

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

(Mark one)

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

For the fiscal year ended **January 31, 2015**

or

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

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

Commission file number 0-14678

**Ross Stores, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**94-1390387**

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

**5130 Hacienda Drive, Dublin, California**

(Address of principal executive offices)

**94568-7579**

(Zip Code)

Registrant's telephone number, including area code

**(925) 965-4400**

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

Title of each class

Name of each exchange on which registered

**Common stock, par value \$.01**

**Nasdaq Global Select Market**

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

Title of each class

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

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

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

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

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of August 2, 2014 was \$13,252,215,244, based on the closing price on that date as reported by the NASDAQ Global Select Market®. Shares of voting stock held by each director and executive officer 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 March 9, 2015 was 207,489,276.

Documents incorporated by reference:

Portions of the Proxy Statement for the Registrant's 2015 Annual Meeting of Stockholders, which will be filed on or before June 1, 2015, are incorporated herein by reference into Part III.

## PART I

### ITEM 1. BUSINESS

Ross Stores, Inc. and its subsidiaries (“we” or the “Company”) operate two brands of off-price retail apparel and home fashion stores—Ross Dress for Less® (“Ross”) and dd’s DISCOUNTS®.

Ross is the largest off-price apparel and home fashion chain in the United States, with 1,210 locations in 33 states, the District of Columbia and Guam, as of January 31, 2015. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 60% off department and specialty store regular prices every day. Ross’ target customers are primarily from middle income households.

We also operate 152 dd’s DISCOUNTS stores in 15 states as of January 31, 2015. dd’s DISCOUNTS features more moderately-priced first-quality, in-season, name brand apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 70% off moderate department and discount store regular prices every day. The typical dd’s DISCOUNTS store is located in an established shopping center in a densely populated urban or suburban neighborhood and its target customers typically come from households with more moderate incomes than Ross customers.

The merchant, store, and distribution organizations for Ross and dd’s DISCOUNTS are separate and distinct. The two chains share certain other corporate and support services.

Both our Ross and dd’s DISCOUNTS brands target value-conscious women and men between the ages of 18 and 54. The decisions we make, from merchandising, purchasing, and pricing, to the locations of our stores, are based on these customer profiles. We believe that both brands derive a competitive advantage by offering a wide assortment of product within each of our merchandise categories in organized and easy-to-shop store environments.

Our mission is to offer competitive values to our target customers by focusing on the following key strategic objectives:

- Maintain an appropriate level of recognizable brands, labels, and fashions at strong discounts throughout the store.
- Meet customer needs on a local basis.
- Deliver an in-store shopping experience that reflects the expectations of the off-price customer.
- Manage real estate growth to compete effectively across all our markets.

We refer to our fiscal years ended January 31, 2015, February 1, 2014, and February 2, 2013 as fiscal 2014, fiscal 2013, and fiscal 2012, respectively. Fiscal 2014 and 2013 were each 52-week years. Fiscal 2012 was a 53-week year.

#### **Merchandising, Purchasing, and Pricing**

We seek to provide our customers with a wide assortment of first-quality, in-season, brand name and designer apparel, accessories, footwear, and home merchandise for the entire family at savings of 20% to 60% below department and specialty store regular prices every day at Ross, and 20% to 70% below moderate department and discount store regular prices at dd’s DISCOUNTS. We sell recognizable brand name merchandise that is current and fashionable in each category. New merchandise typically is received from three to six times per week at both Ross and dd’s DISCOUNTS stores. Our buyers review their merchandise assortments on a weekly basis, enabling them to respond to selling trends and purchasing opportunities in the market. Our merchandising strategy is reflected in our advertising, which emphasizes a strong value message. Our stores offer a treasure-hunt shopping experience where customers can find great savings every day on a broad assortment of brand name bargains for the family and the home.

**Merchandising.** Our merchandising strategy incorporates a combination of off-price buying techniques to purchase advance-of-season, in-season, and past-season merchandise for both Ross and dd’s DISCOUNTS. We believe nationally recognized name brands sold at compelling discounts will continue to be an important determinant of our success. We generally leave the brand name label on the merchandise we sell.

We have established merchandise assortments that we believe are attractive to our target customers. Although we offer fewer classifications of merchandise than most department stores, we generally offer a large selection within each classification with a wide assortment of vendors, labels, prices, colors, styles, and fabrics within each size or item. The mix of comparable store sales by department in fiscal 2014 was approximately as follows: Ladies 29%, Home Accents and Bed and Bath 24%, Accessories, Lingerie, Fine Jewelry, and Fragrances 13%, Men’s 13%, Shoes

13%, and Children's 8%. These merchandise offerings include, but are not limited to, small furniture and furniture accents, educational toys and games, luggage, gourmet food and cookware, watches, and sporting goods.

**Purchasing.** We have a combined network of approximately 8,200 merchandise vendors and manufacturers for both Ross and dd's DISCOUNTS and believe we have adequate sources of first-quality merchandise to meet our requirements. We purchase the vast majority of our merchandise directly from manufacturers, and we have not experienced any difficulty in obtaining sufficient merchandise inventory.

We believe that our ability to effectively execute certain off-price buying strategies is a key factor in our success. Our buyers use a number of methods that enable us to offer our customers brand name and designer merchandise at strong discounts every day relative to department and specialty stores for Ross and moderate department and discount stores for dd's DISCOUNTS. By purchasing later in the merchandise buying cycle than department, specialty, and discount stores, we are able to take advantage of imbalances between retailers' demand for products and manufacturers' supply of those products.

Unlike most department and specialty stores, we typically do not require that manufacturers provide promotional allowances, co-op advertising allowances, return privileges, split shipments, drop shipments to stores, or delayed deliveries of merchandise. For most orders, only one delivery is made to one of our five distribution centers. These flexible requirements further enable our buyers to obtain significant discounts on in-season purchases.

The majority of the apparel and apparel-related merchandise that we offer in all of our stores is acquired through opportunistic purchases created by manufacturer overruns and canceled orders both during and at the end of a season. These buys are referred to as "close-out" and "packaway" purchases. Close-outs can be shipped to stores in-season, allowing us to get in-season goods into our stores at lower prices. Packaway merchandise is purchased with the intent that it will be stored in our warehouses until a later date, which may even be the beginning of the same selling season in the following year. Packaway purchases are an effective method of increasing the percentage of prestige and national brands at competitive savings within our merchandise assortments. Packaway merchandise is mainly fashion basics and, therefore, not usually affected by shifts in fashion trends.

In fiscal 2014, we continued our emphasis on this important sourcing strategy in response to compelling opportunities available in the marketplace. Packaway accounted for approximately 45% and 49% of total inventories as of January 31, 2015 and February 1, 2014, respectively, and reflects our merchants' continued ability to take advantage of a large amount of close-out opportunities in the marketplace. We believe the strong discounts we are able to offer on packaway merchandise are one of the key drivers of our business results.

Our primary buying offices are located in New York City and Los Angeles, the nation's two largest apparel markets. These strategic locations allow our buyers to be in the market on a daily basis, sourcing opportunities and negotiating purchases with vendors and manufacturers. These locations also enable our buyers to strengthen vendor relationships—a key element to the success of our off-price buying strategies.

Over the past year, we continued to make strategic investments in our merchandising organization to further enhance our ability to deliver name brand bargains to our customers. At the end of fiscal 2014, we had approximately 700 merchants for Ross and dd's DISCOUNTS combined. The Ross and dd's DISCOUNTS buying organizations are separate and distinct, and each includes merchandise management, buyers, and assistant buyers. Ross and dd's DISCOUNTS buyers have on average eight years of experience, including merchandising positions with other retailers such as Bloomingdale's, Burlington Stores, Foot Locker, Kohl's, Loehmann's, Lord & Taylor, Macy's, Nordstrom, Saks, and TJX. We expect to continue to make additional targeted investments in new merchants to further develop our relationships with an expanding number of manufacturers and vendors. Our ongoing objective is to strengthen our ability to procure the most desirable brands and fashions at competitive discounts.

The off-price buying strategies utilized by our experienced team of merchants enable us to purchase Ross merchandise at net prices that are lower than prices paid by department and specialty stores, and to purchase dd's DISCOUNTS merchandise at net prices that are lower than prices paid by moderate department and discount stores.

**Pricing.** Our policy is to sell brand name merchandise at Ross that is priced 20% to 60% below most department and specialty store regular prices. At dd's DISCOUNTS, we sell more moderate brand name product and fashions that are priced 20% to 70% below most moderate department and discount store regular prices. Our pricing policy is reflected on the price tag displaying our selling price as well as the comparable selling price for that item in department and

specialty stores for Ross merchandise, or in more moderate department and discount stores for dd's DISCOUNTS merchandise.

Our pricing strategy at Ross differs from that of a department or specialty store. We purchase our merchandise at lower prices and mark it up less than a department or specialty store. This strategy enables us to offer customers consistently low prices and compelling value. On a weekly basis our buyers review specified departments in our stores for possible markdowns based on the rate of sale as well as at the end of fashion seasons to promote faster turnover of merchandise inventory and to accelerate the flow of fresh product. A similar pricing strategy is in place at dd's DISCOUNTS where prices are compared to those in moderate department and discount stores.

## **Stores**

As of January 31, 2015, we operated a total of 1,362 stores comprised of 1,210 Ross stores and 152 dd's DISCOUNTS stores. Our stores are located predominantly in community and neighborhood shopping centers in heavily populated urban and suburban areas. Where the size of the market and real estate opportunities permit, we cluster Ross stores to benefit from economies of scale in advertising, distribution, and field management. We do the same for dd's DISCOUNTS stores.

We believe a key element of our success at both Ross and dd's DISCOUNTS, is our organized, attractive, easy-to-shop, in-store environments which allow customers to shop at their own pace. While our stores promote a self-service, treasure hunt shopping experience, the layouts are designed to enhance customer convenience in their merchandise presentation, dressing rooms, checkout, and merchandise return areas. Our 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. We enable our customers to select among sizes and prices through prominent category and sizing markers. At most stores, shopping carts and / or baskets are available at the entrance for customer convenience. Cash registers are primarily located at store exits for customer ease and efficient staffing.

We accept a variety of payment methods. We provide refunds on all merchandise (not used, worn, or altered) returned with a receipt within 30 days. Merchandise returns having a receipt older than 30 days are exchanged or refunded with store credit.

## **Operating Costs**

Consistent with the other aspects of our business strategy, we strive to keep operating costs as low as possible. Among the factors which have enabled us to do this are: labor costs that are generally lower than full-price department and specialty stores due to a store design that creates a self-service retail format and due to the utilization of labor saving technologies; economies of scale with respect to general and administrative costs resulting from centralized merchandising, marketing, and purchasing decisions; and flexible store layout criteria which facilitate conversion of existing buildings to our formats.

## **Information Systems**

We continue to invest in new information systems and technology to provide a platform for growth over the next several years. Recent initiatives include enhancements to our merchandise planning, core merchandising, allocation management, and store point-of-sale and store labor management systems. These initiatives support our expansion in both new and existing markets and our assortment execution and plan achievement, while also supporting future growth.

## **Distribution**

We own and operate five distribution processing facilities – two in California, one in Pennsylvania, and two in South Carolina. We ship all of our merchandise to our stores through these distribution centers, which are large, highly automated, and built to suit our specific off-price business model. An additional distribution center in Shafter, California is currently under construction and expected to open in 2015.

Currently we own four and lease three other warehouse facilities for packaway storage. We also use other third-party facilities as needed for storage of packaway inventory.

We also utilize third-party cross dock facilities to distribute merchandise to stores on a regional basis. Shipments are made by contract carriers to the stores three to six times per week depending on location.

We believe that our distribution centers with their current expansion capabilities will provide adequate processing capacity to support our current store growth. Information on the size and locations of our distribution centers and warehouse facilities is found under "Properties" in Item 2.

## **Advertising**

Advertising for Ross Dress for Less relies primarily on television to communicate the Ross value proposition— savings off the same brands carried at leading department stores every day. This strategy reflects our belief that television is the most efficient and cost effective medium for communicating our brand position. While television is our primary advertising medium, we continue to utilize additional channels to communicate our brand position. Advertising for dd's DISCOUNTS is primarily focused on new store grand openings and local media initiatives.

## **Trademarks**

The trademarks for Ross Dress For Less® and dd's DISCOUNTS® have been registered with the United States Patent and Trademark Office.

## **Employees**

As of January 31, 2015, we had approximately 71,400 total employees, which includes both full and part-time employees. Additionally, we hire temporary employees especially during the peak seasons. Our employees are non-union. Management considers the relationship between the Company and our employees to be good.

## **Competition**

We believe the principal competitive factors in the off-price retail apparel and home fashion industry are offering significant discounts on brand name merchandise, offering a well-balanced assortment that appeals to our target customers, and consistently providing store environments that are convenient and easy to shop. To execute this concept, we continue to make strategic investments in our merchandising organization. We also continue to make improvements to our core merchandising system to strengthen our ability to plan, buy, and allocate product based on more local versus regional trends. We believe that we are well-positioned to compete based on each of these factors.

Nevertheless, the retail apparel market is highly fragmented and competitive. We face a challenging macro-economic and retail environment that creates intense competition for business from department stores, specialty stores, discount stores, warehouse 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. We also compete to some degree with retailers that sell apparel and home fashions through catalogs or online. The retail apparel and home-related businesses may become even more competitive in the future.

## **Available Information**

The internet address for our corporate website is [www.rossstores.com](http://www.rossstores.com). Our Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Proxy Statements, and any amendments to those reports are made available free of charge on or through the Investors section of our corporate website promptly after being electronically filed with the Securities and Exchange Commission. The information found on our corporate website is not part of this, or any other report or regulatory filing we file with or furnish to the Securities and Exchange Commission.

## ITEM 1A. RISK FACTORS

Our Annual Report on Form 10-K for fiscal 2014, and information we provide in our Annual Report to Stockholders, press releases, and other investor communications, including those on our corporate website, may contain forward-looking statements with respect to anticipated future events and our projected growth, financial performance, operations, and competitive position that are subject to risks and uncertainties that could cause our actual results to differ materially from those forward-looking statements and our prior expectations and projections. Refer to Management's Discussion and Analysis for a more complete identification and discussion of "Forward-Looking Statements."

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

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

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

- An increase in the level of competitive pressures in the apparel or home-related merchandise retailing industry.
- Changes in the level of consumer spending on or preferences for apparel or home-related merchandise.
- The impacts from the macro-economic environment and financial and credit markets that affect consumer disposable income and consumer confidence, including but not limited to interest rates, recession, inflation, deflation, energy costs, tax rates and policy, unemployment trends, and fluctuating commodity costs.
- Changes in geopolitical and geoeconomic conditions.
- Unseasonable weather trends that could affect consumer demand for seasonal apparel and apparel-related products.
- Changes in the availability, quantity, or quality of attractive brand name merchandise at desirable discounts that could impact our ability to purchase product and continue to offer customers a wide assortment of merchandise at competitive prices.
- Potential disruptions in the supply chain or in information systems that could impact our ability to deliver product to our stores in a timely and cost-effective manner.
- A change in the availability, quality, or cost of new store real estate locations.
- A downturn in the economy or a natural disaster in California or in another region where we have a concentration of stores or a distribution center. Our corporate headquarters, Los Angeles buying office, two operating distribution centers, two warehouses, and 25% of our stores are located in California.

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

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

- Attract, train, and retain associates with the retail talent necessary to execute our strategies.
- Effectively operate and continually upgrade our various supply chain, store, core merchandising, and other information systems.
- Improve our merchandising and transaction processing capabilities, and the reliability and security of our data communication systems, through implementation of new processes and systems enhancements.
- Protect against security breaches, including cyber-attacks on our transaction processing and computer information systems, that could result in the theft, transfer or unauthorized disclosure of customer, credit card, employee or other private and valuable information that we collect and process in the ordinary course of our business, and avoid resulting damage to our reputation, loss of customer confidence, exposure to litigation and regulatory action, unanticipated costs and disruption of our operations.
- Improve new store sales and profitability, especially in newer regions and markets.
- Add capacity to our existing distribution centers, find new distribution center sites, and build out planned additional distribution centers timely and cost effectively.

- Achieve and maintain targeted levels of productivity and efficiency in our existing and new distribution centers.
- Lease or acquire acceptable new store sites with favorable demographics and long-term financial returns.
- Identify and successfully enter new geographic markets.
- Achieve planned gross margins by effectively managing inventories, markdowns, and inventory shortage.
- Effectively manage all operating costs of the business, the largest of which are payroll and benefit costs for store and distribution center employees.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

#### **ITEM 2. PROPERTIES**

At January 31, 2015, we operated a total of 1,362 stores, of which 1,210 were Ross locations in 33 states, the District of Columbia and Guam, and 152 were dd's DISCOUNTS stores in 15 states. All stores are leased, with the exception of three locations which we own.

During fiscal 2014, we opened 73 new Ross stores and closed nine existing stores. The average approximate Ross store size is 28,800 square feet.

During fiscal 2014, we opened 22 new dd's DISCOUNTS stores and closed no existing stores. The average approximate dd's DISCOUNTS store size is 23,400 square feet.

During fiscal 2014, no one store accounted for more than 1% of our sales.

We carry earthquake insurance to help mitigate the risk of financial loss due to an earthquake.

Our real estate strategy in 2015 is to open stores in states where we currently operate, to increase our market penetration and reduce overhead and advertising expenses as a percentage of sales in each market. We also expect to continue our store expansion in newer markets in 2015. Important considerations in evaluating a new store location in both newer and more established markets are the availability and quality of potential sites, demographic characteristics, competition, and population density of the local trade area. In addition, we continue to consider opportunistic real estate acquisitions.

The following table summarizes the locations of our stores by state/territory as of January 31, 2015 and February 1, 2014.

| State/Territory      | January 31, 2015 | February 1, 2014 |
|----------------------|------------------|------------------|
| Alabama              | 19               | 20               |
| Arizona              | 68               | 67               |
| Arkansas             | 6                | 4                |
| California           | 335              | 315              |
| Colorado             | 30               | 27               |
| Delaware             | 1                | 1                |
| District of Columbia | 1                | 1                |
| Florida              | 166              | 156              |
| Georgia              | 51               | 51               |
| Guam                 | 1                | 1                |
| Hawaii               | 17               | 15               |
| Idaho                | 10               | 10               |
| Illinois             | 49               | 37               |
| Indiana              | 5                | 2                |
| Kansas               | 6                | 4                |
| Kentucky             | 5                | 3                |
| Louisiana            | 14               | 13               |
| Maryland             | 23               | 22               |
| Mississippi          | 8                | 6                |
| Missouri             | 16               | 14               |
| Montana              | 6                | 6                |
| Nevada               | 31               | 29               |
| New Jersey           | 13               | 11               |
| New Mexico           | 10               | 9                |
| North Carolina       | 38               | 36               |
| Oklahoma             | 20               | 19               |
| Oregon               | 31               | 28               |
| Pennsylvania         | 43               | 39               |
| South Carolina       | 21               | 22               |
| Tennessee            | 29               | 29               |
| Texas                | 197              | 189              |
| Utah                 | 16               | 15               |
| Virginia             | 34               | 34               |
| Washington           | 40               | 39               |
| Wyoming              | 2                | 2                |
| <b>Total</b>         | <b>1,362</b>     | <b>1,276</b>     |

Where possible, we obtain sites in buildings requiring minimal alterations, allowing us to establish stores in new locations in a relatively short period of time at reasonable costs in a given market. At January 31, 2015, the majority of our stores had unexpired original lease terms ranging from three to ten years with three to four renewal options of five years each. The average unexpired original lease term of our leased stores is five years or 21 years if renewal options are included. See Note E of Notes to Consolidated Financial Statements.

See additional discussion under "Stores" in Item 1.



The following table summarizes the location and approximate sizes of our distribution centers, warehouses, and office locations as of January 31, 2015. Square footage information for the distribution centers and warehouses represents total ground floor area of the facility. Square footage information for office space represents total space owned and leased. See additional discussion in Management's Discussion and Analysis.

| Location                         | Approximate Square<br>Footage | Own / Lease |
|----------------------------------|-------------------------------|-------------|
| <b>Distribution centers</b>      |                               |             |
| Carlisle, Pennsylvania           | 425,000                       | Own         |
| Fort Mill, South Carolina        | 1,200,000                     | Own         |
| Moreno Valley, California        | 1,300,000                     | Own         |
| Perris, California               | 1,300,000                     | Own         |
| Rock Hill, South Carolina        | 1,200,000                     | Own         |
| Shafter, California <sup>1</sup> | 1,700,000                     | Own         |
| <b>Warehouses</b>                |                               |             |
| Carlisle, Pennsylvania           | 239,000                       | Lease       |
| Carlisle, Pennsylvania           | 246,000                       | Lease       |
| Fort Mill, South Carolina        | 251,000                       | Lease       |
| Fort Mill, South Carolina        | 423,000                       | Own         |
| Fort Mill, South Carolina        | 428,000                       | Own         |
| Perris, California               | 699,000                       | Own         |
| Riverside, California            | 449,000                       | Own         |
| <b>Office space</b>              |                               |             |
| Dublin, California               | 414,000                       | Own         |
| Los Angeles, California          | 68,000                        | Lease       |
| New York City, New York          | 572,000                       | Own         |

<sup>1</sup>We are currently in the process of completing the infrastructure build-out of this distribution center site with an estimated occupancy of 2015.

See additional discussion under "Distribution" in Item 1.

### ITEM 3. LEGAL PROCEEDINGS

Like many California retailers, we have been named in class action lawsuits alleging violation of wage and hour and other employment laws. Class action litigation remains pending as of January 31, 2015.

