

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

FORM 10-Q

(Mark one)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
--- SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED APRIL 29, 2000

OR

--- TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-14678

ROSS STORES, INC.  
(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No  
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The number of shares of Common Stock, with \$.01 par value, outstanding on May 26, 2000 was 82,967,000.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ROSS STORES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

(\$000)	APRIL 29, 2000	January 29, 2000	May 1, 1999
ASSETS	(UNAUDITED)	(Note A)	(Unaudited)
CURRENT ASSETS			
Cash and cash equivalents	\$ 32,632	\$ 79,329	\$ 33,307
Accounts receivable	17,003	15,689	15,199
Merchandise inventory	555,619	500,494	516,107
Prepaid expenses and other	19,068	17,682	16,301
Total Current Assets	624,322	613,194	580,914
PROPERTY AND EQUIPMENT			
Land and buildings	50,079	49,919	48,937
Fixtures and equipment	272,495	262,022	225,571
Leasehold improvements	164,088	161,571	146,020
Construction-in-progress	23,644	26,040	30,878

	510,306	499,552	451,406
Less accumulated depreciation and amortization	234,164	226,388	201,613
	276,142	273,164	249,793
Deferred income taxes and other assets	63,666	61,320	50,439
<b>TOTAL ASSETS</b>	<b>\$964,130</b>	<b>\$947,678</b>	<b>\$881,146</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$291,508	\$254,293	\$253,473
Accrued expenses and other	119,667	102,178	101,316
Accrued payroll and benefits	33,901	48,283	31,262
Income taxes payable	24,803	17,716	21,233
<b>Total Current Liabilities</b>	<b>469,879</b>	<b>422,470</b>	<b>407,284</b>
Long-term debt	20,000	-	-
Long-term liabilities	54,762	51,777	45,570
<b>STOCKHOLDERS' EQUITY</b>			
Common stock	834	888	915
Additional paid-in capital	226,137	234,635	217,410
Retained earnings	192,518	237,908	209,967
	419,489	473,431	428,292
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$964,130</b>	<b>\$947,678</b>	<b>\$881,146</b>

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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ROSS STORES, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

	THREE MONTHS ENDED	
(\$000 except per share data, unaudited)	APRIL 29, 2000	MAY 1, 1999
<b>SALES</b>	<b>\$633,428</b>	<b>\$550,825</b>
<b>COSTS AND EXPENSES</b>		
Cost of goods sold and occupancy	434,425	379,378
General, selling and administrative	121,446	106,192
Depreciation and amortization	10,478	9,320
Interest expense (income)	5	(162)
	566,354	494,728
Earnings before taxes	67,074	56,097
Provision for taxes on earnings	26,226	21,934
<b>Net earnings</b>	<b>\$40,848</b>	<b>\$34,163</b>
<b>Net earnings per share:</b>		
Basic	\$.48	\$.37
Diluted	\$.47	\$.37
<b>Weighted average shares outstanding:</b>		
Basic	85,287	91,928
Diluted	86,177	93,480

Stores open at end of period	385	355
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See notes to condensed consolidated financial statements.

ROSS STORES, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$000, unaudited)	THREE MONTHS ENDED	
	APRIL 29, 2000	MAY 1, 1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$40,848	\$34,163
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	10,478	9,320
Other amortization	2,641	2,498
Change in assets and liabilities:		
Merchandise inventory	(55,125)	(49,647)
Other current assets - net	(2,701)	(4,109)
Accounts payable	40,544	8,376
Other current liabilities - net	(3,375)	(10,882)
Other	1,361	1,025
Net cash provided by (used in) operating activities	34,671	(9,256)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(18,031)	(17,247)
Net cash used in investing activities	(18,031)	(17,247)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowing under lines of credit	17,200	15,600
Proceeds from long-term debt	20,000	-
Issuance of common stock related to stock plans	2,090	3,118
Repurchase of common stock	(99,439)	(36,000)
Dividends paid	(3,188)	(2,991)
Net cash used in financing activities	(63,337)	(20,273)
Net decrease in cash and cash equivalents	(46,697)	(46,776)
Cash and cash equivalents:		
Beginning of year	79,329	80,083
End of quarter	\$32,632	\$33,307
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Interest paid	\$95	\$42
Income taxes paid	\$19,226	\$19,535

See notes to condensed consolidated financial statements.

