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

**FORM 10-Q**

(Mark one)

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

For the quarterly period ended July 31, 2004

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)

**4440 Rosewood Drive, Pleasanton, California**

(Address of principal executive offices)

**Registrant's telephone number, including area code**

**Former name, former address and former fiscal year, if changed since last report.**

**94-1390387**

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

**94588-3050**

(Zip Code)

**(925) 965-4400**

N/A

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 is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes  No

The number of shares of Common Stock, with \$.01 par value, outstanding on August 19, 2004 was 147,496,502.

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**

	Three Months Ended		Six Months Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
<b>(S000, except stores and per share data, unaudited)</b>				
<b>SALES</b>	<b>\$ 1,008,600</b>	<b>\$ 965,610</b>	<b>\$ 2,000,492</b>	<b>\$ 1,844,894</b>
<b>COSTS AND EXPENSES</b>				
Cost of goods sold, including related buying, distribution and occupancy costs	772,743	724,206	1,523,365	1,377,454
Selling, general and administrative	164,032	151,832	325,463	296,971
Impairment of long-lived assets	18,000	—	18,000	—
Interest expense (income), net	336	(61)	506	(131)
Total costs and expenses	955,111	875,977	1,867,334	1,674,294
Earnings before taxes	53,489	89,633	133,158	170,600
Provision for taxes on earnings	20,914	35,047	52,065	66,705
Net earnings	<b>\$ 32,575</b>	<b>\$ 54,586</b>	<b>\$ 81,093</b>	<b>\$ 103,895</b>
<b>EARNINGS PER SHARE</b>				
Basic	\$ .22	\$ .36	\$ .54	\$ .68
Diluted	\$ .22	\$ .35	\$ .53	\$ .67
<b>WEIGHTED AVERAGE SHARES OUTSTANDING (000)</b>				
Basic	148,106	152,540	148,998	153,324
Diluted	150,903	155,384	152,148	155,924
Stores open at end of period	616	553	616	553

See notes to condensed consolidated financial statements.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(S000)	July 31, 2004	January 31, 2004	August 2, 2003
	(Unaudited)	(Note A)	(Unaudited)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (includes \$10,000 of restricted cash)	\$ 108,353	\$ 201,546	\$ 176,860
Accounts receivable	27,876	25,292	27,041
Merchandise inventory	897,542	841,491	815,495
Prepaid expenses and other	53,978	29,467	31,420
Deferred income taxes	22,742	22,742	16,645
	<u>1,110,491</u>	<u>1,120,538</u>	<u>1,067,461</u>
<b>PROPERTY AND EQUIPMENT</b>			
Land and buildings	28,759	57,057	54,772
Fixtures and equipment	570,833	517,350	432,060
Leasehold improvements	268,104	254,968	239,713
Construction-in-progress	20,012	74,507	101,189
	<u>887,708</u>	<u>903,882</u>	<u>827,734</u>
Less accumulated depreciation and amortization	415,195	419,683	384,650
	<u>472,513</u>	<u>484,199</u>	<u>443,084</u>
Other long-term assets	58,007	52,473	50,327
	<u>540,520</u>	<u>536,672</u>	<u>493,411</u>
<b>Total Assets</b>	<b>\$ 1,641,011</b>	<b>\$ 1,657,210</b>	<b>\$ 1,560,872</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 471,651	\$ 448,044	\$ 467,126
Accrued expenses and other	151,359	142,370	146,501
Accrued payroll and benefits	103,056	112,284	83,707
Income taxes payable	(2,248)	9,146	40,199
	<u>723,818</u>	<u>711,844</u>	<u>737,533</u>
<b>Total Current Liabilities</b>	<b>723,818</b>	<b>711,844</b>	<b>737,533</b>
Long-term debt	50,000	50,000	50,000
Other long-term liabilities	68,251	60,238	56,250
Deferred income taxes	75,006	79,709	41,666
	<u>193,263</u>	<u>189,947</u>	<u>147,916</u>
<b>Total Liabilities</b>	<b>917,075</b>	<b>901,791</b>	<b>885,449</b>
<b>STOCKHOLDERS' EQUITY</b>			
Common stock	1,478	1,514	1,521
Additional paid-in capital	398,659	385,212	350,341
Treasury stock	(8,447)	(3,656)	(1,244)
Retained earnings	332,246	372,349	324,805
	<u>723,936</u>	<u>755,419</u>	<u>675,423</u>
<b>Total Stockholders' Equity</b>	<b>723,936</b>	<b>755,419</b>	<b>675,423</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,641,011</b>	<b>\$ 1,657,210</b>	<b>\$ 1,560,872</b>

See notes to condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(S000, unaudited)	Six Months Ended	
	July 31, 2004	August 2, 2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$ 81,093	\$ 103,895
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	43,276	35,733
Impairment of long-lived assets	18,000	—
Change in assets and liabilities:		
Merchandise inventory	(56,051)	(98,977)
Other current assets, net	(27,095)	(3,208)
Accounts payable	30,033	74,389
Other current liabilities	(11,633)	42,560
Other long-term, net	12,021	437
Net cash provided by operating activities	<u>89,644</u>	<u>154,829</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Additions to property and equipment	(56,466)	(70,366)
Net cash used in investing activities	<u>(56,466)</u>	<u>(70,366)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>		
Issuance of common stock related to stock plans, net	18,691	10,437
Proceeds from long-term debt	—	25,000
Treasury stock related to tax withholding	(8,447)	(1,244)
Repurchase of common stock	(123,847)	(83,593)
Dividends paid	(12,768)	(8,852)
Net cash used in financing activities	<u>(126,371)</u>	<u>(58,252)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(93,193)</u>	<u>26,211</u>
Cash and cash equivalents:		
Beginning of period	201,546	150,649
End of period	<u>\$ 108,353</u>	<u>\$ 176,860</u>

See notes to condensed consolidated financial statements.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and Six Months Ended July 31, 2004 and August 2, 2003  
(Unaudited)

### Note A: Summary of Significant Accounting Policies

**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 necessary to present fairly the financial position at July 31, 2004 and August 2, 2003; the results of operations for the three and six months ended July 31, 2004 and August 2, 2003; and changes in cash flows for the six months ended July 31, 2004 and August 2, 2003. The balance sheet at January 31, 2004, presented herein, has been derived from the audited financial statements of the Company as of the fiscal year then ended.

Accounting policies followed by the Company are described in Note A to the audited consolidated financial statements for the fiscal year ended January 31, 2004. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America 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, contained in the Company's Annual Report on Form 10-K for the year ended January 31, 2004.

All share and per share information has been adjusted to reflect the effect of the Company's two-for-one stock split effected in the form of a 100% stock dividend paid on December 18, 2003.

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

The condensed consolidated financial statements as of July 31, 2004 and August 2, 2003, and for the three and six months then ended have been reviewed, prior to filing, by the registrant's independent registered public accounting firm whose report covering their review of the financial statements is included in this report on page 8.

**Reclassifications.** Certain reclassifications have been made in the 2003 financial statements to conform to the current presentation.

**Treasury Stock.** The Company records treasury stock purchases at cost. Treasury stock consists of shares used for tax withholding purposes related to grants of restricted stock to employees.

**Stock-Based Compensation.** The Company accounts for stock-based awards to employees using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Because the Company grants stock option awards at fair market value, no compensation expense is recorded at issuance. Compensation expense for restricted stock awards is based on the market value of the shares awarded at the date of grant and is amortized on a straight-line basis over the vesting period. The disclosure requirements of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure—an amendment of FASB Statement No. 123" are set forth below.

Had compensation costs for the Company's stock option plan been determined based on the fair value at the grant dates for awards under the plan consistent with the methods of SFAS No. 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

(S000, except per share data)		Three Months Ended		Six Months Ended	
		July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
<b>Net earnings</b>	As reported	\$ 32,575	\$ 54,586	\$ 81,093	\$ 103,895
	Add: Stock-based employee compensation expense included in reported net earnings, net of tax	2,295	2,207	4,488	4,345
	Deduct: Stock-based employee compensation expense determined under the fair value based method for all awards, net of tax	(4,716)	(4,227)	(9,149)	(8,423)
<b>Net earnings</b>	Pro forma	\$ 30,154	\$ 52,566	\$ 76,432	\$ 99,817
<b>Basic earnings per share</b>	As reported	\$ .22	\$ .36	\$ .54	\$ .68
	Pro forma	\$ .20	\$ .35	\$ .51	\$ .65
<b>Diluted earnings per share</b>	As reported	\$ .22	\$ .35	\$ .53	\$ .67
	Pro forma	\$ .20	\$ .34	\$ .50	\$ .65

At July 31, 2004, the Company had two stock-based compensation plans. SFAS No. 123 establishes a fair value method of accounting for stock options and other equity instruments. For determining pro forma earnings per share, the fair value of the stock options and employees' purchase rights were estimated using the Black-Scholes option pricing model using the following assumptions:

Stock Options	Three Months Ended		Six Months Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Expected life from grant date (years)	3.1	2.9	3.1	3.1
Expected volatility	39.0%	42.6%	37.0%	45.3%
Risk-free interest rate	3.2%	1.9%	2.8%	2.0%
Dividend yield	0.6%	0.5%	0.6%	0.5%

Employee Stock Purchase Plan	Three Months Ended		Six Months Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Expected life from grant date (years)	1.0	1.0	1.0	1.0
Expected volatility	28.3%	31.7%	28.3%	31.7%
Risk-free interest rate	1.3%	1.4%	1.3%	1.4%
Dividend yield	0.5%	0.5%	0.5%	0.5%

The weighted average fair values per share of stock options granted for the three-month periods ended July 31, 2004 and August 2, 2003, were \$7.48 and \$6.17, and for the six-month periods ended July 31, 2004 and August 2, 2003, were \$7.92 and \$6.13, respectively. The weighted average fair values per share of employee stock purchase awards for the three-month periods ended July 31, 2004 and August 2, 2003, were \$6.81 and \$5.98, and for the six-month periods ended July 31, 2004 and August 2, 2003, were \$6.81 and \$6.00, respectively.

**Note B: Earnings Per Share (“EPS”)**

SFAS No. 128, “Earnings Per Share,” requires earnings per share to be computed and reported as 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. Dilutive EPS reflects the potential dilution that could occur if options to issue common stock were exercised into common stock.

For the three months ended July 31, 2004 and August 2, 2003, there were approximately 1,437,500 and 151,700 shares, and for the six months ended July 31, 2004 and August 2, 2003, there were approximately 618,900 and 340,500 shares, that could potentially dilute basic EPS in the future that were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive (option exercise price exceeds average stock price) in the periods presented.