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

We believe that the resolution of our pending class action litigation and other currently pending legal and regulatory proceedings will not have a material adverse effect on our financial condition, results of operations, or cash flows.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## Executive Officers of the Registrant

The following sets forth the names and ages of our executive officers, indicating each person's principal occupation or employment during at least the past five years. The term of office is at the discretion of our Board of Directors.

| Name                 | Age | Position  |
|----------------------|-----|---|
| Michael Balmuth      | 64  | Executive Chairman of the Board   |
| Barbara Rentler      | 57  | Chief Executive Officer   |
| James S. Fassio      | 60  | President and Chief Development Officer   |
| Michael O'Sullivan   | 51  | President and Chief Operating Officer   |
| Lisa Panattoni       | 52  | President, Merchandising, Ross Dress for Less   |
| Bernie Brautigan     | 50  | Group Executive Vice President, Merchandising, Ross Dress for Less                    |
| John G. Call         | 56  | Executive Vice President, Finance and Legal, and Corporate Secretary                  |
| Michael J. Hartshorn | 47  | Group Senior Vice President, Chief Financial Officer and Principal Accounting Officer |

Mr. Balmuth has served as Executive Chairman of the Board of Directors since June 2014. From 1996 to May 2014, he was Vice Chairman of the Board of Directors and Chief Executive Officer. He also served as President from 2005 to 2009. Previously, Mr. Balmuth was Executive Vice President, Merchandising from 1993 to 1996 and Senior Vice President and General Merchandise Manager from 1989 to 1993. Before joining Ross, he was Senior Vice President and General Merchandising Manager at Bon Marché in Seattle from 1988 to 1989 and Executive Vice President and General Merchandising Manager for Karen Austin Petites from 1986 to 1988.

Ms. Rentler has served as Chief Executive Officer and a member of the Board of Directors since June 2014. From 2009 to May 2014, she was President and Chief Merchandising Officer, Ross Dress for Less and Executive Vice President, Merchandising, from 2006 to 2009. She also served at dd's DISCOUNTS as Executive Vice President and Chief Merchandising Officer from 2005 to 2006 and Senior Vice President and Chief Merchandising Officer from 2004 to 2005. Prior to that, she held various merchandising positions since joining the Company in 1986.

Mr. Fassio has served as President and Chief Development Officer since 2009. Prior to that, he was Executive Vice President, Property Development, Construction and Store Design from 2005 to 2009 and Senior Vice President, Property Development, Construction and Store Design from 1991 to 2005. He joined the Company in 1988 as Vice President of Real Estate. Prior to joining Ross, Mr. Fassio held various retail and real estate positions with Safeway Stores, Inc.

Mr. O'Sullivan has served as President and Chief Operating Officer since 2009 and a member of the Board of Directors since June 2014. From 2005 to 2009, he was Executive Vice President and Chief Administrative Officer and Senior Vice President, Strategic Planning and Marketing from 2003 to 2005. Before joining Ross, Mr. O'Sullivan was a partner with Bain & Company, providing consulting advice to retail, consumer goods, financial services and private equity clients since 1991.

Ms. Panattoni has served as President, Merchandising, Ross Dress for Less since June 2014 with responsibility for all of the Home businesses, Men's, Junior Sportswear, Lingerie, and Cosmetics. Previously, she was Group Executive Vice President, Merchandising at Ross from 2009 to May 2014. She joined the Company in 2005 as Senior Vice President and General Merchandise Manager of Home and was promoted to Executive Vice President later that same year. Prior to joining Ross, Ms. Panattoni was with The TJX Companies, where she served as Senior Vice President of Merchandising and Marketing for HomeGoods from 1998 to 2004 and as Divisional Merchandise Manager of the Marmaxx Home Store from 1994 to 1998.

Mr. Brautigan has served as Group Executive Vice President, Merchandising, Ross Dress for Less since June 2014, with responsibility for Ladies and Children's apparel, Shoes, Accessories, and Jewelry. Previously, he was Executive Vice President of Merchandising at Ross from 2009 to May 2014. From 2006 to 2009, Mr. Brautigan was Senior Vice President and General Merchandise Manager and Group Vice President of Shoes from 2003 to 2006. Prior to Ross, he spent 20 years in various merchandising positions at Macy's East.

Mr. Call has served as Executive Vice President, Finance and Legal, and Corporate Secretary since March 2014. From 2012 to 2014, Mr. Call was Group Senior Vice President and Chief Financial Officer, with additional oversight for Legal and the Corporate Secretary function. From 1997 to 2012, he was Senior Vice President and Chief Financial Officer and also served as Corporate Secretary from 1997 to 2009. Mr. Call was Senior Vice President, Chief Financial Officer, Secretary and Treasurer of Friedman's from 1993 until 1997. For ten years prior to joining Friedman's, Mr. Call held various positions with Ernst & Young LLP.

Mr. Hartshorn has served as Group Senior Vice President, Chief Financial Officer since March 2015. Previously, he was Senior Vice President and Chief Financial Officer from 2014 to March 2015, Senior Vice President and Deputy Chief Financial Officer from 2012 to 2014, Group Vice President, Finance and Treasurer from 2011 to 2012, and Vice President, Finance and Treasurer from 2006 to 2011. From 2002 to 2006, he held a number of management roles in the Ross IT and supply chain organizations. He initially joined the Company in 2000 as Director and Assistant Controller. For seven years prior to joining Ross, Mr. Hartshorn held various financial roles at The May Department Stores Company.

## PART II

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

**General information.** See the information set forth under the caption "Quarterly Financial Data (Unaudited)" under Note K of Notes to Consolidated Financial Statements in Item 8 of this Annual Report, which is incorporated herein by reference. Our stock is traded on The NASDAQ Global Select Market® under the symbol ROST. There were 817 stockholders of record as of March 9, 2015 and the closing stock price on that date was \$105.45 per share.

**Cash dividends.** In February 2015, our Board of Directors declared a quarterly cash dividend of \$0.235 per common share, payable on March 31, 2015. Our Board of Directors declared cash dividends of \$0.20 per common share in February, May, August, and November 2014, cash dividends of \$0.17 per common share in January, May, August, and November 2013, and cash dividends of \$0.14 per common share in January, May, August, and November 2012.

**Stock dividends.** In March 2015, our Board of Directors approved a two-for-one stock split in the form of a 100 percent stock dividend, to be paid on June 11, 2015 to stockholders of record as of April 22, 2015. The stock split will not have an impact on our consolidated financial position or results of operations. Share and per share amounts have not been restated to reflect the pending stock split.

**Issuer purchases of equity securities.** Information regarding shares of common stock we repurchased during the fourth quarter of fiscal 2014 is as follows:

| <b>Period</b>                         | <b>Total number of shares (or units) purchased<sup>1</sup></b> | <b>Average price paid per share (or unit)</b> | <b>Total number of shares (or units) purchased as part of publicly announced plans or programs</b> | <b>Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (\$000)</b> |
|---------------------------------------|--|---|--|--|
| November<br>(11/02/2014 - 11/29/2014) | 377,109  | \$83.30                                       | 373,384  | \$100,400  |
| December<br>(11/30/2014 - 01/03/2015) | 599,206  | \$91.83                                       | 598,944  | \$45,400   |
| January<br>(01/04/2015 - 01/31/2015)  | 484,038  | \$93.89                                       | 483,915  | —  |
| <b>Total</b>                          | <b>1,460,353</b>   | <b>\$90.31</b>                                | <b>1,456,243</b>   | <b>\$0</b>   |

<sup>1</sup> We acquired 4,110 shares of treasury stock during the quarter ended January 31, 2015. Treasury stock includes shares purchased from employees for tax withholding purposes related to vesting of restricted stock grants. All remaining shares were repurchased under our publicly announced stock repurchase program.

In February 2015, our Board of Directors approved a new two-year \$1.4 billion stock repurchase program for fiscal 2015 and 2016.

See Note H of Notes to Consolidated Financial Statements for equity compensation plan information. The information under Item 12 of this Annual Report on Form 10-K under the caption "Equity compensation plan information" is incorporated herein by reference.

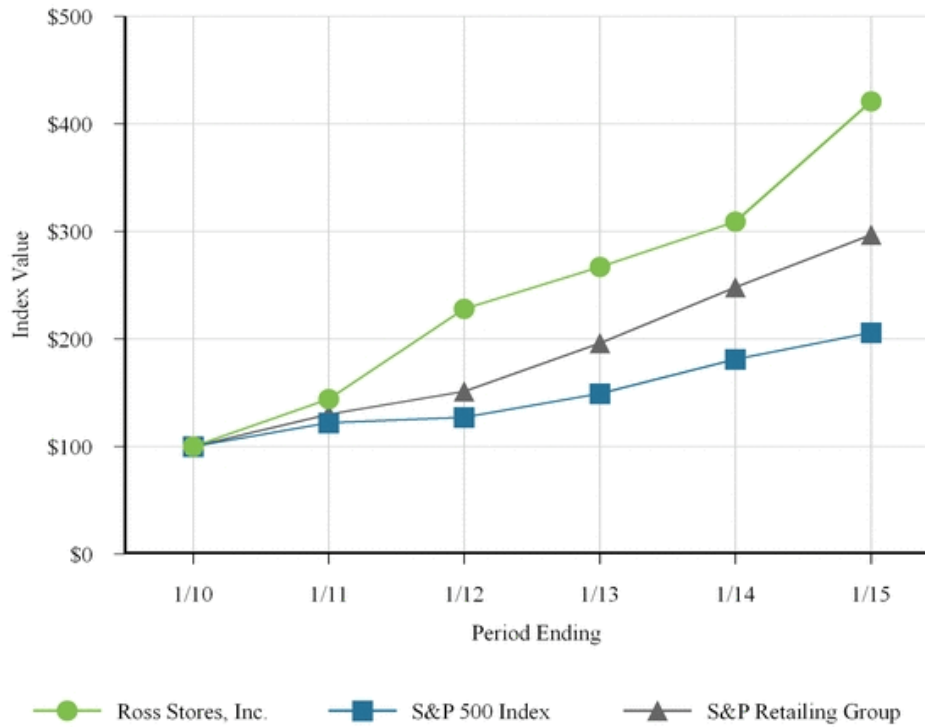
#### **Stockholder Return Performance Graph**

The following information in this Item 5 shall not be deemed filed for purposes of Section 18 of the Securities Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

Total stockholder returns for our common stock outperformed the Standard & Poor's ("S&P") 500 Index and the S&P Retailing Group over the last five years as set forth in the graph below. The cumulative total return listed below assumed an initial investment of \$100 and reinvestment of dividends at each fiscal year end and measures the performance of this investment as of the last trading day in the month of January for each of the following five years. These measurement dates are based on the historical month-end data available and may vary slightly from our actual fiscal year-end date for each period. Data with respect to returns for the S&P indexes is not readily available for periods shorter than one month. The graph is a historical representation of past performance only and is not necessarily indicative of future performance.

## COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Ross Stores, Inc., the S&P 500 Index, and S&P Retailing Group



### Indexed Returns for Years Ended

| Company / Index     | Base Period | Indexed Returns for Years Ended |      |      |      |      |
|---------------------|-------------|---------------------------------|------|------|------|------|
|                     | 2010        | 2011                            | 2012 | 2013 | 2014 | 2015 |
| Ross Stores, Inc.   | 100         | 144                             | 228  | 267  | 309  | 421  |
| S&P 500 Index       | 100         | 122                             | 127  | 149  | 181  | 206  |
| S&P Retailing Group | 100         | 130                             | 151  | 196  | 248  | 297  |

## ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data is derived from our consolidated financial statements. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the section "Forward-Looking Statements" in this Annual Report on Form 10-K and our consolidated financial statements and notes thereto.

| (\$000, except per share data)          | 2014          | 2013                 | 2012 <sup>1</sup> | 2011         | 2010         |
|---|---------------|----------------------|-------------------|--------------|--------------|
| <b>Operations</b>                       |               |                      |                   |              |              |
| Sales                                   | \$ 11,041,677 | \$ 10,230,353        | \$ 9,721,065      | \$ 8,608,291 | \$ 7,866,100 |
| Cost of goods sold                      | 7,937,956     | 7,360,924            | 7,011,428         | 6,240,760    | 5,729,735    |
| <b>Percent of sales</b>                 | <b>71.9%</b>  | <b>72.0%</b>         | <b>72.1%</b>      | <b>72.5%</b> | <b>72.8%</b> |
| Selling, general and administrative     | 1,615,371     | 1,526,366            | 1,437,886         | 1,304,065    | 1,229,775    |
| <b>Percent of sales</b>                 | <b>14.6%</b>  | <b>14.9%</b>         | <b>14.8%</b>      | <b>15.2%</b> | <b>15.6%</b> |
| Interest expense (income), net          | 2,984         | (247)                | 6,907             | 10,322       | 9,569        |
| Earnings before taxes                   | 1,485,366     | 1,343,310            | 1,264,844         | 1,053,144    | 897,021      |
| <b>Percent of sales</b>                 | <b>13.5%</b>  | <b>13.1%</b>         | <b>13.0%</b>      | <b>12.2%</b> | <b>11.4%</b> |
| Provision for taxes on earnings         | 560,642       | 506,006              | 478,081           | 395,974      | 342,224      |
| Net earnings                            | 924,724       | 837,304              | 786,763           | 657,170      | 554,797      |
| <b>Percent of sales</b>                 | <b>8.4%</b>   | <b>8.2%</b>          | <b>8.1%</b>       | <b>7.6%</b>  | <b>7.1%</b>  |
| Basic earnings per share <sup>2</sup>   | \$ 4.47       | \$ 3.93              | \$ 3.59           | \$ 2.91      | \$ 2.35      |
| Diluted earnings per share <sup>2</sup> | \$ 4.42       | \$ 3.88              | \$ 3.53           | \$ 2.86      | \$ 2.31      |
| <b>Cash dividends declared</b>          |               |                      |                   |              |              |
| per common share <sup>2</sup>           | \$ 0.80       | \$ 0.51 <sup>3</sup> | \$ 0.59           | \$ 0.47      | \$ 0.35      |

<sup>1</sup> Fiscal 2012 was a 53-week year; all other fiscal years presented were 52 weeks.

<sup>2</sup> All per share amounts have been adjusted for the two-for-one stock split effective December 15, 2011.

<sup>3</sup> Dividend declaration of \$0.20 per share for the fourth quarter which historically had been declared in January was declared in February 2014.

## Selected Financial Data

| (\$000, except per share data)  | 2014       | 2013       | 2012 <sup>1</sup> | 2011       | 2010       |
|---|------------|------------|-------------------|------------|------------|
| <b>Financial Position</b>   |            |            |                   |            |            |
| Cash and cash equivalents   | \$ 696,608 | \$ 423,168 | \$ 646,761        | \$ 649,835 | \$ 833,924 |
| Merchandise inventory   | 1,372,675  | 1,257,155  | 1,209,237         | 1,130,070  | 1,086,917  |
| Property and equipment, net   | 2,273,752  | 1,875,299  | 1,493,284         | 1,241,722  | 983,776    |
| Total assets  | 4,703,134  | 3,896,797  | 3,670,561         | 3,301,209  | 3,116,204  |
| Return on average assets  | 22%        | 22%        | 23%               | 20%        | 19%        |
| Working capital   | 603,422    | 474,102    | 608,845           | 578,319    | 690,919    |
| Current ratio   | 1.4:1      | 1.3:1      | 1.4:1             | 1.4:1      | 1.5:1      |
| Long-term debt  | 398,375    | 150,000    | 150,000           | 150,000    | 150,000    |
| Long-term debt as a percent<br>of total capitalization                  | 15%        | 7%         | 8%                | 9%         | 10%        |
| Stockholders' equity  | 2,279,210  | 2,007,302  | 1,766,863         | 1,493,012  | 1,332,692  |
| Return on average<br>stockholders' equity                               | 43%        | 44%        | 48%               | 47%        | 45%        |
| Book value per common<br>share<br>outstanding at year-end <sup>2</sup>  | \$ 10.99   | \$ 9.41    | \$ 8.00           | \$ 6.58    | \$ 5.64    |
| <b>Operating Statistics</b>   |            |            |                   |            |            |
| Number of stores opened   | 95         | 88         | 82                | 80         | 56         |
| Number of stores closed   | 9          | 11         | 8                 | 10         | 6          |
| Number of stores at year-end  | 1,362      | 1,276      | 1,199             | 1,125      | 1,055      |
| Comparable store sales<br>increase <sup>3</sup><br>(52-week basis)      | 3%         | 3%         | 6%                | 5%         | 5%         |
| Sales per average square foot<br>of<br>selling space (52-week<br>basis) | \$ 372     | \$ 362     | \$ 355            | \$ 338     | \$ 324     |
| Square feet of selling space<br>at year-end (000)                       | 30,400     | 28,900     | 27,800            | 26,100     | 24,800     |
| Number of employees at year-<br>end                                     | 71,400     | 66,300     | 57,500            | 53,900     | 49,500     |
| Number of common<br>stockholders<br>of record at year-end               | 817        | 823        | 831               | 817        | 804        |

<sup>1</sup> Fiscal 2012 was a 53-week year; all other fiscal years presented were 52 weeks.

<sup>2</sup> All per share amounts have been adjusted for the two-for-one stock split effective December 15, 2011.

<sup>3</sup> Comparable stores are stores open for more than 14 complete months.

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

### Overview

Ross Stores, Inc. operates two brands of off-price retail apparel and home fashion stores—Ross Dress for Less® (“Ross”) and dd’s DISCOUNTS®. Ross is the largest off-price apparel and home fashion chain in the United States with 1,210 locations in 33 states, the District of Columbia and Guam as of January 31, 2015. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 60% off department and specialty store regular prices every day. We also operate 152 dd’s DISCOUNTS stores in 15 states as of January 31, 2015 that feature a more moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 70% off moderate department and discount store regular prices every day.

Our primary objective is to pursue and refine our existing off-price strategies to maintain and improve both profitability and financial returns over the long term. In establishing appropriate growth targets for our business, we closely monitor market share trends for the off-price industry and believe our share gains over the past few years were driven mainly by continued focus on value by consumers. Our sales and earnings gains in 2014 continued to benefit from efficient execution of our off-price model throughout all areas of our business. Our merchandise and operational strategies are designed to take advantage of the expanding market share of the off-price industry as well as the ongoing customer demand for name brand fashions for the family and home at compelling discounts every day.

We refer to our fiscal years ended January 31, 2015, February 1, 2014, and February 2, 2013 as fiscal 2014, fiscal 2013, and fiscal 2012, respectively. Fiscal 2014 and 2013 were 52-week years. Fiscal 2012 was a 53-week year.

### Results of Operations

The following table summarizes the financial results for fiscal 2014, 2013, and 2012:

|  | 2014      | 2013      | 2012 <sup>1</sup> |
|--|-----------|-----------|-------------------|
| <b>Sales</b>   |           |           |                   |
| Sales (millions)                                     | \$ 11,042 | \$ 10,230 | \$ 9,721          |
| Sales growth   | 7.9%      | 5.2%      | 12.9%             |
| Comparable store sales growth (52-week basis)        | 3%        | 3%        | 6%                |
| <b>Costs and expenses (as a percent of sales)</b>    |           |           |                   |
| Cost of goods sold                                   | 71.9%     | 72.0%     | 72.1%             |
| Selling, general and administrative                  | 14.6%     | 14.9%     | 14.8%             |
| Interest expense (income), net                       | 0.0%      | 0.0%      | 0.1%              |
| <b>Earnings before taxes (as a percent of sales)</b> |           |           |                   |
|  | 13.5%     | 13.1%     | 13.0%             |
| <b>Net earnings (as a percent of sales)</b>          |           |           |                   |
|  | 8.4%      | 8.2%      | 8.1%              |

<sup>1</sup>Fiscal 2012 was a 53-week year; all other fiscal years presented were 52 weeks.



**Stores.** Total stores open at the end of fiscal 2014, 2013, and 2012 were 1,362, 1,276, and 1,199, respectively. The number of stores at the end of fiscal 2014, 2013, and 2012 increased by 7%, 6%, and 7% from the respective prior years. Our expansion strategy is to open additional stores based on market penetration, local demographic characteristics, competition, expected store profitability, and the ability to leverage overhead expenses. We continually evaluate opportunistic real estate acquisitions and opportunities for potential new store locations. We also evaluate our current store locations and determine store closures based on similar criteria.

| <b>Store Count</b>                                    | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|-------------|
| Beginning of the period                               | 1,276       | 1,199       | 1,125       |
| Opened in the period                                  | 95          | 88          | 82          |
| Closed in the period                                  | (9)         | (11)        | (8)         |
| End of the period                                     | 1,362       | 1,276       | 1,199       |
| <hr/>   |             |             |             |
| Selling square footage at the end of the period (000) | 30,400      | 28,900      | 27,800      |

**Sales.** Sales for fiscal 2014 increased \$0.8 billion, or 7.9%, compared to the prior year due to the opening of 86 net new stores during 2014 and a 3% increase in comparable store sales (defined as stores that have been open for more than 14 complete months). Sales for fiscal 2013 increased \$0.5 billion, or 5.2%, compared to the prior year due to the opening of 77 net new stores during 2013 and a 3% increase in sales from comparable stores.

Our sales mix is shown below for fiscal 2014, 2013, and 2012:

|   | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|-------------|
| Ladies  | 29%         | 29%         | 29%         |
| Home Accents and Bed and Bath                       | 24%         | 24%         | 24%         |
| Accessories, Lingerie, Fine Jewelry, and Fragrances | 13%         | 13%         | 13%         |
| Men's   | 13%         | 13%         | 13%         |
| Shoes   | 13%         | 13%         | 13%         |
| Children's  | 8%          | 8%          | 8%          |
| Total   | 100%        | 100%        | 100%        |

We intend to address the competitive climate for off-price apparel and home goods by pursuing and refining our existing strategies and by continuing to strengthen our organization, diversify our merchandise mix, and more fully develop our systems to improve regional and local merchandise offerings. Although our strategies and store expansion program contributed to sales gains in fiscal 2014, 2013, and 2012, we cannot be sure that they will result in a continuation of sales growth or in an increase in net earnings.