ROSS STORES, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended April 29, 2000 and May 1, 1999  
(Unaudited)

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared from the records of the company without audit and, in the opinion of management, include all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position at April 29, 2000 and May 1, 1999; the interim results of operations for the three months ended April 29, 2000 and May 1, 1999; and changes in cash flows for the three months ended April 29, 2000 and May 1, 1999. The balance sheet at January 29, 2000, presented herein, has been derived from the audited financial statements of the company for the fiscal year then ended. Certain reclassifications have been made to the 1999 presentation to conform to the 2000 presentation.

Accounting policies followed by the company are described in Note A to the audited consolidated financial statements for the fiscal year ended January 29, 2000. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted for purposes of the interim condensed consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including notes thereto, for the year ended January 29, 2000.

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

The condensed consolidated financial statements at April 29, 2000 and May 1, 1999, and for the three months then ended, have been reviewed, prior to filing, by the registrant's independent accountants whose report covering their review of the financial statements is included in this report on page 6.

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INDEPENDENT ACCOUNTANTS' REPORT

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

We reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. (the "Company") as of April 29, 2000 and May 1, 1999, and the related condensed consolidated statements of earnings and cash flows for the three-month periods then ended. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Ross Stores, Inc. as of January 29, 2000, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 10, 2000, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 29, 2000 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

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

This section and other parts of this Form 10-Q contain forward-looking statements that involve risks and uncertainties. The Company's actual results may vary significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsection entitled "Forward-Looking Statements and Factors Affecting Future Performance" below. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Form 10-Q and the consolidated financial statements in the Company's 1999 Form 10-K. All information is based on the Company's fiscal calendar.

RESULTS OF OPERATIONS

PERCENTAGE OF SALES

	THREE MONTHS ENDED	
	APRIL 29, 2000	MAY 1, 1999
SALES		
Sales (\$000)	\$633,428	\$550,825
Sales growth	15.0%	13.7%
Comparable store sales growth	7%	7%
COSTS AND EXPENSES		
Cost of goods sold and occupancy	68.6%	68.9%
General, selling and administrative	19.2%	19.3%
Depreciation and amortization	1.7%	1.7%
Interest expense (income)	0%	(0)%
EARNINGS BEFORE TAXES	10.6%	10.2%
PROVISION FOR TAXES ON EARNINGS	4.1%	4.0%
NET EARNINGS	6.4%	6.2%

SALES

The increase in sales for the three months ended April 29, 2000, compared to the same period in the prior year, reflects an increase in the number of stores open during the current period of approximately 8% plus the 7% increase in comparable store sales.

COSTS AND EXPENSES

Cost of goods sold and occupancy expenses as a percentage of sales for the three months ended April 29, 2000 decreased compared to the same period in the prior year, primarily due to (i) leverage on occupancy costs realized from the increase in comparable store sales; and (ii) improved merchandise margins, mainly from a lower rate of markdowns.

The decrease in general, selling and administrative expenses as a percentage of sales for the three months ended April 29, 2000, compared to the same period in the prior year, primarily

reflects leverage due to the increase in comparable store sales, partially offset by higher distribution expense, benefits costs and bankcard fees.

#### EARNINGS BEFORE TAXES AND NET EARNINGS

The increase in earnings before taxes and net earnings as a percentage of sales in the three months ended April 29, 2000, compared to the same period in the prior year, is primarily due to the improvement in the cost of goods sold and occupancy and general, selling and administrative expense ratios. The company's effective tax rate was 39.1% in both years.

#### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The primary uses of cash during the three months ended April 29, 2000 were for (i) the repurchase of the company's common stock; (ii) the purchase of inventory; and (iii) capital expenditures for new stores, improvements to existing store locations, and various other capital expenditures at the company's central office and distribution centers.