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

	Three Months Ended			Six Months Ended		
	Basic EPS	Effect of Dilutive Common Stock Equivalents	Diluted EPS	Basic EPS	Effect of Dilutive Common Stock Equivalents	Diluted EPS
<b>July 31, 2004</b>						
Shares	148,106	2,797	150,903	148,998	3,150	152,148
Amount	\$ .22	\$ .00	\$ .22	\$ .54	\$ (.01)	\$ .53
<b>August 2, 2003</b>						
Shares	152,540	2,844	155,384	153,324	2,600	155,924
Amount	\$ .36	\$ (.01)	\$ .35	\$ .68	\$ (.01)	\$ .67

**Note C: Impairment of Long-Lived Assets**

During the second quarter, the Company relocated its corporate headquarters from Newark, California to Pleasanton, California and decided to pursue a sale of its Newark facility. In accordance with SFAS No. 144 “Accounting for the Impairment or Disposal of Long-Lived Assets,” the Company recognized a non-cash impairment charge of \$18 million before taxes in the second quarter of 2004 to write-down the carrying value of its Newark facility from a net book value of approximately \$33 million to the estimated fair value of approximately \$15 million. The fair value of the Newark facility assets held for sale of approximately \$15 million is included in “Prepaid expenses and other” in the accompanying condensed consolidated balance sheets.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
Ross Stores, Inc.

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of July 31, 2004 and August 2, 2003, and the related condensed consolidated statements of earnings for the three-month and six-month periods then ended, and cash flows for the six-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 of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), 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 review, 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 standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Ross Stores, Inc. as of January 31, 2004, 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 April 1, 2004, 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 31, 2004 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/DELOITTE & TOUCHE LLP  
San Francisco, California

September 7, 2004



## 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 differ materially 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 below entitled "Forward-Looking Statements and Factors Affecting Future Performance." 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 and notes thereto in the Company's 2003 Form 10-K. All information is based on the Company's fiscal calendar.

### Overview

The Company is the second largest off-price apparel retail company in the United States, with 616 stores in 26 states and Guam at July 31, 2004. The Company's primary strategy has been a continued focus on pursuing and refining its existing off-price business, and steadily expanding the number of stores and its geographic markets. In establishing growth objectives for the business, the Company closely monitors market share trends for the off-price industry. According to data from the NPD Group, which provides global sales and marketing information on the retail industry, the off-price share of total apparel sales in 2003 grew to 7.8% from 7.4% in 2002, reflecting the ongoing importance of value to consumers. Full-priced department stores and mass merchandise retailers experienced a decline in apparel market share over the same period. The Company's strategies are designed to take advantage of these growth trends and continued customer demand for name-brand fashions for the family and the home at competitive everyday discounts.

In addition, the Company recently introduced a new off-price concept, dd's DISCOUNTS<sup>SM</sup>, to target what it believes to be an underserved but fast-growing demographic group – lower income households. The Company believes that ultimately the United States can support a total of 1,500 Ross locations and over 500 dd's DISCOUNTS<sup>SM</sup> stores – for an aggregate potential of over 2,000 locations. Considering the significant expansion opportunities that remain in both existing and new markets, the Company plans to grow to over 1,000 stores by the end of fiscal 2008 and generate more than \$7 billion annually in revenue by fiscal 2008.

## Results of Operations

	Three Months Ended		Six Months Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
<b>SALES</b>				
Sales (millions)	\$ 1,009	\$ 966	\$ 2,000	\$ 1,845
Sales growth	4.4%	10.1%	8.4%	8.7%
Change in comparable store sales	(3)%	0%	0%	(1)%
<b>COSTS AND EXPENSES (as a percent of sales)</b>				
Cost of goods sold, including related buying, distribution and occupancy costs	76.6%	75.0%	76.1%	74.7%
Selling, general and administrative	16.3%	15.7%	16.3%	16.1%
Impairment of long-lived assets	1.8%	—	0.9%	—
<b>EARNINGS BEFORE TAXES</b>	<b>5.3%</b>	<b>9.3%</b>	<b>6.7%</b>	<b>9.2%</b>
<b>NET EARNINGS</b>	<b>3.2%</b>	<b>5.7%</b>	<b>4.1%</b>	<b>5.6%</b>

**Stores.** The Company's operating strategy is to open additional stores in new and existing geographic markets based on the following considerations: market penetration, the ability to reduce overhead expenses, local demographic characteristics, competition and population density. Management continually evaluates opportunistic real estate acquisitions and opportunities for potential new store locations. The Company also evaluates its current store locations and determines store closures based on similar criteria.

	Three Months Ended		Six Months Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Stores at the beginning of the period	599	530	568	507
Stores opened in the period	17	23	48	46
Stores closed in the period	—	—	—	—
Stores at the end of the period	616	553	616	553

**Sales.** The 4% total sales increase for the three months ended July 31, 2004 over the prior year reflects the opening of 17 new stores during the period, the three months impact of the stores opened in 2003, partially offset by a 3% decrease in sales from "comparable" stores (defined as stores that have been open for more than 14 complete months). The 8% total sales increase for the six months ended July 31, 2004 over the prior year reflects the opening of 48 new stores during the period, the six months impact of the stores opened in 2003, and flat comparable store sales.

The Company's sales mix for the three and six months ended July 31, 2004 and August 2, 2003 was as follows:

	Three Months Ended		Six Months Ended	
	July 31, 2004	August 2, 2003	July 31, 2004	August 2, 2003
Ladies	36%	35%	36%	35%
Home accents and bed and bath	20%	19%	19%	19%
Men's	17%	18%	17%	17%
Fine jewelry, accessories, lingerie and fragrances	12%	12%	11%	12%
Children's	6%	8%	8%	9%
Shoes	9%	8%	9%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Management expects to address the competitive climate for apparel and home goods off-price retailers by pursuing and refining the Company's existing strategies and by continuing to strengthen its organization, to diversify the merchandise mix, and to more fully develop the organization and systems to strengthen regional merchandise offerings. Although the Company's existing strategies and store expansion program contributed to sales gains for the three and six month periods ended July 31, 2004, there can be no assurance that these strategies will result in a continuation of revenue and profit growth.

During April 2004, the Company installed a new Core Merchandising System, which is a computer-based information system that over time is expected to improve the Company's ability to plan, buy and allocate merchandise more precisely. Since the installation of the new merchandising system, the Company has experienced difficulties in generating all necessary merchandising related information. The Company believes that it made progress during the second quarter of 2004 in remedying problems associated with the Core Merchandising System. Information to support the allocation function has returned to normal. Management expects the balance of the information requirements most important to the buying process to be addressed during the third quarter of 2004, and the remaining system issues to be remedied by the end of fiscal year 2004. However, the Company expects a residual impact to sales and earnings throughout the second half of 2004 as the Company cycles through merchandise imbalances created by these system issues.

**Cost of Goods Sold.** Cost of goods sold as a percentage of sales for the three months ended July 31, 2004 increased approximately 160 basis points compared with the same period in the prior year. This increase is largely attributable to the reduced leverage resulting from the 3% decrease in comparable store sales, higher distribution and logistics costs, and higher markdowns during the quarter. Distribution and logistics costs as a percentage of sales increased by approximately 80 basis points. Distribution costs were also affected by lower productivity associated with the ramp-up of new distribution center systems. Higher markdowns resulted in an approximate 55 basis point increase in cost of goods sold. In addition, store occupancy costs as a percentage of sales increased by approximately 50 basis points, partially offset by an approximate 25 basis point decrease in other components of cost of good sold.

Cost of goods sold as a percentage of sales for the six months ended July 31, 2004, increased approximately 150 basis points compared with the same period in the prior year. This increase is mainly attributable to the reduced leverage resulting from flat comparable store sales during the period. In addition, distribution center expenses were negatively affected by recovery costs resulting from the partial roof collapse and temporary closing of the Fort Mill, South Carolina distribution center at the end of January 2004, as well as ramp-up expenses associated with the retrofit of the Carlisle, Pennsylvania center and the start-up phase of the Perris, California facility. Distribution costs were also impacted by lower productivity associated with the ramp-up of new distribution center systems. As a percentage of sales, distribution and logistics costs increased by approximately 115 basis points. In addition, dd's DISCOUNTS<sup>SM</sup> buying-related expenses resulted in an approximate 25 basis point increase in cost of goods sold compared to the prior year. Store occupancy costs as a percentage of sales increased by approximately 30 basis points. This increase was partially offset by an approximate 20 basis point improvement in merchandise margin.

There can be no assurance that the gross profit margins realized for the three and six months ended July 31, 2004 will continue in the future.

**Selling, General and Administrative Expenses.** For the three months ended July 31, 2004, selling, general and administrative expenses (SG&A) as a percentage of sales increased by approximately 55 basis points, primarily due to an approximate 60 basis point increase in store operating costs. In addition, depreciation and occupancy costs increased approximately 15 basis points primarily due to decreased leverage from the decline in comparable store sales. These expense pressures were partially offset by an approximate 20 basis point decline in general and administrative costs as a percentage of sales.

For the six months ended July 31, 2004, selling, general and administrative expenses (SG&A) as a percentage of sales increased by approximately 20 basis points, primarily due to an approximate 20 basis point increase in store operating costs and depreciation resulting from decreased leverage related to flat comparable store sales for the six months ended July 31, 2004.

**Impairment of Long-Lived Assets.** During the second quarter, the Company relocated its corporate headquarters from Newark, California to Pleasanton, California and decided to pursue a sale of its Newark facility. In accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company recognized a non-cash impairment charge of \$18 million before taxes in the second quarter of 2004 to write-down the carrying value of its Newark facility from a net book value of approximately \$33 million to the estimated fair value of approximately \$15 million. The fair value of the Newark facility assets held for sale of approximately \$15 million is included in "Prepaid expenses and other" in the accompanying condensed consolidated balance sheets.

**Taxes on Earnings.** The Company's effective tax rate for the three and six months ended July 31, 2004 and August 2, 2003 was approximately 39%, which represents the applicable Federal and State statutory rates reduced by the Federal benefit received for State taxes. During 2004, the Company expects its effective tax rate to remain at approximately 39%.