**Cost of goods sold.** Cost of goods sold in fiscal 2014 increased \$577.0 million compared to the prior year mainly due to increased sales from the opening of 86 net new stores during the year and a 3% increase in sales from comparable stores.

Cost of goods sold as a percentage of sales for fiscal 2014 decreased approximately 5 basis points from the prior year primarily due to a 20 basis point increase in merchandise gross margin. This improvement was partially offset by a 15 basis point increase in buying costs.

Cost of goods sold in fiscal 2013 increased \$349.5 million compared to the prior year mainly due to increased sales from the opening of 77 net new stores during the year and a 3% increase in sales from comparable stores.

Cost of goods sold as a percentage of sales for fiscal 2013 decreased approximately 15 basis points from the prior year. This improvement was due primarily to a 45 basis point increase in merchandise gross margin, which was partially offset by increases in occupancy of about 20 basis points and increases in distribution and buying expenses of about 5 basis points each.

We cannot be sure that the gross profit margins realized in fiscal 2014, 2013, and 2012 will continue in future years.

**Selling, general and administrative expenses.** For fiscal 2014, selling, general and administrative expenses (“SG&A”) increased \$89.0 million compared to the prior year, mainly due to increased store operating costs reflecting the opening of 86 net new stores during the year. SG&A as a percentage of sales for fiscal 2014 decreased by approximately 30 basis points compared to the prior year primarily due to tight expense control.

For fiscal 2013, SG&A increased \$88.5 million compared to the prior year, mainly due to increased store operating costs reflecting the opening of 77 net new stores during the year. SG&A as a percentage of sales for fiscal 2013 increased by approximately 15 basis points compared to the prior year primarily due to higher costs related to the relocation of our data center.

The largest component of SG&A is payroll. The total number of employees, including both full and part-time, as of fiscal year end 2014, 2013, and 2012 was approximately 71,400, 66,300, and 57,500, respectively.

**Interest expense (income), net.** In fiscal 2014, net interest expense increased by \$3.2 million primarily due to the issuance of our unsecured 3.375% Senior Notes due September 2024. As a percentage of sales, net interest expense in fiscal 2014 increased by approximately five basis points compared to the same period in the prior year. The table below shows the components of interest expense and income for fiscal 2014, 2013, and 2012:

| (\$ millions)                               | 2014          | 2013            | 2012          |
|---|---------------|-----------------|---------------|
| Interest expense on long-term debt          | \$ 13.0       | \$ 9.7          | \$ 9.7        |
| Other interest expense                      | 1.2           | 1.4             | 1.7           |
| Capitalized interest                        | (10.8)        | (10.8)          | (3.9)         |
| Interest income                             | (0.4)         | (0.5)           | (0.6)         |
| <b>Total interest expense (income), net</b> | <b>\$ 3.0</b> | <b>\$ (0.2)</b> | <b>\$ 6.9</b> |

**Taxes on earnings.** Our effective tax rate for fiscal 2014, 2013 and 2012 was approximately 38% in each year, which represents the applicable combined federal and state statutory rates reduced by the federal benefit of state taxes deductible on federal returns. The effective rate is impacted by changes in laws, location of new stores, level of earnings, and the resolution of tax positions with various taxing authorities. We anticipate that our effective tax rate for fiscal 2015 will be between 37% and 38%.

**Net earnings.** Net earnings as a percentage of sales for fiscal 2014 were higher than fiscal 2013 primarily due to both lower cost of goods sold and lower SG&A expenses. Net earnings as a percentage of sales for fiscal 2013 were higher compared to fiscal 2012 primarily due to lower cost of goods sold partially offset by higher SG&A expenses.

**Earnings per share.** Diluted earnings per share in fiscal 2014 was \$4.42 compared to \$3.88 in the prior year period. The 14% increase in diluted earnings per share is attributable to an approximate 10% increase in net earnings and a 4% reduction in weighted average diluted shares outstanding, largely due to the repurchase of common stock under our stock repurchase program. Diluted earnings per share in fiscal 2013 was \$3.88 compared to \$3.53 in fiscal 2012. The 10% increase in diluted earnings per share is attributable to an approximate 6% increase in net earnings and a 4% reduction in weighted average diluted shares outstanding, largely due to the repurchase of common stock under our stock repurchase program.

## Financial Condition

### Liquidity and Capital Resources

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

| (\$ millions)  | 2014 |         | 2013 |         | 2012 |         |
|--|------|---------|------|---------|------|---------|
| Cash provided by operating activities                | \$   | 1,372.8 | \$   | 1,022.0 | \$   | 979.6   |
| Cash used in investing activities                    |      | (639.0) |      | (563.8) |      | (425.7) |
| Cash used in financing activities                    |      | (460.4) |      | (681.8) |      | (557.0) |
| Net increase (decrease) in cash and cash equivalents | \$   | 273.4   | \$   | (223.6) | \$   | (3.1)   |

### Operating Activities

Net cash provided by operating activities was \$1,372.8 million, \$1,022.0 million, and \$979.6 million in fiscal 2014, 2013, and 2012 respectively, and was primarily driven by net earnings excluding non-cash expenses for depreciation and amortization. Our primary source of operating cash flow is the sale of our merchandise inventory. We regularly review the age and condition of our merchandise and are able to maintain current merchandise inventory in our stores through replenishment processes and liquidation of slower-moving merchandise through clearance markdowns.

Net cash from operations increased in 2014 compared to 2013 primarily due to higher net earnings and an increase in accounts payable leverage (defined as accounts payable divided by merchandise inventory). The change in accounts payable net of the change in merchandise inventory, resulted in a source of cash of approximately \$89 million in fiscal 2014 compared to a use of cash of approximately \$52 million and \$39 million for fiscal 2013 and 2012, respectively.

Accounts payable leverage was 73%, 62%, and 67% as of January 31, 2015, February 1, 2014, and February 2, 2013, respectively. Changes in accounts payable leverage are primarily driven by the levels and timing of inventory receipts and payments. Accounts payable leverage at the end of fiscal 2013 was also impacted due to the timing shift of the dividend declaration from January 2014 to February 2014.

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

Changes in packaway inventory levels impact our operating cash flow. At the end of fiscal 2014, packaway inventory was 45% of total inventory compared to 49% and 47% at the end of fiscal 2013 and 2012, respectively.

### Investing Activities

Net cash used in investing activities was \$639.0 million, \$563.8 million, and \$425.7 million in fiscal 2014, 2013, and 2012, respectively. The increases in cash used for investing activities in fiscal 2014, 2013, and 2012 were primarily due to increases in our capital expenditures.

In fiscal 2014, 2013, and 2012, our capital expenditures were \$646.7 million, \$550.5 million, and \$424.4 million, respectively. Our capital expenditures include costs to build or expand distribution centers, open new stores and improve existing stores, and for various other expenditures related to our information technology systems, buying, and corporate offices. We opened 95, 88, and 82 new stores in fiscal 2014, 2013, and 2012, respectively. In September 2014 we completed the purchase of the office building where our New York buying office is located for \$222 million.

Our capital expenditures over the last three years are set forth in the table below:

| (\$ millions)                             | 2014     | 2013     | 2012     |
|---|----------|----------|----------|
| New York buying office                    | \$ 210.9 | \$ 11.1  | \$ —     |
| Distribution                              | 193.2    | 248.4    | 157.9    |
| New stores                                | 119.8    | 121.3    | 118.7    |
| Existing stores                           | 79.5     | 59.1     | 86.9     |
| Information systems, corporate, and other | 43.3     | 110.6    | 60.9     |
| Total capital expenditures                | \$ 646.7 | \$ 550.5 | \$ 424.4 |

We are forecasting approximately \$450 million in capital expenditures for fiscal year 2015 to fund costs for fixtures and leasehold improvements to open new Ross and dd's DISCOUNTS stores, the upgrade or relocation of existing stores, investments in information technology systems, and for various other expenditures related to our stores, distribution centers, buying and corporate offices. We expect to primarily fund capital expenditures with available cash and cash flows from operations.

We had no purchases of investments in fiscal 2014 and purchases of \$12.0 million and \$5.4 million in fiscal 2013 and fiscal 2012, respectively. We had proceeds from investments of \$12.0 million, \$1.6 million, and \$6.2 million in fiscal 2014, 2013, and 2012, respectively.

### Financing Activities

Net cash used in financing activities was \$460.4 million, \$681.8 million, and \$557.0 million in fiscal 2014, 2013, and 2012, respectively. During fiscal 2014, 2013, and 2012, our liquidity and capital requirements were provided by available cash and cash flows from operations and in fiscal 2014, the issuance of our unsecured 3.375% Senior Notes due September 2024 ("2024 Notes").

In September 2014, we issued \$250 million of unsecured 2024 Notes and used most of the net proceeds of approximately \$246 million to purchase our New York buying office building for \$222 million and the remaining \$24 million for other general corporate purposes.

We repurchased 7.4 million, 8.2 million, and 7.5 million shares of common stock for aggregate purchase prices of approximately \$550 million, \$550 million, and \$450 million in fiscal 2014, 2013, and 2012, respectively. We also acquired 0.5 million shares in each of fiscal 2014, 2013, and 2012 of treasury stock from our employee stock equity compensation programs, for aggregate purchase prices of approximately \$39.0 million, \$29.9 million, and \$29.4 million during fiscal 2014, 2013, and 2012, respectively. In February 2015, our Board of Directors approved a new two-year \$1.4 billion stock repurchase program for fiscal 2015 and 2016.

In February 2015, our Board of Directors declared a quarterly cash dividend of \$0.235 per common share, payable on March 31, 2015. Our Board of Directors declared cash dividends of \$0.20 per common share in February, May, August, and November 2014, cash dividends of \$0.17 per common share in January, May, August, and November 2013, and cash dividends of \$0.14 per common share in January, May, August, and November 2012.

During fiscal 2014, 2013, and 2012, we paid dividends of \$168.5 million, \$147.9 million, and \$125.7 million, respectively.

In March 2015, our Board of Directors approved a two-for-one stock split in the form of a 100 percent stock dividend, to be paid on June 11, 2015 to stockholders of record as of April 22, 2015. The stock split will not have an impact on our consolidated financial position or results of operations. Share and per share amounts have not been restated to reflect the pending stock split.

Short-term trade credit represents a significant source of financing for merchandise inventory. Trade credit arises from customary payment terms and trade practices with our vendors. We regularly review the adequacy of credit available to us from all sources and expect to be able to maintain adequate trade credit, bank lines, and other credit sources to meet our capital and liquidity requirements, including lease payment obligations, in 2015.

Our existing \$600 million unsecured revolving credit facility expires in June 2017 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently

100 basis points) and is payable quarterly and upon maturity. As of January 31, 2015, we had no borrowings or standby letters of credit outstanding on this facility and our \$600 million credit facility remains in place and available.

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

## Contractual Obligations

The table below presents our significant contractual obligations as of January 31, 2015:

| (\$000)  | Less than<br>1 year | 1 - 3<br>years | 3 - 5<br>years | After 5<br>years | Total <sup>1</sup> |
|--|---------------------|----------------|----------------|------------------|--------------------|
| Senior notes                                     | \$ —                | \$ —           | \$ 85,000      | \$ 315,000       | \$ 400,000         |
| Interest payment obligations                     | 18,105              | 36,210         | 30,109         | 50,146           | 134,570            |
| Operating leases (rent obligations)              | 432,005             | 855,580        | 589,540        | 475,499          | 2,352,624          |
| New York buying office ground lease <sup>2</sup> | 6,418               | 12,835         | 12,835         | 958,986          | 991,074            |
| Purchase obligations                             | 1,928,578           | 19,726         | 4,663          | —                | 1,952,967          |
| Total contractual obligations                    | \$ 2,385,106        | \$ 924,351     | \$ 722,147     | \$ 1,799,631     | \$ 5,831,235       |

<sup>1</sup>We have a \$101.7 million liability for unrecognized tax benefits that is included in Other long-term liabilities on our Consolidated Balance Sheets. This liability is excluded from the schedule above as the timing of payments cannot be reasonably estimated.

<sup>2</sup>Our New York buying office building is subject to a 99-year ground lease.

**Senior notes.** In September 2014, we issued unsecured 2024 Notes with an aggregate principal amount of \$250 million. The 2024 Notes were issued at a price equal to 99.329% of the principal amount. Interest on the 2024 Notes is payable semi-annually beginning March 2015.

As of January 31, 2015, we also had outstanding two series of unsecured senior notes in the aggregate principal amount of \$150 million, held by various institutional investors. The Series A notes totaling \$85 million are due in December 2018 and bear interest at a rate of 6.38%. The Series B notes totaling \$65 million are due in December 2021 and bear interest at a rate of 6.53%. Borrowings under these senior notes are subject to certain financial covenants, including interest coverage and other financial ratios. As of January 31, 2015, we were in compliance with those covenants.

The 2024 Notes, Series A, and Series B senior notes are all subject to prepayment penalties for early payment of principal.

## Off-Balance Sheet Arrangements

**Operating leases.** We currently lease all but three of our store locations, three warehouse facilities, and a buying office. In addition, we have a ground lease related to our New York buying office. Except for certain leasehold improvements and equipment, these leased locations do not represent long-term capital investments.

Two of the warehouses are in Carlisle, Pennsylvania with leases expiring in 2016 and 2017. The third warehouse is in Fort Mill, South Carolina, with a lease expiring in 2019. The leases for the two Carlisle, Pennsylvania warehouses contain renewal provisions.

We currently lease approximately 68,000 square feet of office space for our Los Angeles buying office. The lease term for this facility expires in 2017 and contains renewal provisions.

**Purchase obligations.** As of January 31, 2015 we had purchase obligations of approximately \$1,953 million. These purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to construction projects, store fixtures and supplies, and information technology service, transportation, and maintenance contracts.

## Commercial Credit Facilities

The table below presents our significant available commercial credit facilities at January 31, 2015:

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

For additional information relating to this credit facility, refer to Note D of Notes to Consolidated Financial Statements.

**Revolving credit facility.** Our existing \$600 million unsecured revolving credit facility expires in June 2017 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 100 basis points) and is payable quarterly and upon maturity. As of January 31, 2015 we had no borrowings outstanding or standby letters of credit issued under this facility.

Our revolving credit facility has covenant restrictions requiring us to maintain certain interest coverage and other financial ratios. In addition, the interest rates under the revolving credit facility may vary depending on actual interest coverage ratios achieved. As of January 31, 2015 we were in compliance with these covenants.

**Standby letters of credit and collateral trust.** We use standby letters of credit outside of our revolving credit facility in addition to a funded trust to collateralize our insurance obligations. As of January 31, 2015 and February 1, 2014, we had \$19.5 million and \$24.3 million, respectively, in standby letters of credit outstanding and \$56.3 million and \$47.2 million, respectively, in a collateral trust. The standby letters of credit are collateralized by restricted cash and the collateral trust consists of restricted cash, cash equivalents, and investments.

**Trade letters of credit.** We had \$32.8 million and \$31.6 million in trade letters of credit outstanding at January 31, 2015 and February 1, 2014, respectively.

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

## Other

### Critical Accounting Policies

The preparation of our consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and on various other factors that management believes to be reasonable. We believe the following critical accounting policies describe the more significant judgments and estimates used in the preparation of our consolidated financial statements.

**Merchandise inventory.** Our merchandise inventory is stated at the lower of cost (determined using a weighted average basis) or net realizable value. We purchase manufacturer overruns and canceled orders both during and at the end of a season which are referred to as "packaway" inventory. Packaway inventory is purchased with the intent that it will be stored in our warehouses until a later date. The timing of the release of packaway inventory to our stores is principally driven by the product mix and seasonality of the merchandise, and its relation to the Company's store merchandise assortment plans. As such, the aging of packaway varies by merchandise category and seasonality of purchase, but typically packaway remains in storage less than six months. Packaway inventory accounted for approximately 45%, 49%, and 47% of total inventories as of January 31, 2015, February 1, 2014, and February 2, 2013, respectively. Merchandise inventory includes acquisition, processing, and storage costs related to packaway inventory.

Included in the carrying value of our merchandise inventory is a provision for shortage. The shortage reserve is based on historical shortage rates as evaluated through our annual physical merchandise inventory counts and cycle counts. If actual market conditions, markdowns, or shortage are less favorable than those projected by us, or if sales of the

merchandise inventory are more difficult than anticipated, additional merchandise inventory write-downs may be required.

**Long-lived assets.** We review for a long-lived asset impairment charge when events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable based on estimated future cash flows. If analysis of the undiscounted cash flow of an asset group was less than the carrying value of the asset group, an impairment loss would be recognized to write the asset group down to its fair value. If our actual results differ materially from projected results, an impairment charge may be required in the future. In the course of performing our annual analysis, we determined that no long-lived asset impairment charge was required for fiscal 2014, 2013, or 2012.

**Depreciation and amortization expense.** Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful life of the asset, typically ranging from three to 12 years for equipment and 20 to 40 years for land improvements and buildings. The cost of leasehold improvements is amortized over the lesser of the useful life of the asset or the applicable lease term.

**Lease accounting.** When a lease contains “rent holidays” or requires fixed escalations of the minimum lease payments, we record rental expense on a straight-line basis over the term of the lease and the difference between the average rental amount charged to expense and the amount payable under the lease is recorded as deferred rent. We begin recording rent expense on the lease possession date. Tenant improvement allowances are included in Other long-term liabilities and are amortized over the lease term. Changes in tenant improvement allowances are included as a component of operating activities in the Consolidated Statements of Cash Flows.

**Insurance obligations.** We use a combination of insurance and self-insurance for a number of risk management activities, including workers’ compensation, general liability, and employee-related health care benefits. Our self-insurance and deductible liability is determined actuarially, based on claims filed and an estimate of claims incurred but not reported. Should a greater amount of claims occur compared to what is estimated or the costs of medical care increase beyond what was anticipated, our recorded reserves may not be sufficient and additional charges could be required.

**Stock-based compensation.** We recognize compensation expense based upon the grant date fair value of all stock-based awards. We use historical data to estimate pre-vesting forfeitures and to recognize stock-based compensation expense. All stock-based compensation awards are expensed over the service or performance periods of the awards.

**Income taxes.** We account for our uncertain tax positions in accordance with Accounting Standards Codification (“ASC”) 740. We are required to make assumptions and judgments regarding our income tax exposures. Our policy is to recognize interest and/or penalties related to all tax positions in income tax expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made.

The critical accounting policies noted above are not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by Generally Accepted Accounting Principles (“GAAP”), with no need for management’s judgment in their application. There are also areas in which management’s judgment in selecting one alternative accounting principle over another would not produce a materially different result. See our audited consolidated financial statements and notes thereto under Item 8 in this Annual Report on Form 10-K, which contain accounting policies and other disclosures required by GAAP.

**Recently issued accounting standards.** In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a company should recognize revenue when the customer obtains control of promised goods or services in an amount that reflects the consideration which the company expects to receive in exchange for those goods or services. ASU 2014-09 is effective for our annual and interim reporting periods beginning in fiscal 2017. We are currently evaluating the effect adoption of this new guidance will have on our consolidated financial statements.

## Forward-Looking Statements

Our Annual Report on Form 10-K for fiscal 2014, and information we provide in our Annual Report to Stockholders, press releases, and other investor communications including those on our corporate website, may contain a number of forward-looking statements regarding, without limitation, planned store growth, new markets, expected sales, projected earnings levels, capital expenditures, and other matters. These forward-looking statements reflect our then current beliefs, projections, and estimates with respect to future events and our projected financial performance, operations, and competitive position. The words "plan," "expect," "target," "anticipate," "estimate," "believe," "forecast," "projected," "guidance," "looking ahead" and similar expressions identify forward-looking statements.

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

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

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

We occasionally use forward contracts to hedge against fluctuations in foreign currency prices. We had no outstanding forward contracts as of January 31, 2015.

Interest that is payable on our revolving credit facility is based on variable interest rates and is, therefore, affected by changes in market interest rates. As of January 31, 2015, we had no borrowings outstanding under our revolving credit facility.

We have two outstanding series of unsecured notes held by institutional investors: Series A Senior Notes due December 2018 for \$85 million accrues interest at 6.38% and Series B Senior Notes due December 2021 for \$65 million accrues interest at 6.53%. The amount outstanding under these notes as of January 31, 2015 was \$150 million. We also have unsecured 3.375% Senior Notes due September 2024 with an aggregate principal amount of \$250 million. Interest that is payable on our senior notes is based on fixed interest rates and is therefore, unaffected by changes in market interest rates.

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

A hypothetical 100 basis point increase or decrease in prevailing market interest rates would not have a material impact on our consolidated financial position, results of operations, cash flows, or the fair values of our short- and long-term investments as of and for the year ended January 31, 2015. We do not consider the potential losses in future earnings and cash flows from reasonably possible, near-term changes in interest rates to be material.



ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Statements of Earnings

| (\$000, except per share data)                   | Year Ended<br>January 31, 2015 | Year Ended<br>February 1, 2014 | Year Ended<br>February 2, 2013 |
|--|--------------------------------|--------------------------------|--------------------------------|
| <b>Sales</b>                                     | <b>\$ 11,041,677</b>           | <b>\$ 10,230,353</b>           | <b>\$ 9,721,065</b>            |
| <b>Costs and Expenses</b>                        |                                |                                |                                |
| Cost of goods sold                               | 7,937,956                      | 7,360,924                      | 7,011,428                      |
| Selling, general and administrative              | 1,615,371                      | 1,526,366                      | 1,437,886                      |
| Interest expense (income), net                   | 2,984                          | (247)                          | 6,907                          |
| Total costs and expenses                         | 9,556,311                      | 8,887,043                      | 8,456,221                      |
| Earnings before taxes                            | 1,485,366                      | 1,343,310                      | 1,264,844                      |
| Provision for taxes on earnings                  | 560,642                        | 506,006                        | 478,081                        |
| Net earnings                                     | <b>\$ 924,724</b>              | <b>\$ 837,304</b>              | <b>\$ 786,763</b>              |
| <b>Earnings per share</b>                        |                                |                                |                                |
| Basic  | <b>\$ 4.47</b>                 | <b>\$ 3.93</b>                 | <b>\$ 3.59</b>                 |
| Diluted  | <b>\$ 4.42</b>                 | <b>\$ 3.88</b>                 | <b>\$ 3.53</b>                 |
| <b>Weighted average shares outstanding (000)</b> |                                |                                |                                |
| Basic  | 206,777                        | 212,881                        | 219,130                        |
| Diluted  | 209,039                        | 215,805                        | 222,784                        |

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

**Consolidated Statements of Comprehensive Income**

| (\$000)  | Year Ended<br>January 31, 2015 | Year Ended<br>February 1, 2014 | Year Ended<br>February 2, 2013 |
|--|--------------------------------|--------------------------------|--------------------------------|
| Net earnings   | \$ 924,724                     | \$ 837,304                     | \$ 786,763                     |
| Other comprehensive income:                          |                                |                                |                                |
| Change in unrealized loss on investments, net of tax | (59)                           | (196)                          | (50)                           |
| Comprehensive income                                 | \$ 924,665                     | \$ 837,108                     | \$ 786,713                     |

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

## Consolidated Balance Sheets

| (\$000, except share data)  | January 31, 2015 | February 1, 2014 |
|---|------------------|------------------|
| <b>Assets</b>   |                  |                  |
| <b>Current Assets</b>   |                  |                  |
| Cash and cash equivalents   | \$ 696,608       | \$ 423,168       |
| Short-term investments  | 500              | 12,006           |
| Accounts receivable   | 73,278           | 62,612           |
| Merchandise inventory   | 1,372,675        | 1,257,155        |
| Prepaid expenses and other  | 106,778          | 101,991          |
| Deferred income taxes   | 12,951           | 10,227           |
| Total current assets  | 2,262,790        | 1,867,159        |
| <b>Property and Equipment</b>   |                  |                  |
| Land and buildings  | 952,428          | 478,973          |
| Fixtures and equipment  | 1,933,383        | 1,678,397        |
| Leasehold improvements  | 854,572          | 813,972          |
| Construction-in-progress  | 293,715          | 510,221          |
|   | 4,034,098        | 3,481,563        |
| Less accumulated depreciation and amortization                          | 1,760,346        | 1,606,264        |
| Property and equipment, net   | 2,273,752        | 1,875,299        |
| Long-term investments   | 3,110            | 3,710            |
| Other long-term assets  | 163,482          | 150,629          |
| Total assets  | \$ 4,703,134     | \$ 3,896,797     |
| <b>Liabilities and Stockholders' Equity</b>                             |                  |                  |
| <b>Current Liabilities</b>  |                  |                  |
| Accounts payable  | \$ 1,000,700     | \$ 779,455       |
| Accrued expenses and other  | 385,325          | 359,929          |
| Accrued payroll and benefits  | 256,141          | 235,324          |
| Income taxes payable  | 17,202           | 18,349           |
| Total current liabilities   | 1,659,368        | 1,393,057        |
| Long-term debt  | 398,375          | 150,000          |
| Other long-term liabilities   | 279,500          | 287,567          |
| Deferred income taxes   | 86,681           | 58,871           |
| Commitments and contingencies   |                  |                  |
| <b>Stockholders' Equity</b>   |                  |                  |
| Common stock, par value \$.01 per share                                 | 2,075            | 2,134            |
| Authorized 600,000,000 shares   |                  |                  |
| Issued and outstanding 207,470,000 and 213,420,000 shares, respectively |                  |                  |
| Additional paid-in capital  | 1,015,681        | 935,591          |
| Treasury stock  | (160,600)        | (121,559)        |
| Accumulated other comprehensive income                                  | 330              | 389              |
| Retained earnings   | 1,421,724        | 1,190,747        |
| Total stockholders' equity  | 2,279,210        | 2,007,302        |
| Total liabilities and stockholders' equity                              | \$ 4,703,134     | \$ 3,896,797     |

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

**Consolidated Statements of Stockholders' Equity**

| (000)   | Common stock   |                 | Additional<br>paid-in<br>capital | Treasury<br>stock   | Accumulated<br>other<br>comprehensive<br>income (loss) | Retained<br>earnings | Total               |
|---|----------------|-----------------|----------------------------------|---------------------|--|----------------------|---------------------|
|   | Shares         | Amount          |                                  |                     |  |                      |                     |
| <b>Balance at January 28, 2012</b>  | 226,864        | \$ 2,269        | \$ 788,895                       | \$ (62,262)         | \$635  | \$ 763,475           | \$ 1,493,012        |
| Net earnings  | —              | —               | —                                | —                   | —  | 786,763              | 786,763             |
| Unrealized investment loss, net   | —              | —               | —                                | —                   | (50)   | —                    | (50)                |
| Common stock issued under stock<br>plans, net of shares<br>used for tax withholding | 1,315          | 13              | 19,030                           | (29,446)            | —  | —                    | (10,403)            |
| Tax benefit from equity issuance  | —              | —               | 29,989                           | —                   | —  | —                    | 29,989              |
| Stock-based compensation  | —              | —               | 48,952                           | —                   | —  | —                    | 48,952              |
| Common stock repurchased  | (7,458)        | (75)            | (20,347)                         | —                   | —  | (429,578)            | (450,000)           |
| Dividends declared (\$0.59 per share)   | —              | —               | —                                | —                   | —  | (131,400)            | (131,400)           |
| <b>Balance at February 2, 2013</b>  | 220,721        | \$ 2,207        | \$ 866,519                       | \$ (91,708)         | \$585  | \$ 989,260           | \$ 1,766,863        |
| Net earnings  | —              | —               | —                                | —                   | —  | 837,304              | 837,304             |
| Unrealized investment loss, net   | —              | —               | —                                | —                   | (196)  | —                    | (196)               |
| Common stock issued under stock<br>plans, net of shares<br>used for tax withholding | 878            | 9               | 19,065                           | (29,851)            | —  | —                    | (10,777)            |
| Tax benefit from equity issuance  | —              | —               | 27,661                           | —                   | —  | —                    | 27,661              |
| Stock-based compensation  | —              | —               | 46,847                           | —                   | —  | —                    | 46,847              |
| Common stock repurchased  | (8,179)        | (82)            | (24,501)                         | —                   | —  | (525,417)            | (550,000)           |
| Dividends declared (\$0.51 per share)   | —              | —               | —                                | —                   | —  | (110,400)            | (110,400)           |
| <b>Balance at February 1, 2014</b>  | 213,420        | \$ 2,134        | \$ 935,591                       | \$ (121,559)        | \$389  | \$ 1,190,747         | \$ 2,007,302        |
| Net earnings  | —              | —               | —                                | —                   | —  | 924,724              | 924,724             |
| Unrealized investment loss, net   | —              | —               | —                                | —                   | (59)   | —                    | (59)                |
| Common stock issued under stock<br>plans, net of shares<br>used for tax withholding | 1,453          | 15              | 21,963                           | (39,041)            | —  | —                    | (17,063)            |
| Tax benefit from equity issuance  | —              | —               | 29,759                           | —                   | —  | —                    | 29,759              |
| Stock-based compensation  | —              | —               | 53,001                           | —                   | —  | —                    | 53,001              |
| Common stock repurchased  | (7,403)        | (74)            | (24,633)                         | —                   | —  | (525,293)            | (550,000)           |
| Dividends declared (\$0.80 per share)   | —              | —               | —                                | —                   | —  | (168,454)            | (168,454)           |
| <b>Balance at January 31, 2015</b>  | <b>207,470</b> | <b>\$ 2,075</b> | <b>\$ 1,015,681</b>              | <b>\$ (160,600)</b> | <b>\$330</b>   | <b>\$ 1,421,724</b>  | <b>\$ 2,279,210</b> |

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

## Consolidated Statements of Cash Flows

| (\$000)   | Year Ended<br>January 31, 2015 | Year Ended<br>February 1, 2014 | Year Ended<br>February 2, 2013 |
|---|--------------------------------|--------------------------------|--------------------------------|
| <b>Cash Flows From Operating Activities</b>   |                                |                                |                                |
| Net earnings  | \$ 924,724                     | \$ 837,304                     | \$ 786,763                     |
| Adjustments to reconcile net earnings to net cash provided by operating activities: |                                |                                |                                |
| Depreciation and amortization   | 232,959                        | 206,111                        | 185,491                        |
| Stock-based compensation  | 53,001                         | 46,847                         | 48,952                         |
| Deferred income taxes   | 25,086                         | (15,250)                       | (39,028)                       |
| Tax benefit from equity issuance  | 29,759                         | 27,661                         | 29,989                         |
| Excess tax benefit from stock-based compensation                                    | (29,415)                       | (26,906)                       | (29,103)                       |
| Change in assets and liabilities:   |                                |                                |                                |
| Merchandise inventory   | (115,520)                      | (47,918)                       | (79,167)                       |
| Other current assets  | (16,410)                       | (9,875)                        | (14,474)                       |
| Accounts payable  | 204,158                        | (4,104)                        | 40,109                         |
| Other current liabilities   | 69,568                         | (18,562)                       | 18,146                         |
| Other long-term, net  | (5,045)                        | 26,695                         | 31,966                         |
| Net cash provided by operating activities   | 1,372,865                      | 1,022,003                      | 979,644                        |
| <b>Cash Flows From Investing Activities</b>   |                                |                                |                                |
| Additions to property and equipment   | (646,691)                      | (550,515)                      | (424,434)                      |
| Increase in restricted cash and investments   | (4,329)                        | (2,895)                        | (2,107)                        |
| Purchases of investments  | —                              | (12,012)                       | (5,430)                        |
| Proceeds from investments   | 12,021                         | 1,614                          | 6,247                          |
| Net cash used in investing activities   | (638,999)                      | (563,808)                      | (425,724)                      |
| <b>Cash Flows From Financing Activities</b>   |                                |                                |                                |
| Excess tax benefit from stock-based compensation                                    | 29,415                         | 26,906                         | 29,103                         |
| Net proceeds from issuance of long-term debt  | 245,676                        | —                              | —                              |
| Issuance of common stock related to stock plans                                     | 21,978                         | 19,074                         | 19,043                         |
| Treasury stock purchased  | (39,041)                       | (29,851)                       | (29,446)                       |
| Repurchase of common stock  | (550,000)                      | (550,000)                      | (450,000)                      |
| Dividends paid  | (168,454)                      | (147,917)                      | (125,694)                      |
| Net cash used in financing activities   | (460,426)                      | (681,788)                      | (556,994)                      |
| Net increase (decrease) in cash and cash equivalents                                | 273,440                        | (223,593)                      | (3,074)                        |
| Cash and cash equivalents:  |                                |                                |                                |
| Beginning of year   | 423,168                        | 646,761                        | 649,835                        |
| End of year   | \$ 696,608                     | \$ 423,168                     | \$ 646,761                     |
| <b>Supplemental Cash Flow Disclosures</b>   |                                |                                |                                |
| Interest paid   | \$ 9,668                       | \$ 9,668                       | \$ 9,668                       |
| Income taxes paid   | \$ 510,145                     | \$ 506,182                     | \$ 435,808                     |

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

## Notes to Consolidated Financial Statements

### Note A: Summary of Significant Accounting Policies

**Business.** Ross Stores, Inc. and its subsidiaries (the "Company") is an off-price retailer of first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family. At the end of fiscal 2014, the Company operated 1,210 Ross Dress for Less® ("Ross") locations in 33 states, the District of Columbia and Guam, and 152 dd's DISCOUNTS® stores in 15 states. The Ross and dd's DISCOUNTS stores are supported by five distribution centers. The Company's headquarters, one buying office, two operating distribution centers, two warehouses, and 25% of its stores are located in California.

**Segment reporting.** The Company has one reportable segment. The Company's operations include only activities related to off-price retailing in stores throughout the United States.

**Basis of presentation and fiscal year.** The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Intercompany transactions and accounts have been eliminated. The Company follows the National Retail Federation fiscal calendar and utilizes a 52-53 week fiscal year whereby the fiscal year ends on the Saturday nearest to January 31. The fiscal years ended January 31, 2015, February 1, 2014 and February 2, 2013 are referred to as fiscal 2014, fiscal 2013, and fiscal 2012, respectively. Fiscal 2014 and 2013 were each 52-week years. Fiscal 2012 was a 53-week year.

**Use of accounting estimates.** The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles in the United States of America ("GAAP") requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company's significant accounting estimates include valuation reserves for inventory shortage, packaway inventory costs, useful lives of fixed assets, insurance reserves, and reserves for uncertain tax positions.

**Purchase obligations.** As of January 31, 2015, the Company had purchase obligations of approximately \$1,953 million. These purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to construction projects, store fixtures and supplies, and information technology service, transportation, and maintenance contracts.

**Cash and cash equivalents.** Cash equivalents consist of highly liquid, fixed income instruments purchased with an original maturity of three months or less.

**Restricted cash, cash equivalents, and investments.** The Company has restricted cash, cash equivalents, and investments that serve as collateral for certain insurance obligations of the Company. These restricted funds are invested in bank deposits, money market mutual funds, U.S. Government and agency securities, and corporate securities and cannot be withdrawn from the Company's account without the prior written consent of the secured parties. The following table summarizes total restricted cash, cash equivalents, and investments which were included in Prepaid expenses and other and Other long-term assets in the Consolidated Balance Sheets as of January 31, 2015 and February 1, 2014:

| Restricted Assets (\$000)  | 2014      | 2013      |
|----------------------------|-----------|-----------|
| Prepaid expenses and other | \$ 19,713 | \$ 20,734 |
| Other long-term assets     | 56,107    | 50,763    |
| Total                      | \$ 75,820 | \$ 71,497 |

The classification between current and long-term is based on the timing of expected payments of the insurance obligations.

**Estimated fair value of financial instruments.** The carrying value of cash and cash equivalents, short- and long-term investments, restricted cash and cash equivalents, restricted investments, accounts receivable, other long-term assets, accounts payable, and other long-term liabilities approximates their estimated fair value. See Note B and Note D for additional fair value information.

Cash and cash equivalents were \$696.6 million and \$423.2 million, at January 31, 2015 and February 1, 2014, respectively, and include bank deposits and money market funds for which the fair value was determined using quoted prices for identical assets in active markets, which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance.

**Investments.** The Company's investments are comprised of various debt securities. At January 31, 2015 and February 1, 2014, these investments were classified as available-for-sale and are stated at fair value. Investments are classified as either short- or long-term based on their original maturities and the Company's intent. Investments with an original maturity of less than one year are classified as short-term. See Note B for additional information.

**Merchandise inventory.** Merchandise inventory is stated at the lower of cost (determined using a weighted average basis) or net realizable value. The Company purchases manufacturer overruns and canceled orders both during and at the end of a season which are referred to as "packaway" inventory. Packaway inventory is purchased with the intent that it will be stored in the Company's warehouses until a later date. The timing of the release of packaway inventory to the stores is principally driven by the product mix and seasonality of the merchandise, and its relation to the Company's store merchandise assortment plans. As such, the aging of packaway varies by merchandise category and seasonality of purchase, but typically packaway remains in storage less than six months. Merchandise inventory includes acquisition, processing, and storage costs related to packaway inventory. The cost of the Company's merchandise inventory is reduced by valuation reserves for shortage based on historical shortage experience from the Company's physical merchandise inventory counts and cycle counts.

**Cost of goods sold.** In addition to product costs, the Company includes in cost of goods sold its buying, distribution and freight expenses as well as occupancy costs, and depreciation and amortization related to the Company's retail stores, buying, and distribution facilities. Buying expenses include costs to procure merchandise inventories. Distribution expenses include the cost of operating the Company's distribution centers and warehouse facilities.

**Prepaid expenses and other.** Prepaid expenses and other as of January 31, 2015 and February 1, 2014 consisted of the following:

| (\$000)                         | 2014              | 2013              |
|---------------------------------|-------------------|-------------------|
| Restricted cash and investments | \$ 19,713         | \$ 20,734         |
| Prepaid expenses                | 87,065            | 81,257            |
| <b>Total</b>                    | <b>\$ 106,778</b> | <b>\$ 101,991</b> |

**Property and equipment.** Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful life of the asset, typically ranging from three to 12 years for equipment and 20 to 40 years for land improvements and buildings. Depreciation and amortization expense on property and equipment was \$233.0 million, \$206.1 million, and \$185.5 million for fiscal 2014, 2013, and 2012, respectively. The cost of leasehold improvements is amortized over the useful life of the asset or the applicable lease term, whichever is less. The Company capitalizes interest during the construction period. Interest capitalized was \$10.8 million, \$10.8 million, and \$3.9 million in fiscal 2014, fiscal 2013, and fiscal 2012, respectively. As of January 31, 2015, February 1, 2014, and February 2, 2013 the Company had \$58.6 million, \$61.3 million, and \$23.7 million, respectively, of property and equipment purchased but not yet paid. These purchases are included in Property and Equipment and in Accounts payable and Accrued expenses and other in the accompanying Consolidated Balance Sheets.

In September 2014, the Company completed the purchase of its previously leased New York buying office for \$222 million.

**Other long-term assets.** Other long-term assets as of January 31, 2015 and February 1, 2014 consisted of the following:

| (\$000)                         | 2014       | 2013       |
|---------------------------------|------------|------------|
| Deferred compensation (Note B)  | \$ 94,054  | \$ 88,269  |
| Restricted cash and investments | 56,107     | 50,763     |
| Deposits                        | 3,285      | 3,285      |
| Goodwill                        | 2,889      | 2,889      |
| Other                           | 7,147      | 5,423      |
| Total                           | \$ 163,482 | \$ 150,629 |

Property and other long-term assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Intangible assets that are not subject to amortization, including goodwill, are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset may be impaired. Based on the Company's evaluation during fiscal 2014, 2013, and 2012, no impairment charges were recorded.

**Store closures.** The Company continually reviews the operating performance of individual stores. For stores that are closed, the Company records a liability for future minimum lease payments net of estimated sublease recoveries and related ancillary costs at the time the liability is incurred. In 2014, the Company closed nine stores. In 2013, the Company closed 11 stores. The lease loss liability was \$2.7 million and \$6.3 million, as of January 31, 2015 and February 1, 2014, respectively. Operating costs, including depreciation, of stores to be closed are expensed during the period they remain in use.

**Accounts payable.** Accounts payable represents amounts owed to third parties at the end of the period. Accounts payable includes book cash overdrafts (checks issued under zero balance accounts not yet presented for payment) in excess of cash balances in such accounts of approximately \$123.8 million and \$75.7 million at January 31, 2015 and February 1, 2014, respectively. The Company includes the change in book cash overdrafts in operating cash flows.

**Insurance obligations.** The Company uses a combination of insurance and self-insurance for a number of risk management activities, including workers' compensation, general liability, and employee-related health care benefits. The self-insurance and deductible liability is determined actuarially, based on claims filed and an estimate of claims incurred but not yet reported. Self-insurance and deductible reserves as of January 31, 2015 and February 1, 2014 consisted of the following:

| (\$000)               | 2014       | 2013       |
|-----------------------|------------|------------|
| Workers' compensation | \$ 87,388  | \$ 82,223  |
| General liability     | 37,253     | 34,524     |
| Medical plans         | 3,159      | 3,537      |
| Total                 | \$ 127,800 | \$ 120,284 |

Workers' compensation and self-insured medical plan liabilities are included in Accrued payroll and benefits, and accruals for general liability are included in Accrued expenses and other in the accompanying Consolidated Balance Sheets.



**Other long-term liabilities.** Other long-term liabilities as of January 31, 2015 and February 1, 2014 consisted of the following:

| (\$000)                        | 2014       | 2013       |
|--------------------------------|------------|------------|
| Income taxes (Note F)          | \$ 101,696 | \$ 104,944 |
| Deferred compensation (Note G) | 94,054     | 88,269     |
| Deferred rent                  | 59,465     | 64,671     |
| Tenant improvement allowances  | 19,562     | 19,744     |
| Other                          | 4,723      | 9,939      |
| Total                          | \$ 279,500 | \$ 287,567 |

**Lease accounting.** When a lease contains “rent holidays” or requires fixed escalations of the minimum lease payments, the Company records rental expense on a straight-line basis over the term of the lease and the difference between the average rental amount charged to expense and the amount payable under the lease is recorded as deferred rent. The Company begins recording rent expense on the lease possession date. Tenant improvement allowances are included in Other long-term liabilities and are amortized over the lease term. Changes in tenant improvement allowances are included as a component of operating activities in the Consolidated Statements of Cash Flows.

**Revenue recognition.** The Company recognizes revenue at the point of sale and maintains an allowance for estimated future returns. Sales of stored value cards are deferred until they are redeemed for the purchase of Company merchandise. The Company’s stored value cards do not have expiration dates. Based upon historical redemption rates, a small percentage of stored value cards will never be redeemed, which represents breakage. The Company recognizes income from stored value card breakage as a reduction of operating expenses when redemption by a customer is considered to be remote. Income recognized from breakage was not significant in fiscal 2014, 2013, and 2012.

Sales tax collected is not recognized as revenue and is included in Accrued expenses and other.