In January 2000, the company announced a \$300.0 million common stock repurchase program to be completed over the next two years. In the three months ended April 29, 2000, the company repurchased approximately 5.9 million shares for an aggregate purchase price of approximately \$99.4 million.

The company has available under its principal bank credit agreement a \$160.0 million revolving credit facility and a \$30.0 million credit facility for the issuance of letters of credit, both of which expire in September 2002. Additionally, the company has uncommitted short-term bank lines of credit totaling \$45.0 million. At April 29, 2000, the company had \$37.2 million outstanding under these credit agreements, of which \$20.0 million is classified as long-term debt under the company's revolving credit facility.

The company estimates that cash flow from operations, bank credit lines and trade credit are adequate to meet operating cash needs as well as to provide for the two-year stock repurchase program of up to \$300.0 million in 2000 and 2001, dividend payments and planned capital additions during the upcoming year.

#### FORWARD-LOOKING STATEMENTS AND FACTORS AFFECTING FUTURE PERFORMANCE

In this report and from time to time the company may make forward-looking statements, which reflect the company's current beliefs and estimates with respect to future events and the company's future financial performance, operations and competitive strengths. The words "expect," "anticipate," "estimate," "believe," "looking ahead," "forecast," "plan" and similar expressions identify forward-looking statements.

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

As a result, these forward-looking statements are subject to certain risks and uncertainties that could cause the company's actual results to differ materially from historical results or current expectations. These factors include, without limitation, ongoing competitive pressures in the apparel industry, obtaining acceptable store locations, the company's ability to continue to purchase attractive name-brand merchandise at desirable discounts, successful implementation of the company's merchandise diversification strategy, the company's ability to successfully extend its geographic reach, unseasonable weather trends, changes in the level of consumer spending on or preferences in apparel or home-related merchandise, the company's ability to complete the two-year \$300.0 million repurchase program in 2000 and 2001 at purchase prices that result in accretion to earnings per share in line with planned expectations, and greater than planned costs, including higher settlement costs than anticipated in the company's preliminary understanding to resolve a class action complaint

alleging store managers and assistant managers in California are incorrectly classified as exempt from state overtime laws. In addition, the company's corporate headquarters, one of its distribution centers and 42% of its stores are located in California. Therefore, a downturn in the California economy or a major natural disaster there could significantly affect the company's operating results and financial condition.

In addition to the above factors, the apparel industry is highly seasonal. The combined sales of the company for the third and fourth (holiday) fiscal quarters are historically higher than the combined sales for the first two fiscal quarters. The company has realized a significant portion of its profits in each fiscal year during the fourth quarter. If intensified price competition, lower than anticipated consumer demand or other factors, were to occur during the third and fourth quarters, and in particular during the fourth quarter, the company's fiscal year results could be adversely affected.

The company does not undertake to publicly update or revise these forward-looking statements even if experience or future changes indicate that any projected results expressed or implied therein will not be realized.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management believes that the market risk associated with the company's ownership of market-risk sensitive financial instruments (including interest rate risk and equity price risk) as of April 29, 2000 is not material.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Incorporated herein by reference to the list of Exhibits contained in the Exhibit Index that begins on page 13 of this Report.

(b) Reports on Form 8-K

None.

SIGNATURES

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

ROSS STORES, INC.  
Registrant

Date: June 12, 2000

/s/ J. Call

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

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INDEX TO EXHIBITS

Exhibit  
Number  
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Exhibit  
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3.1

Corrected First Restated Certificate of Incorporation,

incorporated by reference to Exhibit 3.1 to the Form 10-K filed by Ross Stores for its year ended January 30, 1999.

- 3.2 Amended By-laws, dated August 25, 1994, incorporated by reference to Exhibit 3.2 to the Form 10-Q filed by Ross Stores for its quarter ended July 30, 1994.
- 10.41 Independent Contractor Consultancy Agreement effective February 1, 2000 between Norman A. Ferber and Ross Stores, Inc.
- 10.42 Retirement Benefit Package Agreement effective February 1, 2000 between Norman A. Ferber and Ross Stores, Inc.
- 15 Letter re: Unaudited Interim Financial Information.
- 27 Financial Data Schedules.



