company, including, without limitation, any of the Company's inventions, processes, methods of distribution or customers or trade secrets; provided, however, that this provision shall not preclude the Executive from use or disclosure of information known generally to the public or from disclosure required by law or court order.

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

addition, he will not take with him, without the prior written consent of any officer authorized to act in the matter by the Board, any study, memoranda, drawing, blueprint, specification or other document of the Company, its subsidiaries, affiliates and divisions, which is of a confidential nature relating to the Company, its subsidiaries, affiliates and divisions.

7. TERMINATION. The Executive's employment may be terminated during the term of this Agreement only as follows:

(a) DEATH. The Executive's employment shall terminate upon his death.

(b) DISABILITY. If, as a result of the Executive's incapacity due to physical or mental illness, the Executive shall have been absent from his duties hereunder on a full-time basis for the entire period of six consecutive months, and within thirty days after written notice of termination is given by the Company or the Executive (which may occur before or after the end of such six-month period), the Executive shall not have returned to the performance of his duties hereunder on full-time basis, the Executive's employment shall terminate. A termination of employment pursuant to this paragraph 7(b) shall be deemed an involuntary termination for purposes of this Agreement or any plan or practice of the Company.

(c) CAUSE. The Company may terminate the Executive's employment for Cause. The Company shall have "Cause" to terminate the Executive's employment if the Executive either (i) continuously fails to substantially perform his duties hereunder (unless such failure is a result of a disability as defined in paragraph (b)) or (ii) intentionally engages in illegal or grossly negligent conduct which is materially injurious to the Company monetarily or otherwise. A termination for Cause shall not take effect unless: (1) the Executive is given written notice by the Company of its intention to terminate him for Cause; (2) the notice specifically identifies the particular act or acts or failure or failures to act which are the basis for such termination; (3) the notice is given within 90 days of the Company's learning of such act or acts or failure or failures to act; and (4) the Executive fails to substantially cure such conduct, to the extent such cure is possible, within 60 days after the date that such written notice is given to him.

(d) WITHOUT CAUSE. The Company may terminate the Executive's employment at any time Without Cause. A termination "Without Cause" is a termination of the Executive's employment by the Company for any reasons other than those set forth in subsections (a) [Death], (b) [Disability] or (c) [For Cause] of this paragraph.

(e) TERMINATION BY THE EXECUTIVE FOR GOOD REASON. The Executive may terminate his employment with the Company for Good Reason, which shall be deemed to occur if he terminates his employment within six months after (i) written notice of a failure by the Company to comply with any material provision of this Agreement which failure has not been cured within ten days after such written notice of noncompliance has been given by the Executive to the Company, or (ii) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which the Executive currently maintains without the express written consent of the Executive, or (iii) the Executive is relocated more than 40 miles from the Company's New York City office without his prior written consent, or (iv) the Executive is not elected Chairman of the Board as provided in paragraph 2 hereof.

(f) TERMINATION FOLLOWING CHANGE OF CONTROL. The Executive may terminate his employment with the Company for Good Reason within one year after a Change of Control. A Change in Control shall be deemed to have occurred if: (i) any person or group (within the meaning of Rule 13d-3 of the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended) shall acquire, in one or a series of transactions, whether through sale of stock

or merger, ownership of stock of the Company that possesses more than 30 percent of the total fair market value or total voting power of the stock of the Company or any successor to the Company; (ii) a merger in which the Company is a party after which merger the stockholders of the Company do not retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the surviving company, or (iii) the sale, exchange, or transfer of all or substantially all of the Company's assets (other than a sale, exchange, or transfer to one or more corporations where the stockholders of the Company before and after such sale, exchange, or transfer, directly or indirectly, are the beneficial owners of at least a majority of the voting stock of the corporation(s) to which the assets were transferred).

(g) VOLUNTARY TERMINATION. The Executive may voluntarily terminate his employment with the Company at any time. A termination of employment by the Executive pursuant to paragraph 7(e) [For Good Reason] shall not be deemed a voluntary termination by the Executive for purposes of this Agreement or any plan or practice of the Company but shall be deemed an involuntary termination.