**Sales mix.** The Company’s sales mix is shown below for fiscal 2014, 2013, and 2012:

|   | 2014 | 2013 | 2012 |
|---|------|------|------|
| Ladies  | 29%  | 29%  | 29%  |
| Home Accents and Bed and Bath                       | 24%  | 24%  | 24%  |
| Accessories, Lingerie, Fine Jewelry, and Fragrances | 13%  | 13%  | 13%  |
| Men's   | 13%  | 13%  | 13%  |
| Shoes   | 13%  | 13%  | 13%  |
| Children's  | 8%   | 8%   | 8%   |
| Total   | 100% | 100% | 100% |

**Allowance for sales returns.** An allowance for the gross margin loss on estimated sales returns is included in Accrued expenses and other in the Consolidated Balance Sheets. The allowance for sales returns consists of the following:

| (\$000)          | Beginning Balance | Additions  | Returns      | Ending Balance |
|------------------|-------------------|------------|--------------|----------------|
| Year ended:      |                   |            |              |                |
| January 31, 2015 | \$ 7,431          | \$ 717,040 | \$ (715,877) | \$ 8,594       |
| February 1, 2014 | \$ 7,165          | \$ 699,835 | \$ (699,569) | \$ 7,431       |
| February 2, 2013 | \$ 6,426          | \$ 680,058 | \$ (679,319) | \$ 7,165       |

**Store pre-opening.** Store pre-opening costs are expensed in the period incurred.

**Advertising.** Advertising costs are expensed in the period incurred and are included in Selling, general and administrative expenses. Advertising costs for fiscal 2014, 2013, and 2012 were \$72.1 million, \$70.2 million, and \$67.7 million, respectively.

**Stock-based compensation.** The Company recognizes compensation expense based upon the grant date fair value of all stock-based awards, typically over the vesting period. See Note C for more information on the Company's stock-based compensation plans.

**Taxes on earnings.** The Company accounts for income taxes in accordance with Accounting Standards Codification ("ASC") 740, "Accounting for Income Taxes," which 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 consolidated 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 tax rates. ASC 740 clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company's consolidated financial statements. ASC 740 prescribes a recognition threshold of more-likely-than-not, and a measurement standard for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the consolidated financial statements. See Note F.

**Treasury stock.** The Company records treasury stock at cost. Treasury stock includes shares purchased from employees for tax withholding purposes related to vesting of restricted stock grants.

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

In fiscal 2014, 2013, and 2012 there were 2,500, 2,900, and 53,900 weighted average shares, respectively, that were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive for those years.

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

| Shares in (000s) | Basic EPS | Effect of dilutive<br>common stock<br>equivalents | Diluted EPS |
|------------------|-----------|---|-------------|
| <b>2014</b>      |           |   |             |
| Shares           | 206,777   | 2,262   | 209,039     |
| Amount           | \$ 4.47   | \$ (0.05)   | \$ 4.42     |
| 2013             |           |   |             |
| Shares           | 212,881   | 2,924   | 215,805     |
| Amount           | \$ 3.93   | \$ (0.05)   | \$ 3.88     |
| 2012             |           |   |             |
| Shares           | 219,130   | 3,654   | 222,784     |
| Amount           | \$ 3.59   | \$ (0.06)   | \$ 3.53     |

**Comprehensive income.** Comprehensive income includes net earnings and components of other comprehensive income (loss), net of tax, consisting of unrealized investment gains or losses.

**Recently issued accounting standards.** In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a company should recognize revenue when the customer obtains control of promised goods or services in an amount that reflects the consideration which the company expects to receive in exchange for those goods or services. ASU 2014-09 is effective for the Company's annual and interim reporting periods beginning in fiscal 2017. The Company is currently evaluating the effect that adoption of this new guidance will have on its consolidated financial statements.

## Note B: Investments and Restricted Investments

The amortized cost and fair value of the Company's available-for-sale securities as of January 31, 2015 were:

| (\$000)                               | Amortized cost | Unrealized gains | Unrealized losses | Fair value | Short-term | Long-term |
|---------------------------------------|----------------|------------------|-------------------|------------|------------|-----------|
| <b>Investments</b>                    |                |                  |                   |            |            |           |
| Corporate securities                  | \$ 3,298       | \$ 243           | \$ (5)            | \$ 3,536   | \$ 500     | \$ 3,036  |
| Mortgage-backed securities            | 69             | 5                | —                 | 74         | —          | 74        |
| Total investments                     | 3,367          | 248              | (5)               | 3,610      | 500        | 3,110     |
| <b>Restricted Investments</b>         |                |                  |                   |            |            |           |
| U.S. government and agency securities | 3,563          | 265              | —                 | 3,828      | —          | 3,828     |
| Total restricted investments          | 3,563          | 265              | —                 | 3,828      | —          | 3,828     |
| Total                                 | \$ 6,930       | \$ 513           | \$ (5)            | \$ 7,438   | \$ 500     | \$ 6,938  |

The amortized cost and fair value of the Company's available-for-sale securities as of February 1, 2014 were:

| (\$000)                               | Amortized cost | Unrealized gains | Unrealized losses | Fair value | Short-term | Long-term |
|---------------------------------------|----------------|------------------|-------------------|------------|------------|-----------|
| <b>Investments</b>                    |                |                  |                   |            |            |           |
| Corporate securities                  | \$ 3,298       | \$ 325           | \$ (4)            | \$ 3,619   | \$ —       | \$ 3,619  |
| U.S. government and agency securities | 12,005         | 1                | —                 | 12,006     | 12,006     | —         |
| Mortgage-backed securities            | 86             | 5                | —                 | 91         | —          | 91        |
| Total investments                     | 15,389         | 331              | (4)               | 15,716     | 12,006     | 3,710     |
| <b>Restricted Investments</b>         |                |                  |                   |            |            |           |
| Corporate securities                  | 110            | 5                | —                 | 115        | 115        | —         |
| U.S. government and agency securities | 3,728          | 266              | —                 | 3,994      | 145        | 3,849     |
| Total restricted investments          | 3,838          | 271              | —                 | 4,109      | 260        | 3,849     |
| Total                                 | \$ 19,227      | \$ 602           | \$ (4)            | \$ 19,825  | \$ 12,266  | \$ 7,559  |

The change in fair value of investment securities for fiscal years 2014, 2013, and 2012 was a decrease of \$0.1 million, \$0.3 million, and \$0.1 million, respectively.

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

Investments and restricted investments measured at fair value at January 31, 2015 are summarized below:

| (\$000)                               | Fair Value Measurements at Reporting Date |  |   |   |
|---------------------------------------|---|--|---|---|
|                                       | January 31, 2015                          | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| <b>Investments</b>                    |   |  |   |   |
| Corporate securities                  | \$ 3,536                                  | \$ —   | \$ 3,536                                      | \$ —                                      |
| Mortgage-backed securities            | 74  | —  | 74  | —   |
| Total investments                     | 3,610                                     | —  | 3,610   | —   |
| <b>Restricted Investments</b>         |   |  |   |   |
| U.S. government and agency securities | 3,828                                     | 3,828  | —   | —   |
| Total restricted investments          | 3,828                                     | 3,828  | —   | —   |
| Total                                 | \$ 7,438                                  | \$ 3,828   | \$ 3,610                                      | \$ —                                      |

Investments and restricted investments measured at fair value at February 1, 2014 are summarized below:

| (\$000)                               | Fair Value Measurements at Reporting Date |  |   |   |
|---------------------------------------|---|--|---|---|
|                                       | February 1, 2014                          | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| <b>Investments</b>                    |   |  |   |   |
| Corporate securities                  | \$ 3,619                                  | \$ —   | \$ 3,619                                      | \$ —                                      |
| U.S. government and agency securities | 12,006                                    | 12,006   | —   | —   |
| Mortgage-backed securities            | 91  | —  | 91  | —   |
| Total investments                     | 15,716                                    | 12,006   | 3,710   | —   |
| <b>Restricted Investments</b>         |   |  |   |   |
| Corporate securities                  | 115                                       | —  | 115   | —   |
| U.S. government and agency securities | 3,994                                     | 3,994  | —   | —   |
| Total restricted investments          | 4,109                                     | 3,994  | 115   | —   |
| Total                                 | \$ 19,825                                 | \$ 16,000  | \$ 3,825                                      | \$ —                                      |

The future maturities of investment and restricted investment securities at January 31, 2015 were:

| (\$000)                                    | Investments |                      | Restricted Investments |                      |
|--|-------------|----------------------|------------------------|----------------------|
|  | Cost basis  | Estimated fair value | Cost basis             | Estimated fair value |
| Maturing in one year or less               | \$ 500      | \$ 500               | \$ —                   | \$ —                 |
| Maturing after one year through five years | 2,867       | 3,110                | 3,563                  | 3,828                |
| Total                                      | \$ 3,367    | \$ 3,610             | \$ 3,563               | \$ 3,828             |

The underlying assets in the Company's non-qualified deferred compensation program as of January 31, 2015 and February 1, 2014 (included in Other long-term assets and in Other long-term liabilities) primarily consist of participant-directed money market, stable value, stock, and bond funds. The fair value measurement for funds with quoted market prices in active markets (Level 1) and for funds without quoted market prices in active markets (Level 2) are as follows:

| (\$000) | 2014 |        | 2013 |        |
|---------|------|--------|------|--------|
| Level 1 | \$   | 81,926 | \$   | 76,913 |
| Level 2 |      | 12,128 |      | 11,356 |
| Total   | \$   | 94,054 | \$   | 88,269 |

Fair market value for Level 2 funds is considered to be the sum of participant funds invested under a group annuity contract plus accrued interest.

#### Note C: Stock-Based Compensation

For fiscal 2014, 2013, and 2012, the Company recognized stock-based compensation expense as follows:

| (\$000)            | 2014 |        | 2013 |        | 2012 |        |
|--------------------|------|--------|------|--------|------|--------|
| Restricted stock   | \$   | 34,729 | \$   | 30,921 | \$   | 29,191 |
| Performance awards |      | 16,003 |      | 13,812 |      | 17,872 |
| ESPP               |      | 2,269  |      | 2,114  |      | 1,889  |
| Total              | \$   | 53,001 | \$   | 46,847 | \$   | 48,952 |

Capitalized stock-based compensation cost was not significant in any year.

No stock options were granted during fiscal 2014, 2013, and 2012. The Company recognizes expense for ESPP purchase rights equal to the value of the 15% discount given on the purchase date. At January 31, 2015, the Company had one active stock-based compensation plan, which is further described in Note H.

Total stock-based compensation recognized in the Company's Consolidated Statements of Earnings for fiscal 2014, 2013, and 2012 is as follows:

| Statements of Earnings Classification (\$000) | 2014 |        | 2013 |        | 2012 |        |
|---|------|--------|------|--------|------|--------|
| Cost of goods sold                            | \$   | 27,088 | \$   | 24,432 | \$   | 22,915 |
| Selling, general and administrative           |      | 25,913 |      | 22,415 |      | 26,037 |
| Total   | \$   | 53,001 | \$   | 46,847 | \$   | 48,952 |

#### Note D: Debt

**Senior notes.** Unsecured senior debt, net of unamortized discounts, as of January 31, 2015 and February 1, 2014 consisted of the following:

| (\$000)                                   | 2014 |         | 2013 |         |
|---|------|---------|------|---------|
| 6.38% Series A Senior Notes due 2018      | \$   | 85,000  | \$   | 85,000  |
| 6.53% Series B Senior Notes due 2021      |      | 65,000  |      | 65,000  |
| 3.375% Senior Notes due 2024 <sup>1</sup> |      | 248,375 |      | —       |
| Total                                     | \$   | 398,375 | \$   | 150,000 |

<sup>1</sup>Net of unamortized discount of \$1.6 million at January 31, 2015.

In September 2014, the Company issued unsecured 3.375% Senior Notes due September 2024 (the "2024 Notes") with an aggregate principal amount of \$250 million at a price equal to 99.329% of the principal amount. Cash proceeds, net of discount and other issuance fees and expenses, were approximately \$246 million and were used to purchase the Company's New York buying office for \$222 million and for other general corporate purposes. Interest on the 2024 Notes is payable semi-annually beginning March 2015.

At January 31, 2015, the Company also had outstanding two series of unsecured senior notes in the aggregate principal amount of \$150 million, held by various institutional investors. The Series A notes totaling \$85 million are due in December 2018 and bear interest at a rate of 6.38%. The Series B notes totaling \$65 million are due in December 2021 and bear interest at a rate of 6.53%. Borrowings under these senior notes are subject to certain financial covenants, including interest coverage and other financial ratios. As of January 31, 2015, the Company was in compliance with these covenants.

The 2024 Notes, Series A, and Series B senior notes are all subject to prepayment penalties for early payment of principal.

The aggregate fair value of the three outstanding senior note issuances was approximately \$442 million as of January 31, 2015 and the aggregate fair value of the Series A and Series B notes was \$182 million as of February 1, 2014. The fair value is estimated by obtaining comparable market quotes which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance.

The following table shows scheduled annual principal payments on Long-term debt:

| (\$000) | 2015 | 2016 | 2017 | 2018   | 2019 | Thereafter |
|---------|------|------|------|--------|------|------------|
| \$      | —    | —    | —    | 85,000 | —    | 315,000    |

The table below shows the components of interest expense and income for fiscal 2014, 2013, and 2012:

| (\$000)                              | 2014 |          | 2013 |          | 2012     |
|--------------------------------------|------|----------|------|----------|----------|
| Interest expense on long-term debt   | \$   | 12,990   | \$   | 9,721    | \$ 9,721 |
| Other interest expense               |      | 1,230    |      | 1,350    | 1,665    |
| Capitalized interest                 |      | (10,825) |      | (10,799) | (3,851)  |
| Interest income                      |      | (411)    |      | (519)    | (628)    |
| Total interest expense (income), net | \$   | 2,984    | \$   | (247)    | \$ 6,907 |

**Revolving credit facility.** The Company's \$600 million unsecured revolving credit facility expires in June 2017 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 100 basis points) and is payable quarterly and upon maturity. As of January 31, 2015 the Company had no borrowings or standby letters of credit outstanding under this facility and the \$600 million credit facility remains in place and available.

The revolving credit facility is subject to certain financial covenants, including interest coverage and other financial ratios. In addition, the interest rates under the revolving credit facility may vary depending on actual interest coverage ratios achieved. As of January 31, 2015, the Company was in compliance with these covenants.

**Standby letters of credit and collateral trust.** The Company uses standby letters of credit outside of its revolving credit facility in addition to a funded trust to collateralize its insurance obligations. As of January 31, 2015 and February 1, 2014, the Company had \$19.5 million and \$24.3 million, respectively, in standby letters of credit and \$56.3 million and \$47.2 million, respectively, in a collateral trust. The standby letters of credit are collateralized by restricted cash and the collateral trust consists of restricted cash, cash equivalents, and investments.

**Trade letters of credit.** The Company had \$32.8 million and \$31.6 million in trade letters of credit outstanding at January 31, 2015 and February 1, 2014, respectively.

#### Note E: Leases

The Company currently leases all but three of its store locations with original, non-cancelable terms that in general range from three to ten years. Store leases typically contain provisions for three to four renewal options of five years each. Most store leases also provide for minimum annual rentals and for payment of certain expenses. In addition, some store leases also have provisions for additional rent based on a percentage of sales.

The Company leases three warehouses. Two of the warehouses are in Carlisle, Pennsylvania with leases expiring in 2016 and 2017. The third warehouse is in Fort Mill, South Carolina, with a lease expiring in 2019. The leases for the two Carlisle, Pennsylvania warehouses contain renewal provisions.

The Company leases approximately 68,000 square feet of office space for its Los Angeles buying office. The lease term for this facility expires in 2017 and contains renewal provisions. In addition, the Company has a ground lease related to its New York buying office.

The aggregate future minimum annual lease payments under leases in effect at January 31, 2015 are as follows:

| (\$000)                      | Total operating leases |
|------------------------------|------------------------|
| 2015                         | \$ 438,423             |
| 2016                         | 462,606                |
| 2017                         | 405,809                |
| 2018                         | 340,607                |
| 2019                         | 261,768                |
| Thereafter                   | 1,434,485              |
| Total minimum lease payments | \$ 3,343,698           |

Total rent expense was \$457.0 million, \$434.9 million, and \$406.6 million in fiscal 2014, 2013, and 2012, respectively.

#### Note F: Taxes on Earnings

The provision for income taxes consisted of the following:

| (\$000)         | 2014       | 2013       | 2012       |
|-----------------|------------|------------|------------|
| <b>Current</b>  |            |            |            |
| Federal         | \$ 499,009 | \$ 486,203 | \$ 485,882 |
| State           | 36,547     | 35,053     | 31,227     |
|                 | 535,556    | 521,256    | 517,109    |
| <b>Deferred</b> |            |            |            |
| Federal         | 23,452     | (11,055)   | (37,178)   |
| State           | 1,634      | (4,195)    | (1,850)    |
|                 | 25,086     | (15,250)   | (39,028)   |
| Total           | \$ 560,642 | \$ 506,006 | \$ 478,081 |

In fiscal 2014, 2013, and 2012, the Company realized tax benefits of \$29.8 million, \$27.7 million and \$30.0 million, respectively, related to employee equity programs that were recorded in additional paid-in capital.

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

|  | 2014 | 2013 | 2012 |
|--|------|------|------|
| Federal income taxes at the statutory rate                 | 35%  | 35%  | 35%  |
| State income taxes (net of federal benefit) and other, net | 3%   | 3%   | 3%   |
| Total  | 38%  | 38%  | 38%  |

The components of deferred income taxes at January 31, 2015 and February 1, 2014 are as follows:

| (\$000)                                | 2014               | 2013               |
|--|--------------------|--------------------|
| <b>Deferred Tax Assets</b>             |                    |                    |
| Accrued liabilities                    | \$ 77,791          | \$ 87,835          |
| Deferred compensation                  | 33,456             | 31,034             |
| Stock-based compensation               | 35,332             | 33,048             |
| Deferred rent                          | 26,370             | 17,888             |
| California franchise taxes and credits | 18,478             | 16,479             |
| Employee benefits                      | 23,136             | 16,177             |
| Other                                  | 4,927              | 4,992              |
|  | <b>219,490</b>     | <b>207,453</b>     |
| <b>Deferred Tax Liabilities</b>        |                    |                    |
| Depreciation                           | (252,013)          | (212,383)          |
| Merchandise inventory                  | (26,668)           | (28,558)           |
| Supplies                               | (11,616)           | (10,730)           |
| Prepaid expenses                       | (2,923)            | (4,426)            |
|  | <b>(293,220)</b>   | <b>(256,097)</b>   |
| <b>Net Deferred Tax Liabilities</b>    | <b>\$ (73,730)</b> | <b>\$ (48,644)</b> |
| <b>Classified as:</b>                  |                    |                    |
| Current net deferred tax asset         | \$ 12,951          | \$ 10,227          |
| Long-term net deferred tax liability   | (86,681)           | (58,871)           |
| <b>Net Deferred Tax Liabilities</b>    | <b>\$ (73,730)</b> | <b>\$ (48,644)</b> |

At the end of fiscal 2014 and 2013, the Company's state tax credit carryforwards for income tax purposes were approximately \$12.1 million and \$11.0 million, respectively. The state tax credit carryforwards will begin to expire in fiscal 2023.

The changes in amounts of unrecognized tax benefits (gross of federal tax benefits and excluding interest and penalties) at fiscal 2014, 2013, and 2012 are as follows:

| (\$000)                                       | 2014      | 2013      | 2012      |
|---|-----------|-----------|-----------|
| Unrecognized tax benefits - beginning of year | \$ 80,323 | \$ 65,667 | \$ 56,524 |
| Gross increases:                              |           |           |           |
| Tax positions in current period               | 15,441    | 15,591    | 11,009    |
| Tax positions in prior period                 | —         | 2,418     | 4,167     |
| Gross decreases:                              |           |           |           |
| Tax positions in prior periods                | (9,432)   | (519)     | (1,476)   |
| Lapse of statute limitations                  | (5,732)   | (2,274)   | (1,312)   |
| Settlements                                   | (2,484)   | (560)     | (3,245)   |
| Unrecognized tax benefits - end of year       | \$ 78,116 | \$ 80,323 | \$ 65,667 |



At the end of fiscal 2014, 2013, and 2012, the reserves for unrecognized tax benefits were \$101.7 million, \$104.9 million, and \$82.5 million inclusive of \$23.6 million, \$24.6 million, and \$16.8 million of related interest and penalties, respectively. The Company accounts for interest and penalties related to unrecognized tax benefits as a part of its provision for taxes on earnings. If recognized, \$51.0 million would impact the Company's effective tax rate. The difference between the total amount of unrecognized tax benefits and the amounts that would impact the effective tax rate relates to amounts attributable to deferred income tax assets and liabilities. These amounts are net of federal and state income taxes.

During the next twelve months, it is reasonably possible that the statute of limitations may lapse pertaining to positions taken by the Company in prior year tax returns. If this occurs, the total amount of unrecognized tax benefits may decrease, reducing the provision for taxes on earnings by up to \$6.3 million.

The Company is generally open to audit by the Internal Revenue Service under the statute of limitations for fiscal years 2011 through 2014. The Company's state income tax returns are generally open to audit under the various statutes of limitations for fiscal years 2010 through 2014. Certain state tax returns are currently under audit by state tax authorities. The Company does not expect the results of these audits to have a material impact on the consolidated financial statements.

#### Note G: Employee Benefit Plans

The Company has a defined contribution plan that is available to certain employees. 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. This plan permits employees to make contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches up to 4% of the employee's salary up to the plan limits. Company matching contributions to the 401(k) plan were \$11.4 million, \$10.4 million, and \$9.4 million in fiscal 2014, 2013, and 2012, respectively.

The Company also has an Incentive Compensation Plan which provides cash awards to key management and employees based on Company and individual performance.

The Company also makes available to management a Non-qualified Deferred Compensation Plan which allows management to make payroll contributions on a pre-tax basis in addition to the 401(k) plan. Other long-term assets include \$94.1 million and \$88.3 million at January 31, 2015 and February 1, 2014, respectively, of long-term plan investments, at market value, set aside or designated for the Non-qualified Deferred Compensation Plan (See Note B). Plan investments are designated by the participants, and investment returns are not guaranteed by the Company. The Company has a corresponding liability to participants of \$94.1 million and \$88.3 million at January 31, 2015 and February 1, 2014, respectively, included in Other long-term liabilities in the Consolidated Balance Sheets.

In addition, the Company has certain individuals who receive or will receive post-employment medical benefits. The estimated liability for these benefits of \$9.7 million and \$6.8 million is included in Accrued expenses and other in the accompanying Consolidated Balance Sheets as of January 31, 2015 and February 1, 2014, respectively.