INDEPENDENT CONTRACTOR CONSULTANCY AGREEMENT

This Independent Contractor Consultancy Agreement (the "Consultancy Agreement") is made and entered into, effective as of February 1, 2000 ("Effective Date"), by and between Ross Stores, Inc., having a principal place of business at 8333 Central Avenue, Newark, California 94560-3433 ("Company") and Norman A. Ferber, an individual, having a principal place of business at 459 Hamilton Avenue, Palo Alto, California 94301 ("Contractor").

1. ENGAGEMENT OF SERVICES. Company hereby retains Contractor to provide consulting services in connection with the management and operation of Company's business.

2. COMPENSATION.

2.1 FEES. Company will pay Contractor an annual fee, upon receipt of invoice for services rendered, in the amount of \$1,100,000, payable in equal monthly installments.

2.2 EXPENSES. Contractor will be reimbursed only for reasonable expenses incurred in connection with Contractor's performance of services to Company under this Agreement, provided that Contractor promptly provides documentation for expenses as Company may reasonably request.

3. INDEPENDENT CONTRACTOR RELATIONSHIP. Contractor's relationship with Company is that of an independent contractor, and nothing in this Consultancy Agreement is intended to, or should be construed to, create a partnership, agency, joint venture or employment relationship. Contractor is not authorized to make any representation, contract or commitment on behalf of Company unless specifically requested or authorized in writing to do so by Company's Chief Executive Officer ("CEO"). Contractor will be solely responsible for obtaining any business or similar licenses required by any federal, state or local authority. Contractor is solely responsible for, and will file, all tax returns and payments required to be filed with, or made to, any federal, state or local tax authority with respect to the performance of services and receipt of fees under this Consultancy Agreement. Contractor is solely responsible for expenses incurred in the course of performing services under this Consultancy Agreement, except as otherwise provided herein. No part of Contractor's compensation will be subject to withholding by Company for the payment of any social security, federal, state or any other employee payroll taxes. Company will regularly report amounts paid to Contractor by filing Form 1099-MISC with the Internal Revenue Service as required by law.

3.1 METHOD OF PERFORMING SERVICES; RESULTS. In accordance with Company's objectives, Contractor will determine the method, details and means of performing the services required by this Consultancy Agreement. Company shall have no right to, and shall not, control the manner or determine the method of performing Contractor's services. Contractor shall perform such consulting services as shall be reasonably requested by Company's CEO.

3.2 WORKPLACE, HOURS AND INSTRUMENTALITIES. Contractor may perform the services required by this Consultancy Agreement at any place or location and at such times as

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Contractor shall determine. Both Contractor and Company agree that Contractor will provide consulting services no more than 2-3 days per week and it is further understood that Contractor will not be available for consulting services during extended vacation periods. Contractor agrees to provide all tools and instrumentalities, if any, required to perform the services under this Consultancy Agreement.

4. CONSULTING SERVICES IN CONNECTION WITH BUSINESS TRANSACTION. In addition to the fees set forth in subsection 2.1 above, upon the consummation of a Business Transaction (defined below) and provided that Ross' Board of Directors has requested that Ferber provide consulting

services in connection with any such Business Transaction, Ross shall pay to Ferber an additional lump sum consulting fee in the amount of \$1,500,000 (the "Lump Sum Fee"). Ferber shall be entitled to payment of the Lump Sum Fee with respect to any Business Transaction for which Ferber provided consulting services, notwithstanding that the consummation thereof occurred after the expiration or termination of this Consultancy Agreement, payable within a reasonable time of the close of such transaction. If the Lump Sum Fee is subject to the tax imposed by Section 4999 of the Internal Revenue Code (the "Excise Tax"), Ross shall reimburse Ferber in an amount such that, after deduction of any Excise Tax payments paid by Ferber, and any federal, state or local income tax and Excise Taxes paid as a result of such reimbursement, the net funds retained by Ferber shall be equal to the Lump Sum Fee. For purposes of this Consultancy Agreement, a Business Transaction shall be deemed to have occurred if:

(a) Any person or group (within the meaning of Rule 13d-3 of the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended), shall acquire, in or a series of transactions, whether through sale of stock or merger, ownership of stock of Ross that possesses more than 30% of the total fair market value or total voting power of the stock of Ross or any successor to Ross; or

(b) A merger in which Ross is a party, after which merger the stockholders of Ross do not retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the surviving company; or

(c) The sale, exchange, or transfer of all or substantially all of Ross' assets (other than a sale, exchange, or transfer to one or more corporations where the stockholders of Ross 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).