**Net Earnings.** The decrease in net earnings as a percentage of sales for the three months ended July 31, 2004, compared to the same period in the prior year, is due to higher cost of goods sold as a percentage of sales, higher selling, general and administrative costs as a percentage of sales and the impairment of long-lived assets in the second quarter. Diluted earnings per share decreased by 37% as a result of a decrease in net earnings partially offset by a decrease in weighted average diluted shares outstanding, which was largely attributable to the acquisition of common stock under the Company's stock repurchase program.

The decrease in net earnings as a percentage of sales for the six months ended July 31, 2004, compared to the same period in the prior year, is primarily due to higher cost of goods sold as a percentage of sales, higher selling, general and administrative costs as a percentage of sales, and the impairment of long-lived assets in the second quarter. Diluted earnings per share decreased by 21% as a result of a decrease in net earnings partially offset by a decrease in weighted average diluted shares outstanding, which was largely attributable to the acquisition of common stock under the Company's stock repurchase program.

## Financial Condition

### Liquidity and Capital Resources

The Company's primary sources of funds for its business activities are cash flows from operations and short-term trade credit. The Company's primary ongoing cash requirements are for seasonal and new store inventory purchases and capital expenditures in connection with new stores and investments in information systems and infrastructure. The Company also uses cash to repurchase stock under its stock repurchase program and to pay dividends.

(S000)	Six Months Ended	
	July 31, 2004	August 2, 2003
Cash flows from Operating activities	\$ 89,644	\$ 154,829
Cash flows used in Investing activities	(56,466)	(70,366)
Cash flows used in Financing activities	(126,371)	(58,252)
Net increase (decrease) in cash and cash equivalents	\$ (93,193)	\$ 26,211

### Operating Activities

Net cash provided by operating activities was \$89.6 million for the six months ended July 31, 2004, and \$154.8 million for the six months ended August 2, 2003. The primary source of cash from operations for the six months ended July 31, 2004 related to net earnings excluding non-cash expenses for depreciation and amortization and the second quarter impairment of long-lived assets, partially offset by cash used to finance merchandise inventory and other current assets. The decrease in cash flows from operations for the six months ended July 31, 2004 is primarily due to a decrease of accounts payable leverage (defined as accounts payable divided by merchandise inventory) from 57% at August 2, 2003 to 53% at July 31, 2004. Working capital (defined as current assets less current liabilities) was \$387 million as of July 31, 2004, compared to \$330 million as of August 2, 2003. The Company's primary source of liquidity is the sale of its merchandise inventory. Management regularly reviews the age and condition of the merchandise and is able to maintain current inventory in its stores through the replenishment processes and liquidation of non-current merchandise through clearance markdowns.

### Investing Activities

During the six-month periods ended July 31, 2004 and August 2, 2003, the Company spent approximately \$56.5 million and \$70.4 million, respectively, for capital expenditures (net of leased equipment) for fixtures and leasehold improvements to open new stores, implementation of management information systems, implementation of materials handling equipment and related distribution center systems and for various other expenditures for existing stores, merchant and corporate offices. The Company opened 48 and 46 new stores during the six months ended July 31, 2004 and August 2, 2003, respectively.

The Company is forecasting approximately \$145 million in capital expenditures for fiscal 2004 to fund fixtures and leasehold improvements to open 70 net new Ross stores and ten dd's DISCOUNTS<sup>SM</sup> stores. In addition, these capital expenditures are expected to cover the relocation, or remodel of existing stores, and investments in store and merchandising systems, distribution center equipment and systems and various central office expenditures. The Company expects to fund these expenditures out of cash flows from operations.

### Financing Activities

During the six-month periods ended July 31, 2004 and August 2, 2003, liquidity and capital requirements were provided by cash flows from operations and trade credit.

The Company repurchased 4.5 million and 4.3 million shares of common stock for an aggregate purchase price of approximately \$123.8 million and \$83.6 million during the six month periods ended July 31, 2004 and August 2, 2003, respectively. These stock repurchases were funded by cash flows from operations.

Short-term trade credit represents a significant source of financing for investments in merchandise inventory. Trade credit arises from customary payment terms and trade practices with the Company's vendors. Management regularly reviews the adequacy of credit available to the Company from all sources and has been able to maintain adequate lines to meet the capital and liquidity requirements of the Company.

The table below presents significant contractual payment obligations of the Company as of July 31, 2004:

(S000) Contractual Obligations	Less than 1 Year	2 - 3 Years	4 - 5 Years	After 5 Years	Total
Long-term debt	\$ —	\$ 50,000	\$ —	\$ —	\$ 50,000
Operating leases	214,393	368,299	294,485	379,638	1,256,815
Other financings:					
Synthetic leases	10,631	11,484	8,181	17,727	48,023
Other synthetic lease obligations	—	87,237	—	56,000	143,237
Purchase obligations	750,210	11,579	956	780	763,525
<b>Total contractual obligations</b>	<b>\$ 975,234</b>	<b>\$ 528,599</b>	<b>\$ 303,622</b>	<b>\$ 454,145</b>	<b>\$ 2,261,600</b>

**Long-Term Debt.** The Company has a \$50 million senior unsecured term loan agreement to finance the equipment and information systems for the new Southern California distribution center. Total borrowings under the term loan were \$50 million as of July 31, 2004. Interest is payable no less than quarterly at the bank's applicable prime rate or at LIBOR plus an applicable margin (currently 150 basis points) which resulted in an effective interest rate of 2.8% at July 31, 2004. All amounts outstanding under the term loan will be due and payable in December 2006. Borrowings under this term loan are subject to certain operating and financial covenants including maintaining certain interest coverage and leverage ratios.

#### **Off-Balance Sheet Arrangements**

**Operating Leases.** Substantially all of the Company's store sites, certain distribution centers, and the Company's buying offices and new corporate headquarters are leased and, except for certain leasehold improvements and equipment, do not represent long-term capital investments. The Company owns its former corporate headquarters and distribution center in Newark, California, and its distribution center in Carlisle, Pennsylvania.

In July 2003, the Company entered into an arrangement to lease certain equipment in its stores for its point-of-sale ("POS") hardware and software systems. This lease is accounted for as an operating lease for financial reporting purposes. The initial term of this lease is two years and the Company has options to renew the lease for three one-year periods. Alternatively, the Company may purchase or return the equipment at the end of the initial or each renewal term. The Company has guaranteed the value of the equipment at the end of the initial lease term and each renewal period, if exercised, at amounts not to exceed 57%, 43%, 27% and 10%, respectively, of the equipment's estimated initial fair market value of \$24 million. The Company's obligation under the residual value guarantee at the end of the original lease term of 57% of the equipment's initial fair value, or \$13.3 million, is included in "Other synthetic lease obligations" in the table above.

In January 2004, the Company commenced its lease on its new corporate headquarters in Pleasanton, California. The lease has an initial term of 10.5 years with three five-year renewal options. The Company occupied the space in July 2004.

**Other Financings.** The Company leases a 1.3 million square foot distribution center in Fort Mill, South Carolina. This distribution center, including equipment and systems, is being financed under an \$87.3 million, five-year operating lease, commonly referred to as a synthetic lease, which expires in May 2006. Monthly rent expense is currently payable at 75 basis points over 30-day LIBOR on the lease balance of \$87.3 million. At the end of the lease term, the Company must refinance the \$87.3 million synthetic lease facility, purchase the distribution center at the amount of the lease balance, or arrange a sale of the distribution center to a third party. The Company has agreed under a residual value guarantee to pay the lessor up to 85% of the lease balance. The Company's obligation under this residual value guarantee of \$74.2 million is included in "Other synthetic lease obligations" in the table above.

In July 2003, the Company refinanced its existing five-year operating lease, commonly referred to as a synthetic lease, for its Southern California distribution center with a new ten-year synthetic lease facility that expires in July 2013. Rent expense on this center is payable monthly at a fixed annual rate of 5.8% on the lease balance of \$70 million. At the end of the lease term, the Company must refinance the \$70 million synthetic lease facility, purchase the distribution center at the amount of the then-outstanding lease balance, or arrange a sale of the distribution center to a third party. If the distribution center is sold to a third party for less than \$70 million, the Company has agreed under a residual value guarantee to pay the lessor the shortfall below \$70 million not to exceed \$56 million. The Company's contractual obligation of \$56 million is included in "Other synthetic lease obligations" in the above table. The equipment and systems for the Southern California center were financed with a \$50 million, five-year senior unsecured term debt facility, which is included in "Long-term debt" in the table above.

In accordance with Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," the Company has recognized a liability and corresponding asset for the fair value of the residual value guarantee in the amount of \$8.3 million for the Southern California distribution center and \$1.5 million for the POS lease. These residual value guarantees are being amortized on a straight-line basis over the original terms of the leases. The current portion of the related asset and liability is recorded in "Prepaid expenses and other" and "Accrued expenses and other," respectively, and the long-term portion of the related assets and liabilities is recorded in "Other long-term assets" and "Other long-term liabilities," respectively, in the accompanying condensed consolidated balance sheets.

In addition, the Company leases two separate warehouse facilities in Carlisle, Pennsylvania with operating leases expiring through 2011. In January 2004, the Company entered into a two-year lease with two one-year options for a warehouse facility in Fort Mill, South Carolina. These three leased facilities are being used primarily to store packaway merchandise.

The two synthetic lease facilities described above, as well as the Company's long-term debt and revolving credit facility, have covenant restrictions requiring the Company to maintain certain interest coverage and leverage ratios. In addition, the interest rates under these agreements may vary depending on the Company's actual interest coverage ratios. As of July 31, 2004, the Company was in compliance with these covenants.

In December 2003, the FASB issued the revised FIN No. 46(R), "Consolidation of Variable Interest Entities," which addresses consolidation by business enterprises of entities that are not controllable through voting interests or in which the equity investors do not bear the residual economic risks and rewards. FIN No. 46(R) explains how to identify variable interest entities and how an enterprise should assess its interest in an entity to decide whether to consolidate that entity.

The Company was not required under FIN No. 46(R) to consolidate its \$87.3 million synthetic lease facility for its South Carolina distribution center and its \$70 million synthetic lease facility for its Southern California distribution center because the lessors/owners of these distribution centers are not variable interest entities.

**Purchase Obligations.** As of July 31, 2004, the Company had purchase obligations of \$763.5 million. These purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to store fixtures, supplies, and information technology service and maintenance contracts. Total merchandise inventory purchase orders of \$697.0 million are all purchase obligations of less than one year. In the course of working with the Company's vendors, a portion of the amount shown as purchase obligations may be cancelable without penalty.