#### Note H: Stockholders' Equity

**Common stock.** In February 2015, the Company's Board of Directors approved a two-year \$1.4 billion stock repurchase program for fiscal 2015 and 2016.

The following table summarizes the Company's stock repurchase activity in fiscal 2014, 2013, and 2012:

| Fiscal Year | Shares repurchased (in millions) | Average repurchase price | Repurchased (in millions) |
|-------------|----------------------------------|--------------------------|---------------------------|
| 2014        | 7.4                              | \$74.30                  | \$550                     |
| 2013        | 8.2                              | \$67.24                  | \$550                     |
| 2012        | 7.5                              | \$60.34                  | \$450                     |

**Preferred stock.** The Company has four million shares of preferred stock authorized, with a par value of \$.01 per share. No preferred stock is issued or outstanding.

**Dividends.** In February 2015, the Company's Board of Directors declared a quarterly cash dividend of \$0.235 per common share, payable on March 31, 2015. The Company's Board of Directors declared cash dividends of \$0.20 per

common share in February, May, August, and November 2014, cash dividends of \$0.17 per common share in January, May, August, and November 2013, and cash dividends of \$0.14 per common share in January, May, August, and November 2012.

In March 2015, the Company's Board of Directors approved a two-for-one stock split in the form of a 100 percent stock dividend, to be paid on June 11, 2015 to stockholders of record as of April 22, 2015. The stock split will not have an impact on the Company's consolidated financial position or results of operations. Share and per share amounts have not been restated to reflect the pending stock split.

**2008 Equity Incentive Plan.** In 2008, the Company's stockholders approved the adoption of the Ross Stores, Inc. 2008 Equity Incentive Plan (the "2008 Plan") with an initial share reserve of 16.5 million shares of the Company's common stock, of which 12.0 million shares can be issued as full value awards. The 2008 Plan provides for various types of incentive awards, which may potentially include the grant of stock options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, performance shares, performance units, and deferred compensation awards. As of January 31, 2015, there were 6.6 million shares that remained available for grant under the 2008 Plan.

A summary of the stock option activity for fiscal 2014 is presented below:

| (000, except per share data)                       | Number of shares | Weighted average exercise price | Weighted average remaining contractual term | Aggregate intrinsic value |
|--|------------------|---------------------------------|---|---------------------------|
| Outstanding at February 1, 2014                    | 1,169            | \$14.07                         |   |                           |
| Granted  | —                | —                               |   |                           |
| Exercised  | (650)            | 14.05                           |   |                           |
| Forfeited  | —                | —                               |   |                           |
| <b>Outstanding at January 31, 2015, all vested</b> | <b>519</b>       | <b>\$14.09</b>                  | <b>0.99</b>                                 | <b>\$40,285</b>           |

The following table summarizes information about the weighted average remaining contractual life (in years) and the weighted average exercise prices for stock options both outstanding and exercisable as of January 31, 2015 (number of shares in thousands):

| Exercise price range        | Options outstanding and exercisable |                |                |
|-----------------------------|-------------------------------------|----------------|----------------|
|                             | Number of shares                    | Remaining life | Exercise price |
| \$ 11.47 to \$ 13.77        | 116                                 | 0.98           | \$13.28        |
| 13.84 to 13.89              | 56                                  | 0.29           | 13.85          |
| 13.91 to 13.91              | 185                                 | 1.11           | 13.91          |
| 13.92 to 14.65              | 106                                 | 0.52           | 14.32          |
| 14.70 to 16.39              | 56                                  | 2.19           | 16.22          |
| <b>\$ 11.47 to \$ 16.39</b> | <b>519</b>                          | <b>0.99</b>    | <b>\$14.09</b> |

A summary of the restricted stock activity for fiscal 2014 is presented below:

| (000, except per share data)        | Number of shares | Weighted average grant date fair value |
|-------------------------------------|------------------|--|
| Unvested at February 1, 2014        | 3,914            | \$37.14                                |
| Awarded                             | 967              | 67.15                                  |
| Released                            | (1,316)          | 29.29                                  |
| Forfeited                           | (74)             | 55.46                                  |
| <b>Unvested at January 31, 2015</b> | <b>3,491</b>     | <b>\$48.02</b>                         |

The market value of shares of restricted stock and of the stock underlying restricted stock units at the date of grant is amortized to expense over the vesting period of generally three to five years. The unamortized compensation expense at January 31, 2015 and February 1, 2014 was \$87.4 million and \$74.9 million, respectively, which is expected to be recognized over a weighted average remaining period of 1.7 years. Intrinsic value for restricted stock, defined as the closing market value on the last business day of fiscal year 2014 (or \$91.71), was \$320.2 million. A total of 6,628,000, 6,986,000, and 7,202,000 shares were available for new restricted stock awards at the end of fiscal 2014, 2013, and 2012, respectively. During fiscal 2014, 2013, and 2012, shares purchased by the Company for tax withholding totaled 534,000, 496,000, and 505,000 shares, respectively, and are considered treasury shares which are available for reissuance. As of January 31, 2015 and February 1, 2014, the Company held 4,888,000 and 4,354,000 shares of treasury stock, respectively.

**Performance share awards.** The Company has a performance share award program for senior executives. A performance share award represents a right to receive shares of restricted stock or restricted stock units on a specified settlement date based on the Company's attainment of a profitability-based performance goal during the performance period, which is the Company's fiscal year. If attained, the restricted stock or units then vest over a service period, generally two to three years from the date the performance award was granted. The release of shares related to restricted stock units earned is deferred generally for one year from the date earned. The Company issued approximately 303,000, 240,000, and 280,000 shares in settlement of the fiscal 2014, 2013, and 2012 awards.

**Employee Stock Purchase Plan.** Under the Employee Stock Purchase Plan ("ESPP"), eligible employees participating in the quarterly offering period can choose to have up to the lesser of 10% of their annual base earnings or the IRS annual share purchase limit of \$25,000 in aggregate market value to purchase the Company's common stock. The purchase price of the stock is 85% of the closing market price on the date of purchase. Purchases occur on a quarterly basis (on the last trading day of each calendar quarter). The Company recognizes expense for ESPP purchase rights equal to the value of the 15% discount given on the purchase date.

During fiscal 2014, 2013, and 2012, employees purchased approximately 200,000, 208,000, and 211,000 shares, respectively, of the Company's common stock under the plan at weighted average per share prices of \$64.35, \$57.57, and \$50.67, respectively. Through January 31, 2015, approximately 19,342,000 shares had been issued under this plan and 658,000 shares remained available for future issuance.

#### **Note I: Related Party Transactions**

The Company has a consulting agreement with Norman Ferber, its Chairman Emeritus of the Board of Directors, under which the Company pays him an annual consulting fee of \$1.5 million through May 2018. In addition, the agreement provides for administrative support and health and other benefits for the individual and his dependents, which totaled approximately \$0.3 million in fiscal 2014, 2013, and 2012, along with amounts to cover premiums through May 2018 on a life insurance policy with a death benefit of \$2.0 million. On termination of Mr. Ferber's consultancy with the Company, the Company will pay Mr. Ferber \$75,000 per year for a period of 10 years.

Robert Ferber, the son of Norman Ferber, is a buyer with the Company. For fiscal 2014, the Company paid Robert Ferber compensation including salary and bonus of approximately \$133,000.

#### **Note J: Litigation, Claims, and Assessments**

Like many California retailers, the Company has been named in class action lawsuits alleging violation of wage and hour and other employment laws. Class action litigation remains pending as of January 31, 2015.

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

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

**Note K: Quarterly Financial Data (Unaudited)**

Summarized quarterly financial information for fiscal 2014 and 2013 is presented in the tables below.

Year ended January 31, 2015:

| (\$000, except per share data)      | Quarter Ended |                |                  |                  |
|-------------------------------------|---------------|----------------|------------------|------------------|
|                                     | May 3, 2014   | August 2, 2014 | November 1, 2014 | January 31, 2015 |
| Sales                               | \$ 2,680,593  | \$ 2,729,566   | \$ 2,598,820     | \$ 3,032,698     |
| Cost of goods sold                  | 1,908,184     | 1,944,017      | 1,882,185        | 2,203,570        |
| Selling, general and administrative | 379,802       | 395,225        | 410,002          | 430,342          |
| Interest (income) expense, net      | (104)         | (95)           | 777              | 2,406            |
| Total costs and expenses            | 2,287,882     | 2,339,147      | 2,292,964        | 2,636,318        |
| Earnings before taxes               | 392,711       | 390,419        | 305,856          | 396,380          |
| Provision for taxes on earnings     | 148,798       | 150,858        | 113,136          | 147,850          |
| Net earnings                        | \$ 243,913    | \$ 239,561     | \$ 192,720       | \$ 248,530       |

|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Earnings per share – basic <sup>1</sup>   | \$ 1.17  | \$ 1.15  | \$ 0.94  | \$ 1.21  |
| Earnings per share – diluted <sup>1</sup> | \$ 1.15  | \$ 1.14  | \$ 0.93  | \$ 1.20  |
| Cash dividends declared per share         |          |          |          |          |
| on common stock                           | \$ 0.20  | \$ 0.20  | \$ 0.20  | \$ 0.20  |
| Stock price                               |          |          |          |          |
| High                                      | \$ 74.09 | \$ 69.66 | \$ 80.83 | \$ 96.94 |
| Low                                       | \$ 65.78 | \$ 62.15 | \$ 64.64 | \$ 80.44 |

<sup>1</sup> EPS is computed independently for each of the quarters presented. The sum of the quarters may not equal the total year amount due to the impact of changes in average quarterly shares outstanding.

Year ended February 1, 2014:

| (\$000, except per share data)      | Quarter Ended |                |                  |                  |
|-------------------------------------|---------------|----------------|------------------|------------------|
|                                     | May 4, 2013   | August 3, 2013 | November 2, 2013 | February 1, 2014 |
| Sales                               | \$ 2,539,914  | \$ 2,551,277   | \$ 2,398,122     | \$ 2,741,040     |
| Cost of goods sold                  | 1,798,811     | 1,823,777      | 1,746,235        | 1,992,101        |
| Selling, general and administrative | 361,968       | 381,193        | 381,860          | 401,345          |
| Interest expense (income), net      | 209           | (175)          | (152)            | (129)            |
| Total costs and expenses            | 2,160,988     | 2,204,795      | 2,127,943        | 2,393,317        |
| Earnings before taxes               | 378,926       | 346,482        | 270,179          | 347,723          |
| Provision for taxes on earnings     | 144,314       | 133,361        | 98,561           | 129,770          |
| Net earnings                        | \$ 234,612    | \$ 213,121     | \$ 171,618       | \$ 217,953       |

|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Earnings per share – basic <sup>1</sup>   | \$ 1.09  | \$ 1.00  | \$ 0.81  | \$ 1.04  |
| Earnings per share – diluted <sup>1</sup> | \$ 1.07  | \$ 0.98  | \$ 0.80  | \$ 1.02  |
| Cash dividends declared per share         |          |          |          |          |
| on common stock                           | \$ —     | \$ 0.17  | \$ 0.17  | \$ 0.17  |
| Stock price                               |          |          |          |          |
| High                                      | \$ 66.07 | \$ 69.20 | \$ 77.63 | \$ 81.64 |
| Low                                       | \$ 55.23 | \$ 63.29 | \$ 64.76 | \$ 67.66 |

<sup>1</sup> EPS is computed independently for each of the quarters presented. The sum of the quarters may not equal the total year amount due to the impact of changes in average quarterly shares outstanding.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

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

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

/s/DELOITTE & TOUCHE LLP

San Francisco, California  
March 31, 2015

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

None

## ITEM 9A. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

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

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

### Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as set forth in *Internal Control — Integrated Framework (2013)*. Based on our evaluation under the framework in *Internal Control — Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of January 31, 2015.

Our internal control over financial reporting as of January 31, 2015 has also been audited by Deloitte & Touche LLP, an independent registered public accounting firm, and their opinion as to the effectiveness of our internal control over financial reporting is stated in their report, dated March 31, 2015, which is included in Item 8 in this Annual Report on Form 10-K.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the fourth fiscal quarter of 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our management concluded that there was no such change during the fourth fiscal quarter.

## ITEM 9B. OTHER INFORMATION

None

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information required by Item 401 of Regulation S-K is incorporated herein by reference to the sections entitled "Executive Officers of the Registrant" at the end of Part I of this report; and to the sections of the Ross Stores, Inc. Proxy Statement for the Annual Meeting of Stockholders to be held on Wednesday, May 20, 2015 (the "Proxy Statement") entitled "Information Regarding Nominees and Incumbent Directors." Information required by Item 405 of Regulation S-K is incorporated by reference to the Proxy Statement under the section titled "Section 16(a) Beneficial Ownership Reporting Compliance." We have not made any material changes to the procedures by which our stockholders may recommend nominees to the Board of Directors. Information required by Item 407(d)(4) and (d)(5) of Regulation S-K is incorporated by reference to the Proxy Statement under the section entitled "Information Regarding Nominees and Incumbent Directors" under the caption "Audit Committee."

Our Board of Directors has adopted a Code of Ethics for Senior Financial Officers that applies to the Company's Executive Chairman; Chief Executive Officer; Chief Operating Officer; Chief Merchandising Officer; Chief Development Officer; Executive Vice President, Finance and Legal; Chief Financial Officer; Group Vice President, Controller; Group Vice President, Finance and Treasurer; Vice President, Accounting and Assistant Controller; Vice President Finance; Vice President Tax; Assistant Treasurer; Investor and Media Relations personnel; and other positions that may be designated by the Company. This Code of Ethics is posted on our corporate website ([www.rossstores.com](http://www.rossstores.com)) under Corporate Governance in the Investors Section. We intend to satisfy the disclosure requirements of Item 5.05 of Form 8-K regarding any future amendments to, or waivers from, our Code of Ethics for Senior Financial Officers by posting any changed version on the same corporate website.

### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 402 of Regulation S-K is incorporated herein by reference to the sections of the Proxy Statement entitled "Compensation of Directors" and "Executive Compensation" under the captions "Compensation Discussion and Analysis," "Summary Compensation Table," "All Other Compensation," "Perquisites," "Discussion of Summary Compensation," "Grants of Plan-Based Awards During Fiscal Year," "Outstanding Equity Awards at Fiscal Year-End," "Option Exercises and Stock Vested," "Non-Qualified Deferred Compensation," and "Potential Payments Upon Termination or Change in Control."

The information required by Items 407(e)(4) and (e)(5) of Regulation S-K are incorporated herein by reference to the sections of the Proxy Statement entitled "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report."



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

**Equity compensation plan information.** The following table summarizes the equity compensation plans under which the Company's common stock may be issued as of January 31, 2015:

| Shares in (000s)  | (a)<br>Number of securities<br>to be issued upon<br>exercise of<br>outstanding options and<br>rights | (b)<br>Weighted average<br>exercise price per<br>share of outstanding<br>options and rights | (c)<br>Number of securities<br>remaining available for<br>future issuance<br>(excluding securities reflected<br>in column (a)) <sup>1</sup> |
|---|--|---|---|
| Equity compensation plans<br>approved by security holders     | 662 <sup>2</sup>   | \$14.09   | 7,286 <sup>3</sup>  |
| Equity compensation plans not<br>approved by security holders | —  | —   | —   |
| <b>Total</b>  | <b>662</b>   | <b>\$14.09</b>  | <b>7,286</b>  |

<sup>1</sup> After approval by stockholders of the 2008 Equity Incentive Plan in May 2008, any shares remaining available for grant in the share reserves of the 2004 Equity Incentive Plan, 1992 Stock Option Plan, the 2000 Equity Plan, the 1991 Outside Directors Stock Option Plan, and the 1988 Restricted Stock Plan were automatically canceled.

<sup>2</sup> Represents shares reserved for options granted under the prior 1992 Stock Option Plan, the prior 1991 Outside Directors Stock Option Plan, and the 2004 Equity Incentive Plan.

<sup>3</sup> Includes 658,000 shares reserved for issuance under the Employee Stock Purchase Plan and 6,628,000 shares reserved for issuance under the 2008 Equity Incentive Plan.

The information required by Item 403 of Regulation S-K 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, AND DIRECTOR INDEPENDENCE

The information required by Items 404 and 407(a) of Regulation S-K are incorporated herein by reference to the section of the Proxy Statement entitled "Information Regarding Nominees and Incumbent Directors" including the captions "Audit Committee," "Compensation Committee," and "Nominating and Corporate Governance Committee," and the section of the Proxy Statement entitled "Certain Transactions."

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information concerning principal accountant fees and services will appear in the Proxy Statement in the Ross Stores, Inc. Board of Directors Audit Committee Report under the caption "Summary of Audit, Audit-Related, Tax and All Other Fees." Such information is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

1. List of Consolidated Financial Statements.

The following consolidated financial statements are included herein under Item 8:

Consolidated Statements of Earnings for the years ended January 31, 2015, February 1, 2014, and February 2, 2013.

Consolidated Statements of Comprehensive Income for the years ended January 31, 2015, February 1, 2014, and February 2, 2013.

Consolidated Balance Sheets at January 31, 2015 and February 1, 2014.

Consolidated Statements of Stockholders' Equity for the years ended January 31, 2015, February 1, 2014, and February 2, 2013.

Consolidated Statements of Cash Flows for the years ended January 31, 2015, February 1, 2014, and February 2, 2013.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

2. List of Consolidated Financial Statement Schedules.

Schedules are omitted because they are not required, not applicable, or such information is included in the consolidated financial statements or notes thereto which are included 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 within this Report.

## 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.**

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(Registrant)

Date: March 31, 2015

By: /s/Barbara Rentler  
Barbara Rentler  
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.

| <b>Signature</b>                                | <b>Title</b>  | <b>Date</b>    |
|---|---|----------------|
| /s/Barbara Rentler<br>Barbara Rentler           | Chief Executive Officer, Director   | March 31, 2015 |
| /s/Michael J. Hartshorn<br>Michael J. Hartshorn | Group Senior Vice President, Chief Financial Officer,<br>and Principal Accounting Officer | March 31, 2015 |
| /s/Michael Balmuth<br>Michael Balmuth           | Executive Chairman of the Board, Director   | March 31, 2015 |
| /s/K. Gunnar Bjorklund<br>K. Gunnar Bjorklund   | Director  | March 31, 2015 |
| /s/Michael J. Bush<br>Michael J. Bush           | Director  | March 31, 2015 |
| /s/Norman A. Ferber<br>Norman A. Ferber         | Chairman Emeritus of the Board, Director  | March 31, 2015 |
| /s/Sharon D. Garrett<br>Sharon D. Garrett       | Director  | March 31, 2015 |
| /s/Stephen D. Milligan<br>Stephen D. Milligan   | Director  | March 31, 2015 |
| /s/G. Orban<br>George P. Orban                  | Director  | March 31, 2015 |
| /s/Michael O'Sullivan<br>Michael O'Sullivan     | President and Chief Operating Officer, Director   | March 31, 2015 |
| /s/Larry S. Peiros<br>Lawrence S. Peiros        | Director  | March 31, 2015 |
| /s/G. L. Quesnel<br>Gregory L. Quesnel          | Director  | March 31, 2015 |

## INDEX TO EXHIBITS

| Exhibit Number | Exhibit  |
|----------------|--|
| 3.1            | Amendment of Certificate of Incorporation dated May 21, 2004 and Amendment of Certificate of Incorporation dated June 5, 2002 and Corrected First Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 31, 2004.   |
| 3.2            | Amendment of Certificate of Incorporation dated July 18, 2011, incorporated by reference to Exhibit 3.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2011.   |
| 3.3            | Amended and Restated Bylaws of Ross Stores, Inc. as amended, January 23, 2013, incorporated by reference to Exhibit 3.3 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended February 2, 2013.  |
| 4.1            | Note Purchase Agreement dated October 17, 2006, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended October 28, 2006.  |
| 4.2            | Officers' Certificate, dated as of September 18, 2014, establishing the terms and form of the Notes, incorporated by reference to Exhibit 4.2 to the Form 8-K filed by Ross Stores, Inc. on September 18, 2014.  |
| 4.3            | Form of the 3.375% Senior Notes Due 2024, included in Exhibit 4.2 and incorporated by reference to Exhibit 4.2 to the Form 8-K filed by Ross Stores, Inc. on September 18, 2014.   |
| 4.4            | Indenture, dated as of September 18, 2014, between Ross Stores, Inc. and U.S. Bank National Association, incorporated by reference to Exhibit 4.1 to the Form 8-K filed by Ross Stores, Inc. on September 18, 2014.  |
| 10.1           | Revolving Credit Agreement dated March 3, 2011, incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended April 30, 2011.  |
| 10.2           | Amendment No. 1 to Revolving Credit Agreement dated June 27, 2012, incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 28, 2012.  |
| 10.3           | Amendment No. 2 to Credit Agreement, dated August 18, 2014, incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 2, 2014.  |
| 10.4           | Underwriting Agreement, dated as of September 15, 2014, by and among Ross Stores, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC and J.P. Morgan Securities LLC, as representatives of the underwriters named therein, incorporated by reference to Exhibit 1.1 to the Form 8-K filed by Ross Stores, Inc. on September 18, 2014. |