## 5. CONFIDENTIALITY.

### 5.1 CONFIDENTIAL INFORMATION.

#### (a) DEFINITION OF CONFIDENTIAL INFORMATION.

"Confidential Information" as used in this Consultancy Agreement shall mean any and all technical and non-technical information including patent, copyright, trade secret, and proprietary information, techniques, sketches, drawings, models, inventions, know-how, processes, apparatus, equipment, algorithms, software programs, software source documents, and formulae related to the current,

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future and proposed products and services of Company, Company's suppliers and customers, and includes, without limitation, Company innovations, Company property, and Company's information concerning research, experimental work, development, design details and specifications, engineering, financial information, procurement requirements, purchasing manufacturing, customer lists, business forecasts, sales and merchandising and marketing plans and information.

(b) NONDISCLOSURE AND NONUSE OBLIGATIONS. Except as permitted in this section, Contractor shall neither use nor disclose the Confidential Information. Contractor may use the Confidential Information solely to perform services for the benefit of Company. Contractor agrees that Contractor shall treat all Confidential Information of Company with the same degree of care as Contractor accords to Contractor's own Confidential Information, but in no case less than reasonable care. Contractor agrees not to communicate any information to Company in violation of the proprietary rights of any third party. Contractor will immediately give notice to Company of any unauthorized use or disclosure of the Confidential Information and agrees to assist Company in remedying any such unauthorized use or disclosure.

(c) EXCLUSIONS FROM NONDISCLOSURE AND NONUSE OBLIGATIONS. Contractor's obligations under Section 4.1(b) ("Nondisclosure and Nonuse Obligations") with respect to any portion of the Confidential Information shall not apply to any such portion which Contractor can demonstrate, (a) was in the public domain at or subsequent to the time such

portion was communicated to Contractor by Company through no fault of Contractor; (b) was rightfully in Contractor's possession free of any obligation of confidence at or subsequent to the time such portion was communicated to Contractor by Company; or (c) was developed by Contractor independently of and without reference to any information communicated to Contractor by Company. A disclosure of Confidential Information by Contractor, either (a) in response to a valid order by a court or other governmental body, (b) otherwise required by law, or (c) necessary to establish the rights of either party under this Consultancy Agreement, shall not be considered to be a breach of this Consultancy Agreement or a waiver of confidentiality for other purposes; provided, however, that Contractor shall provide prompt prior written notice thereof to Company to enable Company to seek a protective order or otherwise prevent such disclosure.

5.2 OWNERSHIP AND RETURN OF COMPANY PROPERTY. All materials (including, without limitation, documents, drawings, models, apparatus, sketches, designs, blueprints, studies, memoranda, specifications, lists, and all other tangible media of expression) furnished to Contractor by Company, whether delivered to Contractor by Company or made by Contractor in the performance of services under this Consultancy Agreement (collectively, the "Company Property") are the sole and exclusive property of Company or Company's suppliers or customers, and Contractor hereby does and will assign to Company all rights, title and interest Contractor may have or acquire in the Company Property. Contractor agrees to keep all Company Property at Contractor's premises unless otherwise permitted in writing by Company. At Company's request and no later than five (5) days after such request, Contractor shall destroy or deliver to Company, at Company's option, (a) all Company Property, (b) all tangible media of expression in Contractor's possession or control which incorporate or in which are fixed any Confidential Information, and (c) written certification of Contractor's compliance with Contractor's obligations under this sentence.