## Commercial Credit Facilities

The table below presents significant commercial credit facilities available to the Company as of July 31, 2004:

(S000)	Amount of Commitment Expiration Per Period				Total Amount Committed
	Less than 1 Year	2 - 3 Years	4 - 5 Years	Over 5 Years	
Commercial Credit Available					
Revolving credit facility*	\$ —	\$ —	\$ 600,000	\$ —	\$ 600,000
Standby letters of credit, excluding those secured by the revolving credit facility	28,176	—	—	—	28,176
<b>Total commercial commitments</b>	<b>\$ 28,176</b>	<b>\$ —</b>	<b>\$ 600,000</b>	<b>\$ —</b>	<b>\$ 628,176</b>

\* Contains a \$200 million sublimit for issuances of letters of credit, of which \$37.1 million is outstanding and \$162.9 million is available as of July 31, 2004.

**Revolving Credit Facility.** During the quarter ended May 1, 2004, the Company entered into a \$600 million revolving credit facility with its banks, which contains a \$200 million sublimit for issuances of letters of credit of which \$162.9 million was available at July 31, 2004. Interest is LIBOR-based plus an applicable margin (currently 75 basis points) and is payable upon borrowing maturity but no less than quarterly. Borrowing under this credit facility is subject to the Company maintaining certain interest coverage and leverage ratios. As of July 31, 2004, the Company had no borrowings outstanding under this facility. This existing revolving credit facility is scheduled to expire in March 2009.

**Standby Letters of Credit.** The Company uses standby letters of credit to collateralize certain obligations related to its self-insured workers' compensation and general liability claims. The Company had \$65.2 million and \$70.9 million in standby letters of credit outstanding at July 31, 2004 and August 2, 2003, respectively.

**Trade Letters of Credit.** The Company had \$27.1 million and \$22.9 million in trade letters of credit outstanding at July 31, 2004 and August 2, 2003, respectively.

**Dividends.** In May 2004, a quarterly cash dividend payment of \$.0425 per common share was declared by the Company's Board of Directors, and was paid on July 1, 2004. In August 2004, a quarterly cash dividend of \$.0425 per common share was declared by the Company's Board of Directors, payable on or about October 1, 2004.

**Stock Repurchase Program.** In January 2004, the Company announced that the Board of Directors authorized a new stock repurchase program of up to \$350 million for 2004 and 2005. During the six months ended July 31, 2004, the Company repurchased approximately 4.5 million shares for an aggregate purchase price of approximately \$123.8 million.

The Company estimates that cash flows from operations, existing bank credit lines and trade credit are adequate to meet operating cash needs, fund the planned capital investments, repurchase common stock and make quarterly dividend payments for at least the next twelve months.

## Relocation of Corporate Headquarters

During the second quarter, the Company relocated its corporate headquarters from Newark, California to Pleasanton, California and decided to pursue a sale of its Newark facility. In accordance with SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company recognized a non-cash impairment charge of \$18 million before taxes in the second quarter 2004 to write-down the carrying value of its Newark facility from a net book value of approximately \$33 million to the estimated fair value of approximately \$15 million. The fair value of the Newark facility assets held for sale of approximately \$15 million is included in "Prepaid expenses and other" in the accompanying condensed consolidated balance sheets.

## dd's DISCOUNTS<sup>SM</sup>

During 2003, the Company announced the development of dd's DISCOUNTS<sup>SM</sup>, a new off-price concept targeted to serve the needs of lower-income households, which it believes to be one of the fastest growing demographic markets in the country. This new business will generally have similar merchandise departments and categories to that of Ross, but will feature a different mix of brands, consisting mostly of moderate and discount store labels at lower average price points. The Company opened five dd's DISCOUNTS<sup>SM</sup> locations in California during August 2004 and plans to open an additional five dd's DISCOUNTS<sup>SM</sup> stores during September 2004. The dd's DISCOUNTS<sup>SM</sup> store prototype is about 25,000 gross square feet located in established strip shopping centers in densely populated urban and suburban neighborhoods. The dd's DISCOUNTS<sup>SM</sup> and Ross merchant, distribution and store organizations will be separate and distinct; however, dd's DISCOUNTS<sup>SM</sup> will share certain corporate and support services with Ross.

## Critical Accounting Policies

The preparation of the Company's consolidated financial statements requires management of the Company to make estimates and assumptions that affect the reported amounts. The estimates and assumptions are evaluated on an on-going basis and are based on historical experience and on various other factors that management believes to be reasonable. The Company believes the following critical accounting policies describe the more significant judgments and estimates used in the preparation of its consolidated financial statements:

**Inventory.** The Company's merchandise inventory is stated at the lower of cost or market with cost determined on a weighted average cost method. 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, which may even be the beginning of the same selling season in the following year. Included in the carrying value of the Company's inventory is a provision for shrinkage. The shrinkage reserve is based on historical shrinkage rates as evaluated through the Company's physical inventory counts and cycle counts. If actual market conditions are less favorable than those projected by management, or if sales or shrinkage rates of the inventory are different than anticipated, additional inventory write-downs may be required.

**Long-lived Assets.** The Company records 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. An impairment loss would be recognized if analysis of the undiscounted cash flow of an asset group was less than the carrying value of the asset group. During the second quarter, the Company relocated its corporate headquarters from Newark, California to Pleasanton, California and decided to pursue a sale of its Newark facility. The Company recognized a non-cash impairment charge of \$18 million before taxes in the second quarter 2004 to write-down the carrying value of its Newark facility from its net book value of approximately \$33 million to the estimated fair value of approximately \$15 million. The fair value of the Newark facility assets held for sale of approximately \$15 million is included in "Prepaid expenses and other" in the accompanying condensed consolidated balance sheets. If the facility is sold for less than the estimated fair market value, an additional write-down would be required.

**Self-Insurance.** The Company self insures certain of its workers' compensation and general liability risks as well as certain of its health insurance plans. The Company's self-insurance 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 and state statutory requirements increase beyond what was anticipated, reserves recorded may not be sufficient and additional charges could be required.

The above listing is not intended to be a comprehensive list of all of the Company's accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by Generally Accepted Accounting Principles, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result.

### **Forward-Looking Statements and Factors Affecting Future Performance**

This report includes certain forward-looking statements, which reflect the Company's current beliefs, projections and estimates with respect to future events and the Company's future financial performance, operations and competitive position. The words "expect," "anticipate," "estimate," "believe," "looking ahead," "forecast," "plan," "projected," and similar expressions identify forward-looking statements.

In particular, this report contains forward-looking statements regarding planned new store growth, the time needed to remedy difficulties with the new core merchandising systems and the severity, duration and financial impact of resulting in-store inventory imbalances, all of which are subject to risks and uncertainties that could cause the Company's actual results to differ materially from historical results or current expectations. The Company is continuing to assess the implementation of new information systems, and cannot be certain that all problems have currently been discovered or that their scope is understood.

Risks and uncertainties that apply to both Ross and dd's DISCOUNTS<sup>SM</sup> stores include, without limitation, the Company's ability to successfully and quickly implement, integrate and correct difficulties in its new core merchandising system and various other new supply chain and merchandising systems, including generation of all necessary information in a timely and cost effective manner, interruptions in the Company's ability to operate its distribution center network in a timely and cost effective manner, the Company's ability to continue to purchase attractive brand-name merchandise at desirable discounts, the anticipated relaxation of trade restrictions with China in January 2005, which may affect the Company's buying strategies and price points, the Company's ability to obtain acceptable new store locations, the Company's ability to identify and successfully enter new geographic markets, and the Company's ability to attract and retain personnel with the retail talent necessary to execute its strategies.

The Company's corporate headquarters, certain of its distribution centers and 30% of its stores are located in California. Therefore, a downturn in the California economy or a major California natural disaster could significantly affect the Company's operating results and financial condition.

In addition, the Company is subject to a number of risks and uncertainties that are common to companies in the retail apparel and home-related merchandise markets, including competitive pressures in the apparel industry, changes in the level of consumer spending on or preferences for apparel or home-related merchandise, changes in geopolitical conditions and deterioration or uncertainty regarding general economic conditions, or unseasonable weather trends.

The Company's continued success depends, in part, upon its ability to increase sales at existing locations, and 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. The factors underlying the Company's forecasts are dynamic and subject to change. As a result, any forecasts speak only as of the date they are given and do not necessarily reflect the Company's outlook at any other point in time. The Company disclaims any obligation to update or revise these forward-looking statements.

Other risk factors are detailed in the Company's Form 10-K for fiscal 2003.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company is exposed to market risks, which primarily include changes in interest rates. The Company does not engage in financial transactions for trading or speculative purposes.

Interest that is payable on the Company's credit facilities and long-term debt is based on variable interest rates and is, therefore, affected by changes in market interest rates. In addition, lease payments under certain synthetic lease agreements are determined based on variable interest rates and are, therefore, affected by changes in market interest rates.

A hypothetical 100 basis point increase in prevailing market interest rates would not have materially impacted its consolidated financial position, results of operations, or cash flows for the three and six months ended July 31, 2004. The Company does not consider the potential losses in future earnings and cash flows from reasonably possible near term changes in interest rates or foreign exchange rates to be material.

The Company uses forward contracts to hedge against fluctuations in foreign currency prices. The fair value of the outstanding forward contracts at July 31, 2004 was immaterial.

#### **ITEM 4. CONTROLS AND PROCEDURES**

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's "disclosure controls and procedures" (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of the Company's internal control over financial reporting to determine whether any change occurred during the second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, the Company's management concluded that there was no such change during the second quarter.

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.

## PART II – OTHER INFORMATION

### ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Information regarding shares of common stock repurchased by the Company during the second quarter of 2004 is as follows:

Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (\$000)
May (5/2/2004-5/29/2004)	423,639	\$ 26.48	419,971	\$ 280,000
June (5/30/2004-7/3/2004)	1,164,283	\$ 26.68	1,165,000	\$ 249,000
July (7/4/2004-7/31/2004)	1,014,619	\$ 23.31	973,032	\$ 226,000
Total	2,602,541	\$ 25.34	2,558,003	\$ 226,000

(1) The Company acquired 44,538 shares for the quarter ended July 31, 2004 related to required income tax withholdings for restricted stock. All remaining shares were repurchased under the \$350 million stock repurchase program publicly announced on February 5, 2004, which expires February 4, 2006.

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

At the Annual Meeting of Stockholders, held on May 20, 2004 (the “2004 Annual Meeting”), the stockholders of the Company voted on and approved the following proposals:

Proposal 1: To elect three Class III directors (Michael J. Bush, Norman A. Ferber and James C. Peters) for a three-year term.