(h) NON-RENEWAL. If the Executive fails to request an extension of this Agreement in accordance with paragraph 1 or if the Board fails to approve such request, this Agreement shall automatically expire at the end of its term. Such expiration shall not entitle the Executive to any compensation or benefits except as earned by the Executive through the date of expiration of this Agreement and set forth in paragraph 9(e). The parties hereto shall have no further obligations to each other thereafter except as set forth in paragraphs 6 and 13.

8. NOTICE AND EFFECTIVE DATE OF TERMINATION

(a) NOTICE. Any termination of the Executive's employment by the Company or by the Executive during the term if this Agreement (other than as a result of death) shall be communicated by written notice of termination to the other party hereto. Such notice shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under that provision.

(b) DATE OF TERMINATION. The date of termination shall be:

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

(ii) if the Executive's employment is terminated pursuant to paragraph 7(b) [Disability], the date of termination shall be the 31st day following delivery of the notice of termination;

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

(iv) if the Agreement expires pursuant to paragraph 7(h) [Non-Renewal], the parties' employment relationship shall terminate on the last day of the term of this Agreement without any notice.

9. COMPENSATION AND BENEFITS UPON TERMINATION.

(a) DISABILITY, WITHOUT CAUSE OR FOR GOOD REASON. If the Executive's employment terminates pursuant to paragraphs 7(b) [Disability], (d) [Without Cause], or (e) [For Good Reason], the Executive shall be entitled to the following:

(i) SALARY. The Company shall continue to pay the Executive his then-current salary through the remaining term of this Agreement as defined in paragraph 1.

(ii) BONUS. The Company shall continue to pay the Executive an annual bonus(es) throughout such remaining term. Each such bonus shall be equal to the greater of (A) the Executive's bonus during the year prior to his termination or (B) the bonus that the Executive would have earned under the Company's bonus plan in the year that he was terminated had he remained in its employment; provided, however, that such post-termination bonuses shall not

exceed the lesser of 100% of the targeted amounts for those bonuses in the prior year and 100% of such targeted amounts for the then-current year. Such bonuses shall not be paid until due under the Company's present bonus plan.

(iii) STOCK OPTIONS. With respect to any stock options granted to the Executive by the Company, the Executive shall immediately become vested in any unvested stock options upon such termination.

(iv) RESTRICTED STOCK. With respect to any restricted stock granted to the Executive by the Company which has not become vested as of such termination, the Executive shall immediately become vested in a pro rata portion of such unvested stock in accordance with the terms of the applicable stock grant agreements.

The Company shall have no further obligations to the Executive as a result of such termination except as set forth in paragraph 13.

(b) FOR CAUSE. If the Executive's employment is terminated for Cause (as defined in paragraph 7(c), he shall receive only the post-termination compensation and benefits described in paragraph 9(d) [Compensation and Benefits Upon Termination - Death or Voluntary Termination].

(c) CHANGE OF CONTROL. If the Executive's employment is terminated either by the Company Without Cause (as defined in paragraph 7(d) or by the Executive for Good Reason (as defined in paragraph 7(a)) within one year of a Change of Control (as defined in paragraph 7(f)), the Executive shall be entitled to the following (in addition to any other payments or benefits provided for in paragraphs 4(b) and (h)):

(i) LUMP SUM PAYMENT. The Company shall pay to the Executive (or his designee or estate), immediately upon such termination, a lump sum amount equal to: (A) the sum of the Executive's then current salary (excluding any payments under paragraph 4(b)) and

the greater of the most recent bonus paid to the Executive under the Management Incentive Plan or the target bonus for the fiscal year of the Company in which such termination occurs; times (B) the greater of two or the number of years (including partial years computed on a per day basis) remaining in the term of the Agreement under paragraph 1.

(ii) STOCK OPTIONS. Upon such termination, the Executive shall immediately become vested in any unvested stock options granted to the Executive by the Company.