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6. OBSERVANCE OF COMPANY RULES. At all times while on Company's premises, Contractor will observe Company's rules and regulations with respect to conduct, health and safety and protection of persons and property.

7. NO CONFLICT OF INTEREST. Contractor may perform services for any other person or entity so long as Contractor's performance of such services does not interfere, or become incompatible or inconsistent with Contractor's obligations to, or the scope of services rendered for, Company under this Consultancy Agreement. Contractor warrants that, to the best of Contractor's knowledge, there is no other contract or duty on Contractor's part that conflicts with or is inconsistent with this Consultancy Agreement. Contractor agrees that during the term of this Consultancy Agreement, Contractor shall not provide any labor, work, services or assistance to (whether as an officer, director, employee, partner, agent, owner, independent contractor or otherwise) Burlington Coat Factory Warehouse Corporation, Dillard Department Stores, Inc., The Federated Stores, Filene's Basement Corp., The TJX Companies, Inc., The May Department Stores Company, and/or Value City Department Stores, Inc., as well as all subsidiaries, divisions and/or the surviving entity of any of the above that do business in the retail industry in the event of a merger or acquisition.

8. TERM AND TERMINATION.

8.1 TERM. This Consultancy Agreement is effective as of the Effective Date set forth above and will continue until January 31, 2001 ("Consultancy Termination Date"). This Consultancy Agreement is renewable upon the mutual consent of both parties. The terms of such renewal must be in writing and signed by both Company and Contractor.

8.2 TERMINATION OF AGREEMENT PRIOR TO THE CONSULTANCY TERMINATION DATE. Contractor shall receive the full annual fee specified in subsection 2.1, regardless of whether this Agreement terminates prior to the Consultancy Termination Date, unless the Agreement is terminated by Company for Cause or by Contractor without Good Reason. For purposes of this Agreement, "Cause" shall mean Contractor's breach of sections 5 ("Confidentiality") and 7 ("No Conflict of Interest") and "Good Reason" shall mean Company's material breach of this Agreement.

8.3 SURVIVAL. The rights and obligations contained in

Sections 4 ("Consulting Services In Connection With Business Transaction"), 5 ("Confidential Information"), 8.2 ("Survival"), and 9 ("General Provisions") will survive any termination or expiration of this Consultancy Agreement.

9. GENERAL PROVISIONS.

9.1 SUCCESSORS AND ASSIGNS. The rights and obligations of Company under this Consultancy shall inure to the benefit of and shall be binding upon the successors and assigns of Company. Contractor may not assign Contractor's rights, subcontract or otherwise delegate its obligations under this Agreement without Company's prior written consent. This shall not, however, prevent Contractor from employing employees to assist in Contractor's rendering of services to Company under Contractor's supervision, as deemed necessary by Contractor.

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9.2 GOVERNING LAW. This Consultancy Agreement shall be governed in all respects by the laws of the United States of America and by the laws of the State of California, as such laws are applied to agreements entered into and to be performed entirely within California between California residents. Each of the parties irrevocably consents to the exclusive personal jurisdiction of the federal and state courts located in California, as applicable, for any matter arising out of or relating to this Consultancy Agreement, except that in actions seeking to enforce any order or any judgment of such federal or state courts located in California, such personal jurisdiction shall be nonexclusive.

9.3 SEVERABILITY. If any provision of this Consultancy Agreement is held by a court of law to be illegal, invalid or unenforceable, (i) that provision shall be deemed amended to achieve as nearly as possible the same economic effect as the original provision, and (ii) the legality, validity and enforceability of the remaining provisions of this Consultancy Agreement shall not be affected or impaired thereby.

9.4 WAIVER; AMENDMENT; MODIFICATION. No term or provision hereof will be considered waived by the parties, and no breach excused by the parties, unless such waiver or consent is in writing signed by that party. The waiver by the parties of, or consent by the parties to, a breach of any provision of this Consultancy Agreement by the other party, shall not operate or be construed as a waiver of, consent to, or excuse of any other or subsequent breach by that party. This Consultancy Agreement may be amended or modified only by mutual agreement of authorized representatives of the parties in writing.