Proposal 2: To approve the Ross Stores, Inc. 2004 Equity Incentive Plan.

Proposal 3: To approve an amendment to the Company’s Certificate of Incorporation to increase the number of authorized shares of common stock from 300,000,000 to 600,000,000 shares.

Proposal 4: To ratify the appointment of Deloitte & Touche LLP as the Company’s independent auditors for the fiscal year ending January 29, 2005.

## **2004 ANNUAL MEETING ELECTION RESULTS**

### **PROPOSAL 1: ELECTION OF DIRECTORS**

<b>DIRECTOR</b>	<b>IN FAVOR</b>	<b>WITHHELD</b>	<b>TERM EXPIRES</b>
Michael J. Bush	82,689,637	54,714,501	2007
Norman A. Ferber	79,953,877	57,450,261	2007
James C. Peters	88,786,421	48,617,717	2007

### **PROPOSAL 2: APPROVAL OF THE ROSS STORES, INC. 2004 EQUITY INCENTIVE PLAN**

<b>IN FAVOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>	<b>BROKER NON-VOTES</b>
68,359,879	59,742,097	105,743	9,196,419

### **PROPOSAL 3: APPROVAL OF AN AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK FROM 300,000,000 TO 600,000,000 SHARES**

<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
100,004,723	37,347,577	51,838

### **PROPOSAL 4: RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING JANUARY 29, 2005**

<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
115,925,503	21,437,196	41,439

### **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 within this Report.

(b) Reports on Form 8-K

During the period that is the subject of this quarterly report, the Company furnished current reports on Form 8-K, to reference and include as exhibits press releases issued to the public by the Company, on the following dates:

1. May 6, 2004 – reporting under Item 12.
2. May 19, 2004 – reporting under Item 12.

## 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: September 9, 2004

/s/ J. CALL

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



## INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Amendment of Certificate of Incorporation dated May 21, 2004, Amendment of Certificate of Incorporation dated June 5, 2002 and Corrected First Restated Certificate of Incorporation.
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.
10.30	Second Amendment to the Employment Agreement between Irene Jamieson and Ross Stores, Inc., effective as of May 1, 2004.
10.31	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.
10.32	Form of Stock Option Agreement for options granted pursuant to Ross Stores, Inc. 2004 Equity Incentive Plan.
10.33	Form of Restricted Stock Agreement for stock awards granted pursuant to the Ross Stores, Inc. 2004 Equity Incentive Plan.
15	Letter re: Unaudited Interim Financial Information.
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.

CERTIFICATE OF AMENDMENT  
OF  
CERTIFICATE OF INCORPORATION  
OF  
ROSS STORES, INC.

Ross Stores, Inc., a Delaware corporation (the "Corporation"), hereby certifies:

1. That Article Fourth, subsection A of the Certificate of Incorporation is hereby amended to read in full as follows:
  - A. Capitalization. The total number of shares of all classes of stock which the Corporation shall have authority to issue is six hundred four million (604,000,000), consisting of:
    - (1) four million (4,000,000) shares of Preferred Stock, par value one cent (\$.01) per share (the "Preferred Stock"); and
    - (2) six hundred million (600,000,000) shares of Common Stock, par value one cent (\$.01) per share (the "Common Stock").
2. That the foregoing amendment has been duly adopted in accordance with the provisions of Section 242 of the General Corporation law of the State of Delaware.

The Corporation has caused this Certificate of Amendment of Certificate of Incorporation to be signed by its duly authorized officer, this 21st day of May 2004.

ROSS STORES, INC.

By: /s/ J. CALL

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John G. Call  
Senior Vice President,  
Chief Financial Officer and Corporate Secretary

CERTIFICATE OF AMENDMENT  
OF  
CERTIFICATE OF INCORPORATION  
OF  
ROSS STORES, INC.

Ross Stores, Inc., a Delaware corporation (the "Corporation"), hereby certifies:

1. That the Corporation's Board of Directors has duly adopted the following resolution:

RESOLVED, that Article Fourth, subsection A of the Certificate of Incorporation is hereby amended to read in full as follows:

A Capitalization. The total number of shares of all classes of stock which the Corporation shall have authority to issue is three hundred four million (304,000,000), consisting of:

- (1) four million (4,000,000) shares of Preferred Stock, par value one cent (\$.01) per share (the "Preferred Stock"); and
- (2) three hundred million (300,000,000) shares of Common Stock, par value one cent (\$.01) per share (the "Common Stock").

2. That the proposed amendment has been duly adopted in accordance with the provisions of Section 242 of the General Corporation law of the State of Delaware.

The Corporation has caused this Certificate of Amendment of Certificate of Incorporation to be signed by its duly authorized officer, this 5th day of June 2002.

ROSS STORES, INC.

By: /S/ J. CALL

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John G. Call  
Senior Vice President,  
Chief Financial Officer and Corporate Secretary

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

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

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

Paragraph (2), Section A of Article FOURTH is deleted and replaced in its entirety by the following:  
“(2) one hundred seventy million (170,000,000) shares of Common Stock, par value one cent (\$.01) per share (the “Common Stock”).

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

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

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Pursuant to Section 242 of the General Corporation Law of the State of Delaware, Susan L. Thorne, Director, Corporate Affairs and Assistant Secretary of Ross Stores, Inc. (hereinafter called the "Corporation"), organized and existing under the General Corporation Law of the State of Delaware (originally incorporated pursuant to a Certificate of Incorporation filed with the Delaware Secretary of State on March 29, 1989), in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

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

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

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

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

FOURTH:

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

- (1) four million (4,000,000) shares of Preferred Stock, par value one cent (\$.01) per share (the "Preferred Stock"); and
- (2) one hundred seventy million (170,000,000) shares of Common Stock, par value one cent (\$.01) per share (the "Common Stock").

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

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

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

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

C. Stockholders Must Meet To Act. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

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

#### SIXTH:

A. Number of Directors. The number of directors shall initially be nine and, thereafter, shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption).

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

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

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

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

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

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

(1) any merger or consolidation of the Corporation or any material Subsidiary (as hereinafter defined) with or into (i) any corporation which is an Interested Stockholder or (ii) any other corporation which is or after such merger or consolidation would be an Interested Stockholder; or

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

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

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

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

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

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

C. Certain Definitions. For the purpose of this Article EIGHTH:

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

(2) An "Associate" shall mean:

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



in such partnership;

(ii) with respect to a partnership, any general partner thereof or any limited partner thereof having a 10 percent ownership interest

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

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

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

(vi) any Affiliate of any such person.

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

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

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

(4) "Disinterested Director" shall mean any member of the Board of Directors of the Corporation who is not an Affiliate or Associate of, and was not directly or indirectly a nominee of, any Interested Stockholder involved in such Business Combination or any Affiliate or Associate of such Interested Stockholder and who (i) was a member of the Board of Directors on May 25, 1989; or (ii) was a member of the Board of Directors prior to the time that such Interested Stockholder became an Interested Stockholder; or (iii) was a member of the Board of Directors nominated by a majority of the Disinterested Directors on the Board of Directors at the time of his or her nomination to fill a vacancy on the Board of Directors created by the death, resignation or removal of a Disinterested Director. Any reference to "Disinterested Directors" shall refer to a single Disinterested Director if there is only one. Any reference to an approval, designation or determination by a majority of the Disinterested Directors shall mean such approval, designation or determination by a committee of the Board of Directors comprised of all Disinterested Directors and exercising its authority as a committee of the Board to the extent permissible by law.

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

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

(ii) acts with any other person as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding or disposing of securities of the Corporation, and such group is the Beneficial Owner, directly or indirectly, of shares of Capital Stock which are entitled to cast 5 percent or more of the total votes which all of the then outstanding shares of Capital Stock are entitled to cast in the election of directors; and any reference to a particular Interested Stockholder involved in a Business Combination shall also refer to any Affiliate or Associate thereof, any predecessor thereto and any other person acting as a member of a partnership, limited partnership, syndicate or group with such particular Interested Stockholder within the meaning of the foregoing clause (ii) of this subparagraph (5).

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

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

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

D. Disinterested Directors Determine Applicability. A majority of the Disinterested Directors shall have the power and duty to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this Article EIGHTH, including, without limitation (i) whether a person is an Interested Stockholder, (ii) the number of shares of Capital Stock Beneficially Owned by any person, (iii) whether a person is an Affiliate or Associate of another person, (iv) whether the requirements of paragraph B of this Article EIGHTH have been met with respect to any Business Combination, and (v) whether two or more transactions constitute a “series of transactions” for purposes of paragraph A of this Article EIGHTH. The good faith determination of a majority of the Disinterested Directors on such matters shall be conclusive and binding for all purposes of this Article EIGHTH.

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

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

- (i) the interests of the Corporation’s stockholders;
- (ii) whether the proposed transaction might violate federal or state laws;

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

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

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

TENTH: Elimination of Monetary Liability. The liability of the directors of the Corporation for monetary damages shall be eliminated to the fullest extent permissible under Delaware law.

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

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

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

ROSS STORES, INC., a Delaware corporation

/S/ SUSAN L. THORNER

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Susan L. Thorner  
Director, Corporate Affairs and Assistant Secretary

SECOND AMENDMENT TO THE EMPLOYMENT AGREEMENT

**THIS SECOND AMENDMENT TO THE EMPLOYMENT AGREEMENT** (the "Amendment") is made and entered into effective May 1, 2004, by and between Ross Stores, Inc. (the "Company") and Irene Jamieson (the "Executive"). The Executive and the Company previously entered into an Employment Agreement (the "Agreement") effective April 1, 2000, and renewed such Agreement by way of a First Amendment in April 2002 (both the original Agreement and the First Amendment are attached hereto), and it is now the intention of the Executive and the Company to further amend the Agreement as set forth below. Accordingly, the Executive and the Company now enter into this Second Amendment.