(iii) RESTRICTED STOCK. Upon a Change of Control, the Executive shall become vested in any shares of restricted stock granted to the Executive in accordance with paragraph 4(b) hereof.

(d) DEATH OR VOLUNTARY TERMINATION. If the Executive's employment terminates pursuant to paragraphs 7(a) [Death] or 7(g) [Voluntary Termination], he (or his designee or his estate) shall be paid his salary through his termination date and not thereafter. He (or his designee or his estate) shall not be entitled to any bonus payments which were not fully earned prior to his termination date, and he (or his designee or his estate) shall not be entitled to any pro-rated bonus payment for the year in which his employment terminates. Any stock options granted to the Executive by the Company shall continue to vest only through the date on which his employment terminates and any restricted stock that was granted to the Executive by the Company that is unvested as of the date on which his employment terminates shall automatically be reacquired by the Company and the Executive (or his designee or his estate) shall have no further rights with respect to such restricted stock. The Company shall have no further obligations to the Executive as a result of the termination of his employment pursuant to paragraphs 7(a) or 7(g).

(e) NON-RENEWAL. If the Agreement expires as set forth in paragraph 7(h) [Non-Renewal], the Company shall have no further obligations to the Executive except as set forth in paragraph 13 and, except that with respect to any restricted stock granted to the Executive by the Company which has not become vested as of such expiration date, the Executive shall immediately become vested in a pro rata portion of such unvested stock in accordance with the terms of the applicable stock grant agreements.

10. EMPLOYMENT RESTRICTION.

(a) NON-COMPETE. The Company and the Executive acknowledge that the Company has a special interest in and derives significant benefit from the unique skills and experience of the Executive. In addition, the Executive will use and have access to some of the Company's proprietary and valuable Confidential Information during the course of the Executive's employment. Accordingly, except as hereafter noted, during the term of the Executive's employment with the Company and in the event that the Executive voluntarily terminates his employment with the Company prior to February 1, 2003, the Executive agrees that for a period of 36 months following his voluntary termination pursuant to paragraph 7(g) [Voluntary Termination], he shall not provide any labor, work, services or assistance to (whether as an officer, director, employee, partner, agent, owner, independent contractor, stockholder or otherwise) Burlington Coat Factory Warehouse Corporation, Dillard Department Stores, Inc.,

Filene's Basement Corp., The Federated Stores, The May Department Stores Company, The TJX Companies, Inc. and Value City Department Stores, Inc., as well as all subsidiaries, divisions and/or the surviving entity of any of the above that do business in the retail industry in the case of a merger or acquisition. However, this subparagraph shall not prohibit the Executive from making any investment of 1% or less of the equity securities of any publicly-traded corporation or limited partnership that is engaged in any business of the type or character engaged in by the Company. The foregoing restrictions shall have no force or effect in the event that: (i) the Executive's employment with the Company is terminated either by the Company pursuant to paragraphs 7(c) [with Cause] or 7(d) [Without Cause] or by the Executive pursuant to paragraphs 7(e) [Termination by the Executive for Good Reason] or 7(f) [Termination Following Change of Control]; or (ii) the Company fails to approve or grant an extension of this Agreement in accordance with paragraph 1 hereof.

(b) NON-SOLICITATION OF EMPLOYEES. During the term of the Executive's employment with the Company and for a period of 36 months following the termination of that employment for any reason, the Executive shall not directly or indirectly solicit any other employee of the Company to terminate his or her employment with the Company.

11. EXERCISE OF STOCK OPTIONS FOLLOWING TERMINATION. If the Executive's employment terminates pursuant to paragraphs 7(a) [Death] or (b) [Disability], he (or his estate) may exercise his right to purchase any vested stock under the stock options granted to him by the Company for up to one year following the date of his termination, but not later than the termination date of such options. In all other instances, he may exercise that right for up to three months following the date of his termination, but not later than the termination date of such options. All such purchases must be made by the Executive in accordance with the applicable stock option plans and agreements between the parties.