9.5 ENTIRE AGREEMENT. This Consultancy Agreement constitutes the entire agreement between the parties relating to this subject matter and supersedes all prior or contemporaneous oral or written agreements concerning such subject matter, including the relevant terms from the parties' prior Amended and Restated Employment Agreement and its subsequent amendments. The terms of this Consultancy Agreement will govern all services undertaken by Contractor for Company.

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

If to the Executive:	Norman A. Ferber 459 Hamilton Avenue Palo Alto, CA 94301
If to the Company:	Ross Stores, Inc. 8333 Central Avenue Newark, CA 94560-3433 Attention: Corporate Secretary

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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.

9.7 ARBITRATION. In the event of any dispute or claim relating to or arising out of this Consultancy Agreement, all such disputes shall be fully, finally and exclusively resolved by binding arbitration conducted by the American Arbitration Association in Alameda County, California; provided, however, that this arbitration provision shall not apply to any disputes or claims relating to or arising out of the misuse or misappropriation of the Company's trade secrets or proprietary information.

IN WITNESS WHEREOF, the parties have executed this Consultancy Agreement on the dates shown below.

Company:

ROSS STORES, INC.

By: /s/ Michael Balmuth

Name: Michael Balmuth

Title: Vice Chairman & CEO

Date: 6/5/00

Contractor:

NORMAN A. FERBER

By: /s/ Norman A. Ferber

Title: Chairman of the Board

Date: 6/5/00

## RETIREMENT BENEFIT PACKAGE AGREEMENT

This Retirement Benefit Package Agreement (the "Retirement Agreement") is made and entered into, effective as of February 1, 2000 ("Effective Date"), by and between Ross Stores, Inc. ("Ross") and Norman A. Ferber ("Ferber"). In recognition of Ferber's past valued services as Ross' Chief Executive Officer, Ross desires to give Ferber the following "Retirement Benefit Package." The retirement benefits provided under this Retirement Agreement shall be payable without regard to the provision of any additional services by Ferber.

## 1. CONTINUED BENEFITS.

## 1.1 BENEFIT PLANS.

(a) Until the death of both Ferber and his spouse, Ferber and his Immediate Family (defined as Ferber, Ferber's spouse and Ferber's children under the age of twenty one and children twenty one or older if living at home or at college) shall be entitled to continue to participate (at no cost to them) in the following Ross employee benefit plans, in effect on the date hereof, in which Ferber now participates: executive medical, dental, vision and mental health insurance; life insurance; accidental death and dismemberment insurance; travel insurance; and group excess personal liability. Ross shall not make any changes in such plans or arrangements that would adversely affect Ferber's rights or benefits thereunder, unless such change occurs pursuant to a program applicable to all senior executives of Ross, including Ross' Chief Executive Officer, and does not result in a proportionately greater reduction in the rights of, or benefits to, Ferber as compared with any other senior executive of Ross. Ferber shall be entitled to participate in or receive benefits under any employee benefit plan or arrangement made available by Ross in the future to its executives and key management employees, subject to, and on a basis consistent with, the terms, conditions and overall administration of such plans and arrangements.

(b) Ross shall provide all benefits described in this section at no cost to Ferber and his Immediate Family and shall reimburse Ferber and his Immediate Family for any and all taxes associated with Ferber's continued receipt of such benefits, including taxes based on any cash payment paid to them as reimbursement for such taxes.

(c) If for any reason, Ferber becomes ineligible to participate in any of Ross' employee benefit plans provided for in this section, Ross shall reimburse Ferber for the cost of continuing these benefits, including all taxes associated with such and taxes based on any cash payment paid to Ferber as reimbursement for such taxes.

1.2 DISCOUNT CARDS. Until Ferber's death, Ferber and all members of his Immediate Family shall be entitled to Ross discount cards.

1.3 ESTATE PLANNING. Until Ferber's death, Ferber shall be reimbursed by Ross, or any successor to Ross, on an annual basis, for any estate planning fees or expenses actually incurred by Ferber, up to a maximum annual reimbursement equal to that provided to the Chief

Executive Officer of Ross, or any successor to Ross, but in no event less than \$10,000. Ross shall also reimburse Ferber for all federal and state income taxes that may be payable by him as a result of the foregoing reimbursement.