I. The Executive and the Company hereby amend the Agreement by adding the following Paragraph 1(c):

**1(c). Executive's Employment Through Contract Term.** Executive agrees to remain employed with the Company through the existing contract term, March 31, 2006. In exchange for such promise, Executive shall be entitled to the following provided she remains employed with the Company through March 31, 2006:

If Executive or Company terminates the employment relationship after March 31, 2006, Executive will be considered an active employee through March 31, 2007 and shall receive full pay (at her March 31, 2006 level) and benefits through March 31, 2007, with previously awarded restricted stock to release as scheduled through March 31, 2007. In such case, Executive shall be relieved of her day-to-day duties but shall remain available for consultation through March 31, 2007. Executive will be available on a consulting basis for up to two (2) days per week from April 1, 2006 through March 31, 2007. If Executive remains employed with Company through March 31, 2006, Company will also provide Executive with medical and dental benefits through March 31, 2011. Executive will also be entitled to receive her regular bonuses through March 31, 2006, per the current contract terms. In addition, if she remains employed through March 31, 2006, she will be eligible for a full fiscal year 2006 bonus, paid in March 2007. However, absent written renewal of the existing Agreement, Executive will not be eligible for further equity grants or salary increases after March 31, 2006, will not accrue vacation after March 31, 2006, and will no longer be employed pursuant to any formal written or oral employment agreement after March 31, 2006. In addition, the Employment Restriction provisions of Paragraph 9 of the contract shall remain effective until three (3) years after Executive ceases to be considered an active employee (i.e., 3 years after March 31, 2007).

Except for these amendments as set forth above, the Agreement, First Amendment, and all of its terms remain in force and in effect.

**ROSS STORES, INC.**

/s/ MICHAEL BALMUTH

\_\_\_\_\_  
Michael Balmuth

6/3/04

\_\_\_\_\_  
Date

**EXECUTIVE**

/s/ IRENE JAMIESON

\_\_\_\_\_  
Irene Jamieson

6/3/04

\_\_\_\_\_  
Date

**Notice of Grant of Stock  
Options  
and Option Agreement**

**ROSS STORES, INC.**  
**ID: 94-1390387**  
 4440 Rosewood Drive, Building 4  
 Pleasanton, CA 94588  
 (925) 965-4899 phone

[NAME]  
 4440 Rosewood Drive  
 Pleasanton, CA 94588

**Option Number:** [OPTION NUMBER]  
**Plan:** 2004  
**ID:** 000000

Effective [DATE], you have been granted a(n) Non-Qualified Stock Option to buy [NUMBER] shares of ROSS STORES, INC. (the Company) stock at \$[AMOUNT] per share.

The total option price of the shares granted is \$[AMOUNT].

Shares in each period will become fully vested on the date shown.

Shares	Vest Type	Full Vest	Expiration
[SHARES]	Monthly	[DATE]	[DATE]
[SHARES]	Monthly	[DATE]	[DATE]
[SHARES]	Monthly	[DATE]	[DATE]
[SHARES]	Monthly	[DATE]	[DATE]

By your signature and the Company's signature below, you and the Company agree that these options are granted under and governed by the terms and conditions of the Company's Stock Option Plan as amended and the Option Agreement, all of which are attached and made a part of this document.

ROSS STORES, INC.

Date

[NAME]

Date

Date: [DATE]  
 Time: [TIME]

**ROSS STORES, INC.**  
**STOCK OPTION AGREEMENT**

Ross Stores, Inc. has granted to the Participant named in the *Notice of Grant* (the “**Grant Notice**”) to which this Stock Option Agreement (the “**Option Agreement**”) is attached an Option (the “**Option**”) to purchase certain shares of Stock upon the terms and conditions set forth in the Grant Notice and this Option Agreement. The Option has been granted pursuant to the Ross Stores, Inc. 2004 Equity Incentive Plan (the “**Plan**”), as amended to the Grant Date, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Option Agreement, the Plan and a prospectus for the Plan in the form most recently registered with the Securities and Exchange Commission (the “**Plan Prospectus**”), (b) accepts the Option subject to all of the terms and conditions of the Grant Notice, this Option Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Option Agreement or the Plan.

**1. DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned in the Grant Notice or the Plan. Wherever used herein, the following terms shall have their respective meanings set forth below:

(a) “**Cause**” means, unless otherwise defined by a contract of employment or service between the Participant and a Participating Company, any of the following: (i) the Participant’s theft, dishonesty, or falsification of any Participating Company documents or records; (ii) the Participant’s improper use or disclosure of a Participating Company’s confidential or proprietary information; (iii) any action by the Participant which has a detrimental effect on a Participating Company’s reputation or business; (iv) the Participant’s failure or inability to perform any reasonable assigned duties after written notice from a Participating Company of, and a reasonable opportunity to cure, such failure or inability; (v) any material breach by the Participant of any employment agreement between the Participant and a Participating Company, which breach is not cured pursuant to the terms of such agreement; or (vi) the Participant’s conviction (including any plea of guilty or nolo contendere) of any criminal act which impairs the Participant’s ability to perform his or her duties with a Participating Company.

(b) “**Option Price**” means the Option Price as set forth in the Grant Notice and as adjusted from time to time pursuant to Section 9.

(c) “**Number of Option Shares**” means the Number of Shares Granted as set forth in the Grant Notice and as adjusted from time to time pursuant to Section 9.

(d) “**Vested Shares**” means, on any relevant date, that portion of the Number of Option Shares which has cumulatively become vested in accordance with the vesting schedule set forth in the Grant Notice. Provided that the Participant’s Service has not terminated prior to the relevant vesting date described in the Grant Notice, a portion of the Number of Option Shares will become Vested Shares at the applicable periodic rate set forth in the Grant Notice.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Option Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

2. **TAX STATUS OF OPTION.**

This Option is intended to be a Nonstatutory Stock Option and shall not be treated as an incentive stock option within the meaning of Section 422(b) of the Code.

3. **ADMINISTRATION.**

All questions of interpretation concerning this Option Agreement shall be determined by the Committee. All determinations by the Committee shall be final and binding upon all persons having an interest in the Option. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

4. **EXERCISE OF THE OPTION.**

4.1 **Right to Exercise.** Except as otherwise provided herein, the Option shall be exercisable on and after the Grant Date and prior to the termination of the Option (as provided in Section 6) in an amount not to exceed the number of Vested Shares less the number of shares previously acquired upon exercise of the Option. In no event shall the Option be exercisable for more shares than the Number of Option Shares.

4.2 **Method of Exercise.** Exercise of the Option shall be by means of electronic or written notice (the “*Exercise Notice*”) in a form authorized by the Company. An electronic Exercise Notice must be digitally signed or authenticated by the Participant in such manner as required by the notice and transmitted to the Chief Financial Officer of the Company or other authorized representative of the Company (including a third-party administrator designated by the Company). In the event that the Participant is not authorized or is unable to provide an electronic Exercise Notice, the Option shall be exercised by a written Exercise Notice addressed to the Company, which shall be signed by the Participant and delivered in person, by certified or registered mail, return receipt requested, by confirmed facsimile transmission, or by such other means as the Company may permit, to the Chief Financial Officer of the Company, or other authorized representative of the Company (including a third-party administrator designated by the Company). Each Exercise Notice, whether electronic or written, must state the Participant’s election to exercise the Option, the number of whole shares of Stock for which the Option is being exercised and such other representations and agreements as to the Participant’s investment intent with respect to such shares as may be required pursuant to the provisions of this Option Agreement. Further, each Exercise Notice must be received by the Company prior to the termination of the Option as set forth in Section 6 and must be accompanied by full payment of the aggregate Option Price for the number of shares of Stock being purchased. The Option shall be deemed to be exercised upon receipt by the Company of such electronic or written Exercise Notice and the aggregate Option Price.



#### 4.3 Payment of Option Price.

(a) **Forms of Consideration Authorized.** Except as otherwise provided below, payment of the aggregate Option Price for the number of shares of Stock for which the Option is being exercised shall be made (i) in cash or by check, (ii) if permitted by the Company, by tender to the Company, or attestation to the ownership, of whole shares of Stock owned by the Participant having a Fair Market Value not less than the aggregate Option Price, (iii) by means of a Cashless Exercise, as defined in Section 4.3(b), or (iv) by any combination of the foregoing.

(b) **Limitations on Forms of Consideration.**

(i) **Tender of Stock.** Notwithstanding the foregoing, the Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. If required by the Company, the Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Participant for more than six (6) months or such other period, if any, required by the Company (and not used for another option exercise by attestation during such period) or were not acquired, directly or indirectly, from the Company.

(ii) **Cashless Exercise.** A "**Cashless Exercise**" means the delivery of a properly executed notice together with irrevocable instructions to a broker in a form acceptable to the Company providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares of Stock acquired upon the exercise of the Option pursuant to a program or procedure approved by the Company (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System). The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any such program or procedure, including with respect to the Participant notwithstanding that such program or procedures may be available to others.

4.4 **Tax Withholding.** At the time the Option is exercised, in whole or in part, or at any time thereafter as requested by the Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for (including by means of a Cashless Exercise to the extent permitted by the Company), any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Participating Company Group, if any, which arise in connection with the Option. The Company shall have no obligation to deliver shares of Stock until the tax withholding obligations of the Participating Company Group have been satisfied by the Participant.

4.5 **Beneficial Ownership of Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all shares acquired by the Participant pursuant to the exercise of the Option. Except as provided by the preceding sentence, a certificate for the shares as to which the Option is exercised shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

4.6 **Restrictions on Grant of the Option and Issuance of Shares.** The grant of the Option and the issuance of shares of Stock upon exercise of the Option shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. The Option may not be exercised if the issuance of shares of Stock upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, the Option may not be exercised unless (i) a registration statement under the Securities Act shall at the time of exercise of the Option be in effect with respect to the shares issuable upon exercise of the Option or (ii) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Option may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. **THE PARTICIPANT IS CAUTIONED THAT THE OPTION MAY NOT BE EXERCISED UNLESS THE FOREGOING CONDITIONS ARE SATISFIED. ACCORDINGLY, THE PARTICIPANT MAY NOT BE ABLE TO EXERCISE THE OPTION WHEN DESIRED EVEN THOUGH THE OPTION IS VESTED.** The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Option shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of the Option, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

4.7 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the exercise of the Option.