### MANAGEMENT CONTRACTS AND COMPENSATORY PLANS (EXHIBITS 10.5 - 10.49)

|      |   |
|------|---|
| 10.5 | Third Amended and Restated Ross Stores, Inc. 1992 Stock Option Plan, incorporated by reference to Exhibit 10.5 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 29, 2000.        |
| 10.6 | Amendment to Third Amended and Restated Ross Stores, Inc. 1992 Stock Option Plan, incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 4, 2001. |
| 10.7 | Ross Stores, Inc. 2000 Equity Incentive Plan, incorporated by reference to Exhibit 10.7 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 29, 2000.                               |

|       |  |
|-------|--|
| 10.8  | Amended and Restated Ross Stores, Inc. Employee Stock Purchase Plan dated November 20, 2007, incorporated by reference to Exhibit 10.6 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended February 2, 2008.   |
| 10.9  | Amended and Restated Ross Stores, Inc. 1991 Outside Directors Stock Option Plan, as amended through January 30, 2003, incorporated by reference to Exhibit 10.9 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended February 1, 2003.                          |
| 10.10 | Ross Stores Executive Medical Plan, incorporated by reference to Exhibit 10.9 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 30, 1999.  |
| 10.11 | Ross Stores Executive Dental Plan, incorporated by reference to Exhibit 10.10 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 30, 1999.  |
| 10.12 | Third Amended and Restated Ross Stores, Inc. Non-Qualified Deferred Compensation Plan effective December 31, 2008, incorporated by reference to Exhibit 10.7 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended April 30, 2011.                                   |
| 10.13 | Ross Stores, Inc. Second Amended and Restated Incentive Compensation Plan, incorporated by reference to the appendix to the Definitive Proxy Statement on Schedule 14A filed by Ross Stores, Inc. on April 12, 2006.   |
| 10.14 | Ross Stores, Inc. 2004 Equity Incentive Plan, incorporated by reference to Exhibit 99 to the Definitive Proxy Statement on Schedule 14A filed by Ross Stores, Inc. on April 15, 2004.  |
| 10.15 | First Amendment to the Ross Stores, Inc. 2004 Equity Incentive Plan, effective May 17, 2005, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2005.  |
| 10.16 | Second Amendment to the Ross Stores, Inc. 2004 Equity Incentive Plan effective March 22, 2007, incorporated by reference to Exhibit 10.7 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 5, 2007.  |
| 10.17 | Form of Stock Option Agreement for Non-Employee Directors for options granted pursuant to Ross Stores, Inc. 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2005.               |
| 10.18 | Ross Stores, Inc. 2008 Equity Incentive Plan, as amended through March 18, 2009, incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 2, 2009.  |
| 10.19 | Form of Nonemployee Director Equity Notice of Grant of Restricted Stock and Restricted Stock Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.2 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.             |
| 10.20 | Form of Nonemployee Director Equity Notice of Grant of Restricted Stock Units and Restricted Stock Units Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.3 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008. |
| 10.21 | Form of Notice of Grant of Restricted Stock and Restricted Stock Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.4 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.   |
| 10.22 | Form of Notice of Grant of Restricted Stock Units and Restricted Stock Units Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.5 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.                             |

|       |  |
|-------|--|
| 10.23 | Form of Notice of Grant of Stock Option and Stock Option Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.7 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.   |
| 10.24 | Ross Stores, Inc. Restricted Stock Agreement, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 2, 2009.   |
| 10.25 | Form of Restricted Stock Agreement, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 3, 2014.   |
| 10.26 | Ross Stores, Inc. Restricted Stock Agreement for Nonemployee Director, incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 2, 2009.  |
| 10.27 | Form of Notice of Grant of Performance Shares and Performance Share Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2011.               |
| 10.28 | Form of Performance Shares Grant Agreement, incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 3, 2014.   |
| 10.29 | Form of Indemnity Agreement between Ross Stores, Inc. for Directors and Executive Officers, incorporated by reference to Exhibit 10.26 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended February 2, 2013.   |
| 10.30 | Forms of Executive Employment Agreement between Ross Stores, Inc. and Executives, incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 4, 2013.   |
| 10.31 | Form of Executive Employment Agreement, incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 3, 2014.   |
| 10.32 | Amended and Restated Independent Contractor Consultancy Agreement effective January 6, 2010 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.47 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 30, 2010. |
| 10.33 | Amended Independent Contractor Consultancy Agreement effective January 30, 2012 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.52 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 28, 2012.             |
| 10.34 | Amended and Restated Retirement Benefit Package Agreement effective January 6, 2010 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.48 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 1, 2010.                  |
| 10.35 | Amended Retirement Benefits Package Agreement effective January 30, 2012 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.53 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 28, 2012.                    |
| 10.36 | Employment Agreement effective May 31, 2001 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 4, 2001.   |
| 10.37 | First Amendment to the Employment Agreement effective January 30, 2003 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 3, 2003.                                 |

|       |   |
|-------|---|
| 10.38 | Second Amendment to the Employment Agreement effective May 18, 2005 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2005.   |
| 10.39 | Restated Third Amendment to the Employment Agreement effective April 6, 2007 between Michael Balmuth and Ross Stores, Inc. incorporated by reference to Exhibit 10.42 to the Form 10-K filed by Ross Stores, Inc. for its year ended January 31, 2009.  |
| 10.40 | Fourth Amendment to the Employment Agreement effective June 9, 2009 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.10 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 1, 2009, and to Exhibit A-1 included in Exhibit 10.36 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 1, 2010. |
| 10.41 | Fifth Amendment to the Employment Agreement effective April 23, 2010 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 1, 2010.  |
| 10.42 | Sixth Amendment to the Employment Agreement effective June 1, 2011 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2011.  |
| 10.43 | Employment Agreement effective June 1, 2012 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended October 27, 2012.  |
| 10.44 | Notice of Grant of Restricted Stock Units and Restricted Stock Units Agreement pursuant to the Ross Stores, Inc. 2008 Equity Incentive Plan to Michael Balmuth on August 15, 2012, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended October 27, 2012.  |
| 10.45 | Executive Employment Agreement effective June 1, 2014 between Barbara Rentler and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 2, 2014.  |
| 10.46 | Executive Employment Agreement effective June 1, 2014 between Michael O'Sullivan and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 2, 2014.   |
| 10.47 | Executive Employment Agreement effective March 16, 2013 between James Fassio and Ross Stores, Inc., incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 4, 2013.  |
| 10.48 | Executive Employment Agreement effective February 2, 2014 between Michael J. Hartshorn and Ross Stores, Inc., incorporated by reference to Exhibit 10.5 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 3, 2014.  |
| 10.49 | Executive Employment Agreement effective March 16, 2013 between Douglas Baker and Ross Stores, Inc.   |
| 21    | Subsidiaries.   |
| 23    | Consent of Independent Registered Public Accounting Firm.   |
| 31.1  | Certification of Chief Executive Officer Pursuant to Sarbanes-Oxley Act Section 302(a).   |



31.2 Certification of Chief Financial Officer Pursuant to Sarbanes-Oxley Act Section 302(a).

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema

101.CAL XBRL Taxonomy Extension Calculation Linkbase

101.DEF XBRL Taxonomy Extension Definition Linkbase

101.LAB XBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Taxonomy Extension Presentation Linkbase

**EXECUTIVE EMPLOYMENT AGREEMENT**

**THIS EXECUTIVE EMPLOYMENT AGREEMENT** (this "Agreement") is made effective March 16, 2013 (the "Effective Date") by and between Ross Stores, Inc., a Delaware corporation, and Douglas Baker (the "Executive"). References herein to the "Company" shall mean Ross Stores, Inc. and, where appropriate, Ross Stores, Inc. and each and any of its divisions, affiliates or subsidiaries.

**RECITALS**

A. The Company wishes to employ the Executive, and the Executive is willing to accept such employment, as President and Chief Merchandising Officer, dd's DISCOUNTS.

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

**TERMS AND CONDITIONS**

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

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

(a) **Initial Term.** The initial Term of Employment of the Executive by the Company under this Agreement shall begin on the Effective Date and end on March 31, 2017 (the "Initial Term"), unless extended or terminated earlier in accordance with this Agreement.

(b) **Renewal Term.** Subject to the provisions for early termination set forth in Section 6, below, unless the Company has delivered written notice of such party's intent to continue this Agreement (an "Extension Notice") not less than one hundred eighty (180) days prior to the expiration of the Initial Term, this Agreement shall terminate on the expiration of the Initial Term. If the Company timely provides an Extension Notice, the Initial Term automatically will be extended by such additional period of time set forth in the Extension Notice (each an "Extension"). The Initial Term, together with any Extensions, if applicable, shall be the Term of Employment.

2. **Position and Duties.** During the Term of Employment, the Executive shall serve as President and Chief Merchandising Officer, dd's DISCOUNTS. The Executive's employment may be transferred, assigned, or re-assigned to Ross Stores, Inc. or a division, affiliate or subsidiary of Ross Stores, Inc.; the division, affiliate or subsidiary with respect to which the Executive is performing services may be reorganized; and the Executive's direct reports or the person or title of the person to whom the Executive reports may be changed. No such transfer, assignment, re-assignment, reorganization or change shall constitute a termination of employment or "Good Reason" for the Executive's termination of employment under this Agreement. During the Term of Employment, the Executive may engage in outside activities provided (i) such activities (including but not limited to membership on boards of directors of not-for-profit and for-profit organizations) do not conflict with the Executive's duties and responsibilities hereunder and (ii) the Executive gives written notice to the Board of Directors (the "Board") of any significant outside business activity in which the Executive plans to become involved, whether or not such activity is pursued for profit.

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

4. **Compensation and Related Matters.**

(a) **Salary.** During the Term of Employment, the Company shall pay to the Executive a salary at a rate of not less than Eight Hundred Fifteen Thousand dollars (\$815,000) per annum. The Executive's salary shall be payable in substantially equal installments in accordance with the Company's normal payroll practices applicable to senior executives. Subject to the first sentence of this Section 4(a), the Executive's salary may be adjusted from time to time in accordance with normal business practices of the Company.

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## EXHIBIT 10.49

(b) **Bonus.** During the Term of Employment, the Executive shall be eligible to receive an annual bonus paid under the Company's existing incentive bonus plan under which the Executive is eligible (which is currently the Incentive Compensation Plan) or any replacement plan that may subsequently be established and in effect during the Term of Employment. The current target annual bonus the Executive is eligible to earn upon achievement of 100% of all applicable performance targets under such incentive bonus plan is 75% of the Executive's then effective annual salary rate. Annual bonuses are not earned until the date any such bonus is paid in accordance with the terms of the applicable bonus plan. As such, the Executive's termination for Cause or Voluntary Termination (as described in Sections 6(c) and 6(f), respectively) prior to the Company's payment of the bonus for a fiscal year of the Company will cause the Executive to be ineligible for any annual bonus for that fiscal year or any pro-rata portion of such bonus.

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

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

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

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

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

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

(b) Confidential Information includes any written or unwritten information which relates to and/or is used by the Company or its subsidiaries, affiliates or divisions, including, without limitation: (i) the names, addresses, buying habits and other special information regarding past, present and potential customers, employees and suppliers of the Company; (ii) customer and supplier contracts and transactions or price lists of the Company and suppliers; (iii) methods of distribution; (iv) all agreements, files, books, logs, charts, records, studies, reports, processes, schedules and statistical information; (v) data, figures, projections, estimates, pricing data, customer lists, buying manuals or procedures, distribution manuals or procedures, and other policy and procedure manuals or handbooks; (vi) supplier information, tax records, personnel histories and records, sales information and property information; (vii) information regarding the present or future phases of business; (viii) ideas, inventions, trademarks, business information, know-how, processes, techniques, improvements, designs, redesigns, creations, discoveries, trade secrets, and developments; (ix) all computer software licensed or developed by the Company or its subsidiaries, affiliates or divisions, computer programs, computer-based and web-based training programs, and systems; and (x) finances and financial

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## EXHIBIT 10.49

information. However, Confidential Information will not include information of the Company or its subsidiaries, affiliates or divisions that (1) became or becomes a matter of public knowledge through sources independent of the Executive, (2) has been or is disclosed by the Company or its subsidiaries, affiliates or divisions without restriction on its use, or (3) has been or is required or specifically permitted to be disclosed by law or governmental order or regulation. The Executive agrees that, if there is any reasonable doubt whether an item is public knowledge, the Executive will not regard the item as public knowledge until and unless the Company's CEO confirms to the Executive that the information is public knowledge.

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

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

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

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

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

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

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

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

(b) **Disability.** If, as a result of the Executive's Disability (as defined below), the Executive shall have been absent from the Executive's duties hereunder on a full-time basis for the entire period of six consecutive months, and, within thirty days after written notice of termination is given by the Company (which may occur before or after the end of such six-month period), the Executive shall not have returned to the performance of the Executive's duties hereunder on a full-time basis, the Executive's employment shall terminate. For purposes of this Agreement, the term "Disability" shall have the same meaning as ascribed to such term under the Company's long-term disability plan in which Executive is participating; provided that in the absence of such plan (or the absence of Executive's participation in such plan), Disability shall mean Executive's inability to substantially perform his duties hereunder due

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## EXHIBIT 10.49

to a medically determinable physical or mental impairment which has lasted for a period of not less than one hundred twenty (120) consecutive days in any twelve (12)-month period.

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

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

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

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

(g) **Non-Renewal Termination.** If the Company does not provide Executive an Extension Notice in accordance with Section 1(b), this Agreement shall automatically expire at the end of the then current Term of Employment (a "Non-Renewal Termination").

### 7. Notice and Effective Date of Termination.

(a) **Notice.** Any termination of the Executive's employment by the Company or by the Executive during the Term of Employment (other than as a result of the death of the Executive or a Non-Renewal Termination described in Section 6(g)) shall be communicated by written notice of termination to the other party hereto. Such notice shall indicate the specific termination provision in this Agreement relied upon and, except in the case of termination

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Without Cause and Voluntary Termination as described in Sections 6(d) and 6(f), respectively, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under that provision.

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

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

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

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

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

### 8. **Compensation and Benefits Upon Termination.**

(a) **Termination Due To Disability, Without Cause or For Good Reason.** If the Executive's employment terminates pursuant to Section 6(b) [Disability], Section 6(d) [Without Cause], or Section 6(e) [Termination by Executive for Good Reason], then, subject to Section 22 [Compliance with Section 409A], in addition to all salary, annual bonuses, expense reimbursements, benefits and accrued vacation days earned by the Executive pursuant to Section 4 through the date of the Executive's termination of employment, the Executive shall be entitled to the compensation and benefits set forth in Sections 8(a)(i) through (vii), provided that within sixty days following the Executive's termination of employment the Executive has executed, delivered to the Company and not revoked a general release of claims against the Company and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents, successors and assigns in the current form approved by the Company and attached as Exhibit A (subject to any amendments required by law or regulation) (the "Release"):

(i) **Salary.** Commencing on the sixtieth day after the date of the Executive's termination of employment, the Company shall continue to pay to the Executive the Executive's salary, at the rate in effect immediately prior to such termination of employment, through the remainder of the Term of Employment then in effect; provided, however, that any such salary otherwise payable during the 60-day period immediately following the date of such termination of employment shall be paid to the Executive sixty days following such termination of employment.

(ii) **Bonus.** The Company shall continue to pay to the Executive an annual bonus through the remainder of the Term of Employment then in effect; provided, however, that the amount of the annual bonus determined in accordance with this Section 8(a) (ii) for the fiscal year of the Company in which such Term of Employment ends shall be prorated on the basis of the number of days of such Term of Employment occurring within such fiscal year. The amount of each annual bonus payable pursuant to this Section 8(a)(ii), prior to any proration, shall be equal to the annual bonus that the Executive would have earned had no such termination under Section 8(a) occurred, contingent on the relevant annual bonus plan performance goals for the respective year having been obtained. However, in no case shall any such post-termination annual bonus exceed 100% of the Executive's target bonus for the fiscal year of the Company in which the Executive's termination of employment occurs. Such bonuses shall be paid on the later of the date they would otherwise be paid in accordance with the applicable Company bonus plan or sixty days after the date of the Executive's termination of employment.

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

(iv) **Restricted Stock.** Shares of restricted stock granted to the Executive by the Company, according to the terms of the Ross Stores, Inc. Restricted Stock Agreement, which have not become vested as of the date of termination of the Executive's employment, as provided in Section 7(b), shall immediately become vested on a pro rata basis upon the Release becoming irrevocable. The number of such additional shares of restricted stock that shall become vested as of the date of the Executive's termination of employment shall be that number of

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additional shares that would have become vested through the date of such termination of employment at the rate(s) determined under the vesting schedule applicable to such shares had such vesting schedule provided for the accrual of vesting on a daily basis (based on a 365 day year). The pro rata amount of shares vesting through the date of termination shall be calculated by multiplying the number of unvested shares scheduled to vest in each respective vesting year by the ratio of the number of days from the date of grant through the date of termination, and the number of days from the date of grant through the original vesting date of the respective vesting tranche. Any shares of restricted stock remaining unvested after such pro rata acceleration of vesting shall automatically be reacquired by the Company in accordance with the provisions of the applicable restricted stock agreement, and the Executive shall have no further rights in such unvested portion of the restricted stock. In addition, the Company shall waive any reacquisition or repayment rights for dividends paid on restricted stock prior to Executive's termination of employment.

(v) **Performance Share Awards.** On the Performance Share Vesting Date (as defined in the Executive's Notice of Grant of Performance Shares and Performance Share Agreement from the Company (collectively the "Performance Share Agreement")) next following the Executive's date of termination of employment, the number of Performance Shares that shall become Vested Performance Shares (as defined in the Performance Share Agreement) shall be determined by multiplying (a) that number of shares of Company Common Stock subject to the Performance Share Agreement that would have become Vested Performance Shares had no such termination occurred; provided, however, in no case shall the number of Performance Shares that become Vested Performance Shares exceed 100% of the Target Number of Performance Shares set forth in the Performance Share Agreement by (b) the ratio of the number of full months of the Executive's employment with the Company during the Performance Period (as defined in the Performance Share Agreement) to the number of full months contained in the Performance Period.

(vi) **Unvested Common Shares Issued in Settlement of Performance Share Awards.** The vesting of all Unvested Common Shares (as defined in the Performance Share Agreement) issued in settlement of the Performance Share Award shall be accelerated in full effective as of the date of such termination.

(vii) **Health Care Coverage.** The Company shall continue to provide Executive with medical, dental, vision and mental health care coverage at or equivalent to the level of coverage that the Executive had at the time of the termination of employment (including coverage for the Executive's dependents to the extent such dependents were covered immediately prior to such termination of employment) for the remainder of the Term of Employment, **provided, however** that in the event such coverage may no longer be extended to Executive following termination of Executive's employment either by the terms of the Company's health care plans or under then applicable law, the Company shall instead reimburse Executive for the amount equivalent to the Company's cost of substantially equivalent health care coverage to Executive under ERISA Section 601 and thereafter and Section 4980B of the Internal Revenue Code (i.e., COBRA coverage) for a period not to exceed the lesser of (A) 18 months after the termination of Executive's employment or (B) the remainder of the Term of Employment, and **provided further** that (1) any such health care coverage or reimbursement for health care coverage shall cease at such time that Executive becomes eligible for health care coverage through another employer and (2) any such reimbursement shall be made no later than the last day of the calendar year following the end of the calendar year with respect to which such coverage or reimbursement is provided.

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

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

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

(i) **Performance Share Awards.** On the Performance Share Vesting Date next following the Executive's date of death, the number of Performance Shares that shall become Vested Performance Shares shall be determined by multiplying (a) that number of shares of Company Common Stock subject to the Performance Share Agreement that would have become Vested Performance Shares had no such termination occurred; provided, however, in no case shall the number of Performance Shares that become Vested Performance Shares exceed 100% of the Target Number of Performance Shares set forth in the Performance Share Agreement by (b) the ratio of the number of full months of the Executive's employment with the Company during the Performance Period (as defined in the Performance Share Agreement) to the number of full months contained in the Performance Period.

(ii) **Unvested Common Shares Issued in Settlement of Performance Share Awards.** The vesting of all Unvested Common Shares issued in settlement of the Performance Share Award shall be accelerated in full effective as of the date of such termination.

(d) **Non-Renewal Termination.** If the Agreement expires as set forth in Section 6(g) [Non-Renewal Termination], then, subject to Section 22 [Compliance with Section 409A], in addition to all salary, annual bonuses, expense reimbursements, benefits and accrued vacation days earned by the Executive pursuant to Section 4 through the date of the Executive's termination of employment, the Executive shall be entitled to the compensation set forth in Sections 8(d)(i) through (v), provided that within sixty days following the Executive's termination of employment the Executive has executed the Release, delivered the Release to the Company and the Release has become irrevocable:

(i) **Bonus.** The Company shall pay the Executive an annual bonus for the fiscal year of the Company in which the date of the Executive's termination of employment occurs, which shall be prorated for the number of days of such fiscal year that the Executive is employed by the Company. The amount of such annual bonus, prior to proration, shall be equal to the annual bonus that the Executive would have earned under the Company's bonus plan for the fiscal year of the Company in which the Executive's termination of employment occurs had the Executive remained in its employment, contingent on the relevant annual bonus plan performance goals for the year in which Executive terminates having been obtained. However, in no case shall any such post-termination annual bonus exceed 100% of the Executive's target bonus for the fiscal year of the Company in which the Executive's termination of employment occurs. Such bonus shall be paid on the later of the date they would otherwise be paid in accordance with the applicable Company bonus plan or sixty days after the date of the Executive's termination of employment.

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

(iii) **Restricted Stock.** Shares of restricted stock granted to the Executive by the Company which have not become vested as of the date of termination of the Executive's employment, as provided in Section 7(b), shall immediately become vested on a pro rata basis upon the Release becoming irrevocable. The number of such additional shares of restricted stock that shall become vested as of the date of the Executive's termination of employment shall be that number of additional shares that would have become vested through the date of such termination of employment at the rate(s) determined under the vesting schedule applicable to such shares had such vesting schedule provided for the accrual of vesting on a daily basis (based on a 365-day year). The pro rata amount of shares vesting through the date of non-renewal shall be calculated by multiplying the number of unvested

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shares scheduled to vest in each respective vesting year by the ratio of the number of days from the date of grant through the date of non-renewal, and the number of days from the date of grant through the original vesting date of the respective vesting tranche. Any shares of restricted stock remaining unvested after such pro rata acceleration of vesting shall automatically be reacquired by the Company in accordance with the provisions of the applicable restricted stock agreement, and the Executive shall have no further rights in such unvested portion of the restricted stock. In addition, the Company shall waive any reacquisition or repayment rights for dividends paid on restricted stock prior to Executive's termination of employment.