2. SECRETARY. Ross agrees to provide Ferber with a full-time secretary for so long as Ferber serves as a member of Ross' Board of Directors, including the services of his present secretary for so long as she is able and willing to serve.

3. CHANGE OF CONTROL. For purposes of this Retirement Agreement, in the event of a Change of Control, "Ross" shall include any other entity that is a successor to Ross and the provisions of this section shall continue to be binding on and shall be performed by such successor, if any, for the

benefit of Ferber and his heirs and successors. Further, in the event of any such Change of Control, the "senior executives" referred to in section 1 of this Retirement Agreement shall mean the senior executives who are members of the successor entity's executive committee, or equivalent; or if there is no such committee, who hold the most senior rank in the successor entity. For purposes of this Retirement Agreement, Change of Control should be deemed to have occurred if:

(a) Any person or group (within the meaning of Rule 13d-3 of the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended), shall acquire, in or a series of transactions, whether through sale of stock or merger, ownership of stock of Ross that possesses more than 30% of the total fair market value or total voting power of the stock of Ross or any successor to Ross; or

(b) A merger in which Ross is a party, after which merger the stockholders of Ross do not retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the surviving company; or

(c) The sale, exchange, or transfer of all or substantially all of Ross' assets (other than a sale, exchange, or transfer to one or more corporations where the stockholders of Ross 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).

#### 4. GENERAL PROVISIONS.

4.1 AMENDMENT; MODIFICATION. This Retirement Agreement may be amended or modified only with the written consent of Ferber and the Board of Directors of Ross, or its designated representative. No oral waiver, amendment or modification will be effective under any circumstances whatsoever

4.2 SUCCESSORS AND ASSIGNS. This Retirement Agreement and all rights of Ferber hereunder shall inure to the benefit of and be enforceable by Ferber's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. In addition, the promises and obligations contained herein will be binding on the successors and assigns of Ross.

4.3 ENTIRE AGREEMENT. This Retirement Agreement constitutes the entire agreement between the parties relating to this subject matter and supersedes all prior or contemporaneous oral or written agreements concerning such subject matter, including the relevant terms from the parties' prior Amended and Restated Employment Agreement and its subsequent amendments.

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

If to Ferber: Norman A. Ferber  
459 Hamilton Avenue  
Palo Alto, CA 94301

If to Ross: Ross Stores, Inc.  
8333 Central Avenue  
Newark, CA 94560-3433  
Attention: Corporate Secretary

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

4.5 ARBITRATION. In the event of any dispute or claim relating to or arising out of this Retirement Agreement, all such disputes shall be fully, finally and exclusively resolved by binding arbitration conducted by the American Arbitration Association in Alameda County, California.

4.6 ATTORNEY'S FEES. Ross agrees to pay for Ferber's reasonable attorney's fees incurred in the negotiation of terms of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates shown below.

ROSS STORES, INC.

NORMAN A. FERBER

By: /s/ Michael Balmuth

By: Norman A. Ferber

Name: Michael Balmuth

Date: 5/8/00

Title: Vice Chairman & CEO

Date: 5/22/00



June 12, 2000

Ross Stores, Inc.  
Newark, California

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim condensed consolidated financial statements of Ross Stores, Inc. for the three-month periods ended April 29, 2000 and May 1, 1999, as indicated in our independent accountants' report dated May 19, 2000; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended April 29, 2000 is incorporated by reference in Registration Statements Nos. 33-61373, 33-51916, 33-51896, 33-51898, 33-41415, 33-41413, 33-29600, 333-56831, 333-06119, and 333-34988 of Ross Stores, Inc. on Form S-8.

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

Yours truly,

/s/ Deloitte & Touche LLP  
San Francisco, California

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE  
CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS FOR THE THREE  
MONTHS ENDED APRIL 29, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO  
SUCH FINANCIAL STATEMENTS.

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