5. **TRANSFERABILITY OF THE OPTION.**

5.1 Except as provided in Section 5.2, the Option may be exercised during the lifetime of the Participant only by the Participant or the Participant's guardian or legal representative and may not be assigned or transferred in any manner except by will or by the laws of descent and distribution. Following the death of the Participant, the Option, to the extent provided in Section 7, may be exercised by the Participant's legal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

5.2 With the consent of the Committee and subject to any conditions or restrictions as the Committee may impose, in its discretion, the Participant may transfer during the Participant's lifetime and prior to the Participant's termination of Service all or any portion of the Option to one or more of such persons (each a "**Permitted Transferee**") as permitted in accordance with the applicable limitations, if any, described in the General Instructions to the Form S-8 Registration Statement under the Securities Act. No transfer or purported transfer of the Option shall be effective unless and until: (i) the Participant has delivered to the Company a written request describing the terms and conditions of the proposed transfer in such form as the Company may require, (ii) the Participant has made adequate provision, in the sole determination of the Company, for satisfaction of the tax withholding obligations of the Participating Company Group as provided in Section 4.4 that may arise with respect to the transferred portion of the Option, (iii) the Committee has approved the requested transfer, and (iv) the Participant has delivered to the Company written documentation of the transfer in such form as the Company may require. With respect to the transferred portion of the Option, all of the terms and conditions of the Grant Notice, this Option Agreement and the Plan shall apply to the Permitted Transferee and not to the original Participant, except for (i) the Participant's rendering of Service, (ii) provision for the Participating Company Group's tax withholding obligations, if any, and (iii) any subsequent transfer of the Option by the Permitted Transferee, which shall be prohibited except as provided in Section 5.1, unless otherwise permitted by the Committee, in its sole discretion. The Company shall have no obligation to notify a Permitted Transferee of any expiration, termination, lapse or acceleration of the transferred Option, including, without limitation, an early termination of the transferred Option resulting from the termination of Service of the original Participant. Exercise of the transferred Option by a Permitted Transferee shall be subject to compliance with all applicable federal, state and foreign securities laws; however, the Company shall have no obligation to register with any federal, state or foreign securities commission or agency such transferred Option or any shares that may be issuable upon the exercise of the transferred Option by the Permitted Transferee.

#### 6. TERMINATION OF THE OPTION.

The Option shall terminate and may no longer be exercised after the first to occur of (a) the close of business on the Expiration Date, (b) the close of business on the last date for exercising the Option following termination of the Participant's Service as described in Section 7, or (c) a Change in Control to the extent provided in Section 8.

#### 7. EFFECT OF TERMINATION OF SERVICE.

##### 7.1 **Option Exercisability.**

(a) **Disability.** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Expiration Date.

(b) **Death.** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other person who acquired the right to exercise the Option by reason of the Participant's death at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months after the Participant's termination of Service.

(c) **Termination for Cause.** Notwithstanding any other provision of this Option Agreement, if the Participant's Service is terminated for Cause, the Option, to the extent unexercised and exercisable by the Participant on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated, but in any event no later than the Expiration Date.

(d) **Other Termination of Service.** If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable by the Participant on the date on which the Participant's Service terminated, may be exercised by the Participant at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated or, if the Participant was an Employee, that number of months after the date of the Participant's termination of Service as determined in accordance with the following table, but in any event no later than the Expiration Date.

Years of Service Prior to Termination	Employee Position Held Immediately Prior to Termination of Service		
	Vice President or Higher	Below Vice President but at least Director	All Others
Less than 5	6 months	4 months	3 months
At least 5 but less than 10	8 months	6 months	4 months
10 or more	12 months	8 months	6 months

7.2 **Extension if Exercise Prevented by Law.** Notwithstanding the foregoing other than termination of the Participant's Service for Cause, if the exercise of the Option within the applicable time periods set forth in Section 7.1 is prevented by the provisions of Section 4.6, the Option shall remain exercisable until three (3) months after the date the Participant is notified by the Company that the Option is exercisable, but in any event no later than the Expiration Date.

7.3 **Extension if Participant Subject to Section 16(b).** Notwithstanding the foregoing other than termination of the Participant's Service for Cause, if a sale within the applicable time periods set forth in Section 7.1 of shares acquired upon the exercise of the Option would subject the Participant to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (i) the tenth (10th) day following the date on which a sale of such shares by the Participant would no longer be subject to such suit, (ii) the one hundred and ninetieth (190th) day after the Participant's termination of Service, or (iii) the Expiration Date.

8. **CHANGE IN CONTROL.**

8.1 **Effect of Change in Control on Option.** In the event of a Change in Control, the Committee, in its discretion, shall either (a) arrange for the surviving, continuing, successor, or purchasing entity or parent thereof, as the case may be (the "**Acquiror**"), to either assume the Company's rights and obligations under the Option or substitute for the Option a substantially equivalent option for the Acquiror's stock, or (b) provide that any unexercised portion of the Option shall be immediately exercisable and vested in full as of a date prior to the Change in Control specified by the Committee provided that the Participant's Service has not terminated prior to such date. Any exercise of the Option that was permissible solely by reason of this Section 8.1 shall be conditioned upon the consummation of the Change in Control. The Option shall terminate and cease to be outstanding effective as of the date of the Change in Control to the extent that the Option is neither assumed by the Acquiror in connection with the Change in Control nor exercised as of the date of the Change in Control.

8.2 **Federal Excise Tax Under Section 4999 of the Code.**

(a) **Excess Parachute Payment.** In the event that any acceleration of vesting pursuant to this Option Agreement and any other payment or benefit received or to be received by the Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an excess parachute payment under Section 280G of the Code, the Participant may elect, in his or her sole discretion, to reduce the amount of any acceleration of vesting called for under this Option Agreement in order to avoid such characterization.

(b) **Determination by Independent Accountants.** To aid the Participant in making any election called for under Section 8.2(a), upon the occurrence of any event that might reasonably be anticipated to give rise to acceleration of vesting under Section 8.1 (an "**Event**"), the Company shall promptly request a determination in writing by independent public accountants selected by the Company (the "**Accountants**"). Unless the Company and the Participant otherwise agree in writing, the Accountants shall determine and report to the Company and the Participant within twenty (20) days of the date of the Event the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make their required determination. The Company shall bear all fees and expenses the Accountants may reasonably charge in connection with their services contemplated by this Section 8.2(b).

9. **ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.**

Subject to any required action by the stockholders of the Company, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate adjustments shall be made in the number, Option Price and class of shares of stock subject to the Option. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as “effected without receipt of consideration by the Company.” Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number, and in no event may the Option Price be decreased to an amount less than the par value, if any, of the stock subject to the Option. The Committee in its sole discretion, may also make such adjustments in the terms of the Option to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate. The adjustments determined by the Committee pursuant to this Section shall be final, binding and conclusive.

10. **RIGHTS AS A STOCKHOLDER, EMPLOYEE, CONSULTANT OR DIRECTOR.**

The Participant shall have no rights as a stockholder with respect to any shares covered by the Option until the date of the issuance of the shares for which the Option has been exercised (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date the shares are issued, except as provided in Section 9. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant’s employment is “at will” and is for no specified term. Nothing in this Option Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant’s Service as an Employee, Consultant or Director, as the case may be, at any time.

11. **LEGENDS.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing shares of stock subject to the provisions of this Option Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing shares acquired pursuant to the Option in the possession of the Participant in order to carry out the provisions of this Section.

12. **MISCELLANEOUS PROVISIONS.**

12.1 **Termination or Amendment.** The Board or Committee may terminate or amend the Plan or the Option at any time; provided, however, that except as provided in Section 8.1 in connection with a Change in Control, no such termination or amendment may adversely affect the Option or any unexercised portion hereof without the consent of the Participant unless such termination or amendment is necessary to comply with any applicable law or government regulation. No amendment or addition to this Option Agreement shall be effective unless in writing.

12.2 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Option Agreement.

12.3 **Binding Effect.** Subject to the restrictions on transfer set forth herein, this Option Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

12.4 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Option Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address shown below that party's signature to the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Option Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, the Participant may deliver electronically the Exercise Notice called for by Section 4.2 to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 12.4(a) of this Option Agreement and consents to the electronic delivery of the Plan documents and the delivery of the Exercise Notice, as described in Section 12.4(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Chief Financial Officer of the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 12.4(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 12.4(a).

12.5 **Integrated Agreement.** The Grant Notice, this Option Agreement and the Plan, together with any employment, service or other agreement between the Participant and a Participating Company referring to the Option, shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein and supersede any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter. To the extent contemplated herein, the provisions of the Grant Notice, the Option Agreement and the Plan shall survive any exercise of the Option and shall remain in full force and effect.

12.6 **Applicable Law.** This Option Agreement shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California.

12.7 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.



Participant Name: \_\_\_\_\_

Date: \_\_\_\_\_

**ROSS STORES, INC.**  
**NONSTATUTORY STOCK OPTION EXERCISE NOTICE**

Ross Stores, Inc.  
Attention: Chief Financial Officer  
4440 Rosewood Drive  
Pleasanton, CA 94588-3050

Ladies and Gentlemen:

1. **Option.** I was granted a nonstatutory stock option (the "**Option**") to purchase shares of the common stock (the "**Shares**") of Ross Stores, Inc. (the "**Company**") pursuant to the Company's 2004 Equity Incentive Plan (the "**Plan**"), my Notice of Grant (the "**Grant Notice**") and my Stock Option Agreement (the "**Option Agreement**") as follows:

Option Number: \_\_\_\_\_

Grant Date: \_\_\_\_\_

Number of Option Shares: \_\_\_\_\_

Option Price per Share: \$ \_\_\_\_\_

2. **Exercise of Option.** I hereby elect to exercise the Option to purchase the following number of Shares, all of which are Vested Shares in accordance with the Grant Notice and the Option Agreement:

Total Shares Purchased: \_\_\_\_\_

Total Option Price (Total Shares X Option Price per Share) \$ \_\_\_\_\_

3. **Payments.** I enclose payment in full of the total Option Price for the Shares in the following form(s), as authorized by my Option Agreement:

Cash: \$ \_\_\_\_\_

Check: \$ \_\_\_\_\_

Tender of Company Stock: Contact Plan Administrator

Cashless Exercise (same-day sale): Contact Plan Administrator

4. **Tax Withholding.** I authorize payroll withholding and otherwise will make adequate provision for the federal, state, local and foreign tax withholding obligations of the Company, if any, in connection with the Option. I enclose payment in full of my withholding taxes, if any, as follows:

**(Contact Plan Administrator for amount of tax due.)**

Cash: \$ \_\_\_\_\_

Check: \$ \_\_\_\_\_

5. **Participant Information.**

My address is: \_\_\_\_\_

\_\_\_\_\_

My Social Security Number is: \_\_\_\_\_

I understand that I am purchasing the Shares pursuant to the terms of the Grant Notice and my Option Agreement, copies of which I have received and carefully read and understand.

Very truly yours,

\_\_\_\_\_

(Signature)

Receipt of the above is hereby acknowledged.