(iv) **Performance Share Awards.** On the Performance Share Vesting Date on or next following the Executive's date of termination of employment, the number of Performance Shares that shall become Vested Performance Shares shall be determined by multiplying (a) that number of shares of Company Common Stock subject to the Performance Share Agreement that would have become Vested Performance Shares had no such termination occurred; provided, however, in no case shall the number of Performance Shares that become Vested Performance Shares exceed 100% of the Target Number of Performance Shares set forth in the Performance Share Agreement by (b) the ratio of the number of full months of the Executive's employment with the Company during the Performance Period (as defined in the Performance Share Agreement) to the number of full months contained in the Performance Period.

(v) **Unvested Common Shares Issued in Settlement of Performance Share Awards.** The vesting of all Unvested Common Shares issued in settlement of the Performance Share Award shall be accelerated in full effective as of the date of such termination.

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

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

(1) **Without Regard to Termination of Employment.** In the event of a Change in Control (as defined below), all shares of restricted stock granted to the Executive by the Company shall become vested in full immediately prior to the consummation of such Change in Control. Additionally, in the event of the consummation of a Change in Control prior to the Performance Share Vesting Date, the vesting of 100% of the Target Number of Performance Shares shall be accelerated and such Performance Shares shall be deemed Vested Performance Shares effective as of the date of the Change in Control. Any Performance Shares that become vested pursuant to this Section 8(e)(i)(1) shall be deemed to be Vested Common Shares and settled in full upon the Change in Control. Except as set forth in this Section 8(e)(i)(1) and Section 8(e)(i)(2) below, the treatment of stock options, performance share awards and all other equity awards granted to the Executive by the Company which remain outstanding immediately prior to the date of such Change in Control shall be determined in accordance with their terms.

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

a. **Salary.** The Executive shall be entitled to a cash payment equal to 2.99 times the Executive's then-current annual base salary, which shall be paid to the Executive sixty days following such termination of employment. The payment under this Section 8(e)(i)(2)(a) shall take the place of any payment under Section 8(a)(i) and the Executive shall not be entitled to receive a payment under Section 8(a)(i) if the Executive is entitled to a payment under this Section 8(e)(i)(2)(a).

b. **Bonus.** The Executive shall be entitled to a cash payment equal to 2.99 times the Executive's target annual bonus for the Company's fiscal year then in effect on the date termination of employment occurs, which shall be paid to the Executive sixty days following such termination of employment. The payment under this Section 8(e)(i)(2)(b) shall take the place of any payment under Section 8(a)(ii) and the Executive shall not be entitled to receive a payment under Section 8(a)(ii) if the Executive is entitled to a payment under this Section 8(e)(i)(2)(b).

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

d. **Health Care Coverage.** The Company shall continue to provide Executive with medical, dental, vision and mental health care coverage at or equivalent to the level of coverage which the Executive had at the time of the termination of employment (including coverage for the Executive's dependents to the extent such dependents were covered immediately prior to such termination of employment) for the remainder of the Term of Employment; **provided, however** that in the event such coverage may no longer be extended to Executive following termination of Executive's employment either by the terms of the Company's health care plans or under then applicable law, the Company shall instead reimburse Executive for Executive's cost of substantially equivalent health care coverage available to Executive under ERISA Section 601 and thereafter and Section 4980B of the Internal Revenue Code (i.e., COBRA coverage) for a period not to exceed 18 months after the termination of Executive's employment; and **provided further** that (1) any such health care coverage or reimbursement for health care coverage shall cease at such time that Executive becomes eligible for health care coverage through another employer and (2) any such reimbursement shall be made by the last day of the calendar year following the end of the calendar year with respect to which such coverage or reimbursement is provided.

ii. **Change in Control Defined.** A "Change in Control" shall be deemed to have occurred if: (1) any person or group (within the meaning of Rule 13d-3 of the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended) shall acquire during the twelve-month period ending on the date of the most recent acquisition by such person or group, in one or a series of transactions, whether through sale of stock or merger, ownership of stock of the Company that constitutes 35% or more of the total voting power of the stock of the Company or any successor to the Company; (2) a merger in which the Company is a party pursuant to which any person or such group acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company (provided such person or group held not more than 50% of the total fair market value and total voting power of the Stock of the Company prior to such merger); or (3) the sale, exchange, or transfer of all or substantially all of the Company's assets (other than a sale, exchange, or transfer to one or more corporations where the stockholders of the Company before and after such sale, exchange, or transfer, directly or indirectly, are the beneficial owners of at least a majority of the voting stock of the corporation(s) to which the assets were transferred).

iii. **Excise Tax - Best After-Tax Result.** In the event that any payment or benefit received or to be received by Executive pursuant to this Agreement or otherwise ("Payments") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Code and (b) but for this section, be subject to the excise tax imposed by Section 4999 of the Code, any successor provisions, or any comparable federal, state, local or foreign excise tax ("Excise Tax"), then, subject to the provisions of Section 8(e)(iv), such Payments shall be either (1) provided in full pursuant to the terms of this Agreement or any other applicable agreement, or (2) provided as to such lesser extent which would result in no portion of such Payments being subject to the Excise Tax ("Reduced Amount"), whichever of the foregoing amounts, taking into account the applicable federal, state, local and foreign income, employment and other taxes and the Excise Tax (including, without limitation, any interest or penalties on such taxes), results in the receipt by Executive, on an after-tax basis, of the greatest amount of payments and benefits provided for hereunder or otherwise, notwithstanding that all or some portion of such Payments may be subject to the Excise Tax. If Executive's payments or benefits are delivered to a lesser extent in accordance with this clause (2) above, then Executive's aggregate benefits shall be reduced in the following order: (i) cash severance pay that is exempt from Section 409A; (ii) any other cash severance pay; (iii) reimbursement payments under Section 4(c), above; (iv) any restricted stock; (v) any equity awards other than restricted stock and stock options; and (vi) stock options. Unless the Company and Executive otherwise agree in writing, any determination required under this Section shall be made by an independent advisor designated by the Company and reasonably acceptable to Executive ("Independent Advisor"), whose determination shall be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required under this Section, Independent Advisor may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code; provided that Independent Advisor shall assume that Executive pays all taxes at the highest marginal rate. The Company and Executive shall furnish to Independent Advisor such information and documents as Independent Advisor may reasonably request in order to make a determination under this Section. The Company shall bear all costs that Independent Advisor may incur in connection with any calculations contemplated by this Section. In the event that this Section 8(e)(iii) applies, then based on the information provided to Executive and the Company by Independent Advisor, Executive may, in Executive's sole discretion and within thirty

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days of the date on which Executive is provided with the information prepared by Independent Advisor, determine which and how much of the Payments (including the accelerated vesting of equity compensation awards) to be otherwise received by Executive shall be eliminated or reduced (as long as after such determination the value (as calculated by Independent Advisor in accordance with the provisions of Sections 280G and 4999 of the Code) of the amounts payable or distributable to Executive equals the Reduced Amount). If the Internal Revenue Service (the "IRS") determines that any Payment is subject to the Excise Tax, then Section 8(e)(iv) hereof shall apply, and the enforcement of Section 8(e)(iv) shall be the exclusive remedy to the Company.

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

### 9. Certain Employment Obligations.

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

#### (b) Non-Compete.

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

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

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

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

(c) **Non-Solicitation of Employees.** During the Term of Employment and for a period of 24 months following the Executive's termination of that employment with the Company, the Executive shall not, without

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the written permission of the Company or an affected affiliate, directly or indirectly (i) solicit, employ or retain, or have or cause any other person or entity to solicit, employ or retain, any person who is employed by the Company or was employed by the Company during the 6-month period prior to such solicitation, employment, or retention; (ii) encourage any such person not to devote his or her full business time to the Company; or (iii) agree to hire or employ any such person.

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

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

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

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

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

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

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

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

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## EXHIBIT 10.49

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

(e) The Executive agrees to pay to the Company immediately upon the Breach Determination Date the amount payable by the Executive to the Company pursuant to this Section.

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

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

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

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

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

14. **Notice.** For the purposes of this Agreement, notices, demands and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or (unless

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**EXHIBIT 10.49**

otherwise specified) mailed by United States registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: Douglas Baker  
Ross Stores, Inc.  
1372 Broadway, 10<sup>th</sup> Floor  
New York, NY 10018

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

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

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

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

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

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

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## EXHIBIT 10.49

19. **Arbitration.** The Company and Executive shall resolve all disputes or claims 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) in accordance with the Company's then-current Dispute Resolution Agreement ("Arbitration Agreement"). In the event that Executive has not signed the Arbitration Agreement, the Executive and the Company hereby mutually agree that all such disputes shall be fully, finally and exclusively resolved by binding arbitration conducted by the American Arbitration Association in the city in which the Executive's principal place of employment is located by an arbitrator mutually agreed upon by the parties hereto or, in the absence of such agreement, by an arbitrator selected in accordance with the then-current Employment Arbitration Rules of the American Arbitration Association (which can be found at [www.adr.org](http://www.adr.org) under "Rules & Procedures"), provided, however, that nothing in this arbitration provision or the Arbitration Agreement shall prevent either the Executive or the Company from seeking interim or temporary injunctive or equitable relief from a court of competent jurisdiction pending arbitration.

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

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

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

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

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

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

(c) **Health Care and Estate Planning Benefits.** In the event that all or any of the health care or estate planning benefits to be provided pursuant to Sections 8 (a)(vii); 8(e)(i)(2)(c) or 8(e)(i)(2)(d) as a result of a Participant's Separation from Service constitute Section 409A Deferred Compensation, the Company shall provide for

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## EXHIBIT 10.49

such benefits constituting Section 409A Deferred Compensation in a manner that complies with Section 409A. To the extent necessary to comply with Section 409A, the Company shall determine the health care premium cost necessary to provide such benefits constituting Section 409A Deferred Compensation for the applicable coverage period and shall pay such premium cost which becomes due and payable during the applicable coverage period on the applicable due date for such premiums; provided, however, that if the Executive is a Specified Employee, the Company shall not pay any such premium cost until the Delayed Payment Date. If the Company's payment pursuant to the previous sentence is subject to a Delayed Payment Date, the Executive shall pay the premium cost otherwise payable by the Company prior to the Delayed Payment Date, and on the Delayed Payment Date the Company shall reimburse the Executive for such Company premium cost paid by the Executive and shall pay the balance of the Company's premium cost necessary to provide such benefit coverage for the remainder of the applicable coverage period as and when it becomes due and payable over the applicable period.

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

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

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

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

23. **Future Equity Compensation.** The Executive understands and acknowledges that all awards, if any, of stock options, restricted stock, performance shares and other forms of equity compensation by the Company are made at the sole discretion of the Board or such other committee or person designated by the Board. The Executive further understands and acknowledges, however, that unless the Executive has executed this Agreement and each successive amendment extending the Initial Term or any subsequent Renewal Term of the Agreement as may be agreed to by the Company and the Executive, it is the intention of the Board and the Executive that, notwithstanding any continued employment with the Company, (a) the Company shall have no obligation to grant any award of stock options, restricted stock, performance shares or any other form of equity compensation which might otherwise have

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**EXHIBIT 10.49**

been granted to the Executive on or after the intended commencement of the Initial Term or such successive Renewal Term for which the Executive has failed to sign the Agreement or the applicable Term of Employment extension amendment and (b) any such award which is nevertheless granted to the Executive after the intended commencement of the Initial Term or Renewal Term for which the Executive has failed to sign such Agreement or applicable extension amendment shall not vest unless and until the Executive has executed the Agreement or applicable extension amendment, notwithstanding the provisions of any agreement evidencing such award to the contrary.

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

**ROSS STORES, INC.**

**EXECUTIVE**

/s/Michael Balmuth

By: Michael Balmuth  
Vice Chairman and Chief  
Executive Officer

/s/Douglas Baker

Douglas Baker  
President and Chief Merchandising Officer,  
dd's DISCOUNTS

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**CONFIDENTIAL SEPARATION AGREEMENT AND GENERAL RELEASE**

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

1. Executive \_\_\_\_\_ employment with Ross effective \_\_\_\_\_ (the “Separation Date”).
2. Any inquiries by prospective employers or others should be referred to Ross’ third party provider The Work Number, phone number 1-800-367-5690 or <http://www.theworknumber.com>.
3. Executive understands that the Executive Employment Agreement, effective \_\_\_\_\_ (“Executive Agreement”), requires Executive to execute this General Release as a condition to receiving cash payments, benefits and equity as may be provided under the terms of the Executive Agreement.
4. In consideration for Ross’ promises herein, Executive knowingly and voluntarily releases and forever discharges Ross, and all parent corporations, affiliates, subsidiaries, divisions, successors and assignees, as well as the current and former employees, attorneys, officers, directors and agents thereof (collectively referred to throughout the remainder of this Agreement as “Releasees”), of and from any and all claims, judgments, promises, agreements, obligations, damages, losses, costs, expenses (including attorneys’ fees) or liabilities of whatever kind and character, known and unknown, which Executive may now have, has ever had, or may in the future have, arising from or in any way connected with any and all matters from the beginning of time to the date hereof, including but not limited to any alleged causes of action for:
  - Title VII of the Civil Rights Act of 1964, as amended
  - The National Labor Relations Act, as amended
  - The Civil Rights Act of 1991
  - Sections 1981 through 1988 of Title 42 of the United States Code, as amended
  - The Employee Retirement Income Security Act of 1974, as amended
  - The Immigration Reform and Control Act, as amended
  - The Americans with Disabilities Act of 1990, as amended
  - The Age Discrimination in Employment Act of 1967, as amended
  - The Occupational Safety and Health Act, as amended
  - The Sarbanes-Oxley Act of 2002
  - The United States Equal Pay Act of 1963
  - The New York State Civil Rights Act, as amended
  - The New York Equal Pay Law, as amended
  - The New York State Human Rights Law, as amended
  - The New York City Administrative Code and Charter, as amended
  - The New York State Labor Law, as amended
  - The Retaliation Provisions of the New York State Workers Compensation Law and the New York State Disability Benefits Law, as amended
  - Any other federal, state or local civil or human rights law or any other local, state or federal law, regulation or ordinance
  - Any public policy, contract, tort, or common law
  - Any claim for costs, fees, or other expenses including attorneys’ fees incurred in these matters
5. This Agreement does not prevent Executive from filing a charge of discrimination with the Equal Employment Opportunity Commission, although by signing this Agreement Executive waives his or her right to recover any damages or other relief in any claim or suit brought by or through the Equal Employment Opportunity Commission or any other state or local agency on his or her behalf under any federal or state discrimination law, except where prohibited by law. Executive agrees to release and discharge Ross not only from any and all claims which he or she could make on his or her own behalf but also specifically waive any right to become, and promise not to become, a member of any class in any proceeding or case in which a claim or claims against Ross may arise, in whole or in part, from any event which occurred as of the date of this Agreement. Executive agrees to pay for any legal fees or costs incurred by Ross as a result of any breach of the promises in this paragraph. The parties agree that if Executive, by no action of his or her own, becomes a mandatory

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

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Ross' Initials

**EXHIBIT 10.49**

member of any class from which he or she cannot, by operation of law or order of court, opt out, Executive shall not be required to pay for any legal fees or costs incurred by Ross as a result.

6. Executive affirms that he or she has been paid and/or has received all leave (paid or unpaid), compensation, wages, bonuses, commissions, and/or benefits to which he or she may be entitled and that no other leave (paid or unpaid), compensation, wages, bonuses, commissions and/or benefits are due to him or her, except as provided in this Agreement. Executive furthermore affirms that he or she has no known workplace injuries or occupational diseases and has been provided and/or has not been denied any leave requested, including any under the Family and Medical Leave Act or any other leaves authorized by federal or state law, and that Executive has not reported any purported improper, unethical or illegal conduct or activities to any supervisor, manager, executive human resources representative or agent of Ross Stores and has no knowledge of any such improper, unethical or illegal conduct or activities. Executive additionally represents and affirms that during the course of employment at Ross, Executive has taken no actions contrary to or inconsistent with Executive's job responsibilities or the best interests of Ross' business.
7. The parties expressly acknowledge that those certain employment obligations set forth in the Executive Agreement, including but not limited to all obligations set forth in Paragraph 9 of the Executive Agreement, shall remain in full force and effect for the time period(s) specified in the Executive Agreement.
8. Executive agrees that this is a private agreement and that he or she will not discuss the fact that it exists or its terms with anyone else except with his or her spouse, attorney, accountant, or as required by law. Further, Executive agrees not to defame, disparage or demean Ross in any way (excluding actions or communications expressly required or permitted by law).
9. Any party to this Agreement may bring an action in law or equity for its breach. Unless otherwise ordered by the Court, only the provisions of this Agreement alleged to have been breached shall be disclosed.
10. This Agreement has been made in the State of New York and the law of said State shall apply to it. If any part of this Agreement is found to be invalid, the remaining parts of the Agreement will remain in effect as if no invalid part existed.
11. This Agreement sets forth the entire agreement between the parties hereto, and fully supersedes any prior agreements or understandings between the parties, except for any confidentiality, trade secrets and inventions agreements previously entered into with the company (which will remain in full force and effect), and may not be modified except in a writing agreed to and signed by both parties, providing however that Employer may modify this form of agreement from time to time solely as needed to comply with federal, state or local laws in effect that the time this Agreement is to be executed. Executive acknowledges that he or she has not relied on any representations, promises, or agreements of any kind made to him or her in connection with his or her decision to accept this Agreement except for those set forth in this Agreement.
12. Executive further agrees to make him or herself available as needed and fully cooperate with Ross in defending any anticipated, threatened, or actual litigation that currently exists, or may arise subsequent to the execution of this Agreement. Such cooperation includes, but is not limited to, meeting with internal Ross employees to discuss and review issues which Executive was directly or indirectly involved with during employment with Ross, participating in any investigation conducted by Ross either internally or by outside counsel or consultants, signing declarations or witness statements, preparing for and serving as a witness in any civil or administrative proceeding by both depositions or a witness at trial, reviewing documents and similar activities that Ross deems necessary. Executive further agrees to make him or herself available as needed and cooperate in answering questions regarding any previous or current project Executive worked on while employed by Ross so as to insure a smooth transition of responsibilities and to minimize any adverse consequences of Executive's departure.

**FOR 40+**

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

(a) Has carefully read and understands this Agreement;

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Executive's Initials

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Ross' Initials

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**EXHIBIT 10.49**

(b) Has been given a full twenty-one (21) days within which to consider the terms of this Agreement and consult with an attorney of his or her choice, and to the extent he or she executes this Agreement prior to expiration of the full twenty-one (21) days, knowingly and voluntarily waives that period following consultation with an attorney of his or her choice;

(c) Is, through this Agreement, releasing Ross from any and all claims he or she may have against it that have arisen as of the date of this Agreement, including but not limited to, rights or claims arising under the Age Discrimination in Employment Act of 1967 (29 U.S.C. §621, *et seq.*);

(d) Knowingly and voluntarily agrees to all of the terms set forth in this Agreement;

(e) Knowingly and voluntarily intends to be legally bound by the same;

(f) Is hereby advised in writing to consider the terms of this Agreement and to consult with an attorney of his or her choice prior to executing this Agreement;

(g) Has consulted with an attorney of his or her choosing prior to signing this Agreement;

(h) Understands that rights or claims under the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621, *et seq.*) that may arise after the date of this Agreement are not waived;

(i) Has a full seven (7) days following the execution of this Agreement to revoke this Agreement ("the Revocation Period") in writing and hereby is advised that this Agreement shall not become effective or enforceable until the Revocation Period has expired.

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

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

Dated: \_\_\_\_\_

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

Dated: \_\_\_\_\_

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

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

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

**EXHIBIT 21****SUBSIDIARIES & AFFILIATES**

Certain subsidiaries and affiliates of the Registrant and their subsidiaries are listed below. The names of certain subsidiaries, which considered in the aggregate would not constitute a significant subsidiary, have been omitted.

| Subsidiary Name              | Domiciled | Date of Incorporation |
|------------------------------|-----------|-----------------------|
| Ross Procurement, Inc.       | Delaware  | November 22, 2004     |
| Ross Merchandising, Inc.     | Delaware  | January 12, 2004      |
| Ross Dress for Less, Inc.    | Virginia  | January 14, 2004      |
| Retail Assurance Group, Inc. | Hawaii    | October 15, 1991      |

**EXHIBIT 23**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements No. 33-61373, No. 333-06119, No. 333-34988, No. 333-51478, No. 333-56831, No. 333-115836, and No. 333-151116 on Form S-8, and No. 333-198738 on Form S-3 of our report dated March 31, 2015, relating to the consolidated financial statements of Ross Stores, Inc. and subsidiaries (the "Company"), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended January 31, 2015.

/s/DELOITTE & TOUCHE LLP

San Francisco, California  
March 31, 2015

**EXHIBIT 31.1**

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

I, Barbara Rentler, certify that:

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

Date: March 31, 2015

/s/Barbara Rentler

Barbara Rentler

Chief Executive Officer

**EXHIBIT 31.2**

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

I, Michael J. Hartshorn, certify that:

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

Date: March 31, 2015

/s/Michael J. Hartshorn

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Michael J. Hartshorn

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



**EXHIBIT 32.1**

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

In connection with the Annual Report of Ross Stores, Inc. (the "Company") on Form 10-K for the year ended January 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barbara Rentler, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

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

Date: March 31, 2015

/s/Barbara Rentler

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Barbara Rentler

Chief Executive Officer

**EXHIBIT 32.2**

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

In connection with the Annual Report of Ross Stores, Inc. (the "Company") on Form 10-K for the year ended January 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael J. Hartshorn, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

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

Date: March 31, 2015

/s/Michael J. Hartshorn

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Michael J. Hartshorn

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