12. SUCCESSORS; BINDING AGREEMENT. This Agreement and all rights of the Executive hereunder shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him hereunder, all such amounts shall be paid in accordance with the terms of this Agreement to the Executive's written designee or, if there be no such designee, to the Executive's estate.

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

14. NOTICE. For the purposes of this Agreement, notices, demands and all other communications provided for in the Agreement shall be in writing and shall be deemed to have

been duly given when delivered or (unless otherwise specified) mailed by United States registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: Michael Balmuth
 c/o Ross Stores, Inc.
 1372 Broadway
 New York, New York 10018

If to the Company: Ross Stores, Inc.
 1372 Broadway
 New York, New York 10018
 Attention: Corporate Secretary

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

15. MODIFICATION OR WAIVER; ENTIRE AGREEMENT. No provision of this Agreement may be modified or waived except in a document signed by the Executive and the chairman of the Compensation Committee of the Board of such other person as may be designated by the Board. This Agreement, along with any stock option or restricted stock agreements between the parties, constitute the entire agreement between the parties regarding their employment relationship. To the extent that this Agreement is in any way inconsistent with any prior or contemporaneous restricted stock or stock option agreements between the parties, this Agreement shall control. No agreements or representations, oral or otherwise, with respect to the subject matter hereof have been made by either party which are not set for the expressly in this Agreement.

16. GOVERNING LAW - SEVERABILITY. The validity, interpretation, construction, performance, and enforcement of this Agreement shall be governed by the laws of the State of New York without reference to New York's choice of law rules. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

17. MITIGATION NOT REQUIRED. In the event the Executive's employment with the Company terminates for any reason, the Executive shall not be obligated to seek other employment following such termination. Any amounts due the Executive under this Agreement shall be offset by any remuneration attributable to any subsequent employment that he may obtain.

18. WITHHOLDING. All payments required to be made by the Company hereunder to the Executive or his estate or beneficiaries shall be subject to the withholding of such amounts as the Company may reasonably determine it should withhold pursuant to any applicable law. To the extent permitted, the Executive may provide all or any part of any necessary withholding by contributing Company stock with value, determined on the date such withholding is due, equal to the number of shares contributed multiplied by the closing NASDAQ price on the date preceding the date the withholding is determined.

19. ARBITRATION. In the event of any dispute or claim relating to or arising out of the parties' employment relationship or this Agreement (including, but not limited to, any claims of breach of contract, wrongful termination, or age, race, sex, disability or other discrimination), all such disputes shall be fully, finally and exclusively resolved by binding arbitration conducted by the American Arbitration Association in New York, New York by an arbitrator mutually agreed upon by the parties hereto or, in the absence of such agreement, by an arbitrator selected in accordance with the Commercial Arbitration Rules of the American Arbitration Association, provided, however, that this arbitration provision shall not apply to any disputes or claims relating to or arising out of the misuse or misappropriation of the Company's

trade secrets or proprietary information. Notwithstanding the foregoing, if either the Company or the Executive shall request, such arbitration shall be conducted by a panel of three arbitrators, one selected by the Company, one selected by the Executive, and the third selected by agreement of the first two, or, in the absence of such agreement, in accordance with such Rules.

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

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

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

ROSS STORES, INC.

By:

Michael Balmuth

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-06119, 33-61373, 33-56831, 33-51916, 33-51896, 33-51898, 33-41415, 33-41413, 33-29600 of Ross Stores, Inc. on Form S-8 of our report dated March 12, 1999, appearing in this Annual Report on Form 10-K of Ross Stores, Inc. for the year ended January 30, 1999.

/s/Deloitte & Touche LLP
- -----

April 20, 1999

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS FOR THE TWELVE MONTHS ENDED JANUARY 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS FOR THE TWELVE
MONTHS ENDED JANUARY 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS FOR THE TWELVE
MONTHS ENDED FEBRUARY 1, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO
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