ROSS STORES, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

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

**Notice of Grant of Award  
and Award Agreement**

**ROSS STORES, INC.**  
 ID:94-1390387  
 4440 Rosewood Drive, Building 4  
 Pleasanton, CA 94588  
 (925) 965-4899 phone

[NAME]  
[ADDRESS]

**Award Number:** [AWARDNUMBER]  
**Plan:** 2004  
**ID:** [ID]

Effective [GRANT DATE], you have been granted an award of [SHARES] shares of ROSS STORES, INC. (the Company) common stock. These shares are restricted until the vest date(s) shown below.

The current total value of the award is [\$TOTAL VALUE]

The award will vest in increments on the date(s) shown.

Shares	Full Vest
[SHARES]	[VEST DATE]
[SHARES]	[VEST DATE]

By your signature and the Company's signature below, you and the Company agree that this award is granted under and governed by the terms and conditions of the Company's Award Plan as amended and the Award Agreement, all of which are attached and made a part of this document.

\_\_\_\_\_  
 ROSS STORES, INC.

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 [PARTICIPANT]

\_\_\_\_\_  
 Date

Date: [DATE]  
 Time: [TIME]

**ROSS STORES, INC.**  
**RESTRICTED STOCK AGREEMENT**

Ross Stores, Inc. has granted to the Participant named in the *Notice of Grant of Award* (the “**Grant Notice**”) to which this Restricted Stock Agreement (the “**Agreement**”) is attached an Award (the “**Award**”) consisting of Shares subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to the Ross Stores, Inc. 2004 Equity Incentive Plan (the “**Plan**”), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan in the form most recently registered with the Securities and Exchange Commission (the “**Plan Prospectus**”), (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

**1. DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned in the Grant Notice or the Plan. Wherever used herein, the following terms shall have their respective meanings set forth below:

(a) “**Grant Date**” means the effective date of grant of the Award as set forth in the Grant Notice.

(b) “**Total Number of Shares**” means the total number of shares of Stock subject to the Award as set forth in the Grant Notice and as adjusted from time to time pursuant to Section 7.

(c) “**Vested Shares**” means, on any relevant date, that portion of the Total Number of Shares which has vested in accordance with the vesting schedule set forth in the Grant Notice. Provided that the Participant’s Service has not terminated prior to the relevant vesting date described in the Grant Notice, the number of shares as provided by the Grant Notice shall become Vested Shares on such date.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

**2. THE AWARD.**

2.1 **Grant and Issuance of Shares.** On the Date of Grant, the Participant will acquire and the Company will issue, subject to the provisions of this Agreement, a number of Shares equal to the Total Number of Shares set forth in the Grant Notice. As a condition to the issuance of the Shares, the Participant shall execute and deliver to the Company along with the Grant Notice (a) the Joint Escrow Instructions in the form attached to the Grant Notice and (b) the Assignment Separate from Certificate duly endorsed (with date and number of shares blank) in the form attached to the Grant Notice.

2.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Shares, the consideration for which shall be past services actually rendered and/or future services to be rendered to a Participating Company or for its benefit.

2.3 **Beneficial Ownership of Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit the Shares with the Company's transfer agent, including any successor transfer agent, to be held in book entry form during the term of the Escrow pursuant to Section 6. Except as provided by the preceding sentence, a certificate for the Shares shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

2.4 **Issuance of Shares in Compliance with Law.** The issuance of the Shares shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No Shares shall be issued hereunder if their issuance would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any Shares shall relieve the Company of any liability in respect of the failure to issue such Shares as to which such requisite authority shall not have been obtained. As a condition to the issuance of the Shares, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

### 3. VESTING OF SHARES.

3.1 **Normal Vesting.** Except as provided in Section 3.2, the Shares shall vest and become Vested Shares as provided in the Grant Notice; provided however, that Shares that would otherwise become Vested Shares on a date on which a sale of such Shares by the Participant would violate the Insider Trading Policy of the Company shall, notwithstanding the vesting schedule set forth in the Grant Notice, become Vested Shares on the next day on which such sale would not violate the Insider Trading Policy. For purposes of this Section, "**Insider Trading Policy**" means the written policy of the Company pertaining to the sale, transfer or other disposition of the Company's equity securities by members of the Board, Officers or other employees who may possess material, non-public information regarding the Company, as in effect at the time of a disposition of any Shares. No additional Shares will become Vested Shares following the Participant's termination of Service for any reason.

3.2 **Acceleration of Vesting Upon a Change in Control.** In the event of a Change in Control, the vesting of the Shares shall be accelerated in full and the Total Number of Shares shall be deemed Vested Shares effective as of the date of the Change in Control, provided that the Participant's Service has not terminated prior to such date.

3.3 **Federal Excise Tax Under Section 4999 of the Code.**

(a) **Excess Parachute Payment.** In the event that any acceleration of vesting pursuant to this Agreement and any other payment or benefit received or to be received by the Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an excess parachute payment under Section 280G of the Code, the Participant may elect, in his or her sole discretion, to reduce the amount of any acceleration of vesting called for under this Agreement in order to avoid such characterization.

(b) **Determination by Independent Accountants.** To aid the Participant in making any election called for under Section 3.3(a), upon the occurrence of any event that might reasonably be anticipated to give rise to the acceleration of vesting under Section 3.2 (an "**Event**"), the Company shall promptly request a determination in writing by independent public accountants selected by the Company (the "**Accountants**"). Unless the Company and the Participant otherwise agree in writing, the Accountants shall determine and report to the Company and the Participant within twenty (20) days of the date of the Event the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make their required determination. The Company shall bear all fees and expenses the Accountants may reasonably charge in connection with their services contemplated by this Section 3.3(b).

4. **COMPANY REACQUISITION RIGHT.**

4.1 **Grant of Company Reacquisition Right.** Except to the extent otherwise provided in an employment agreement between a Participating Company and the Participant, in the event that (a) the Participant's Service terminates for any reason or no reason, with or without cause, or (b) the Participant, the Participant's legal representative, or other holder of the Shares, attempts to sell, exchange, transfer, pledge, or otherwise dispose of (other than pursuant to an Ownership Change Event), including, without limitation, any transfer to a nominee or agent of the Participant, any Shares which are not Vested Shares ("**Unvested Shares**"), the Company shall automatically reacquire the Unvested Shares, and the Participant shall not be entitled to any payment therefor (the "**Company Reacquisition Right**").

4.2 **Ownership Change Event.** Upon the occurrence of an Ownership Change Event, any and all new, substituted or additional securities or other property to which the Participant is entitled by reason of the Participant's ownership of Unvested Shares shall be immediately subject to the Company Reacquisition Right and included in the terms "Shares," "Stock" and "Unvested Shares" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Shares immediately prior to the Ownership Change Event. For purposes of determining the number of Vested Shares following an Ownership Change Event, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after the Ownership Change Event.

5. **TAX MATTERS.**

5.1 **Tax Withholding.**

(a) **In General.** At the time the Grant Notice is executed, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Participating Company, if any, which arise in connection with the Award, including, without limitation, obligations arising upon (a) the transfer of Shares to the Participant, (b) the lapsing of any restriction with respect to any Shares, (c) the filing of an election to recognize tax liability, or (d) the transfer by the Participant of any Shares. The Company shall have no obligation to deliver the Shares or to release any Shares from the Escrow established pursuant to Section 6 until the tax withholding obligations of the Participating Company have been satisfied by the Participant.

(b) **Withholding in Shares.** Subject to approval by the Company, in its discretion, the Participant may satisfy all or any portion of the Participating Company's tax withholding obligations by requesting the Company to withhold a number of whole, Vested Shares otherwise deliverable to the Participant or by tendering to the Company a number of whole, Vested Shares or vested shares of Stock acquired otherwise than pursuant to this Agreement having, in any such case, a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates. Any adverse consequences to the Participant resulting from the procedure permitted under this Section, including, without limitation, tax consequences, shall be the sole responsibility of the Participant.

5.2 **Election Under Section 83(b) of the Code.**

(a) The Participant understands that Section 83 of the Code taxes as ordinary income the difference between the amount paid for the Shares, if anything, and the fair market value of the Shares as of the date on which the Shares are "substantially vested," within the meaning of Section 83. In this context, "substantially vested" means that the right of the Company to reacquire the Shares pursuant to the Company Reacquisition Right has lapsed. The Participant understands that he or she may elect to have his or her taxable income determined at the time he or she acquires the Shares rather than when and as the Company Reacquisition Right lapses by filing an election under Section 83(b) of the Code with the Internal Revenue Service no later than thirty (30) days after the date of acquisition of the Shares. The Participant understands that failure to make a timely filing under Section 83(b) will result in his or her recognition of ordinary income, as the Company Reacquisition Right lapses, on the difference between the purchase price, if anything, and the fair market value of the Shares at the time such restrictions lapse. The Participant further understands, however, that if Shares with respect to which an election under Section 83(b) has been made are forfeited to the Company pursuant to its Company Reacquisition Right, such forfeiture will be treated as a sale on which there is realized a loss equal to the excess (if any) of the amount paid (if any) by the Participant for the forfeited Shares over the amount realized (if any) upon their forfeiture. If the Participant has paid nothing for the forfeited Shares and has received no payment upon their forfeiture, the Participant understands that he or she will be unable to recognize any loss on the forfeiture of the Shares even though the Participant incurred a tax liability by making an election under Section 83(b).

(b) The Participant understands that he or she should consult with his or her tax advisor regarding the advisability of filing with the Internal Revenue Service an election under Section 83(b) of the Code, which must be filed no later than thirty (30) days after the date of the acquisition of the Shares pursuant to this Agreement. Failure to file an election under Section 83(b), if appropriate, may result in adverse tax consequences to the Participant. The Participant acknowledges that he or she has been advised to consult with a tax advisor regarding the tax consequences to the Participant of the acquisition of Shares hereunder. ANY ELECTION UNDER SECTION 83(b) THE PARTICIPANT WISHES TO MAKE MUST BE FILED NO LATER THAN 30 DAYS AFTER THE DATE ON WHICH THE PARTICIPANT ACQUIRES THE SHARES. THIS TIME PERIOD CANNOT BE EXTENDED. THE PARTICIPANT ACKNOWLEDGES THAT TIMELY FILING OF A SECTION 83(b) ELECTION IS THE PARTICIPANT'S SOLE RESPONSIBILITY, EVEN IF THE PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVE TO FILE SUCH ELECTION ON HIS OR HER BEHALF.

(c) The Participant will notify the Company in writing if the Participant files an election pursuant to Section 83(b) of the Code. The Company intends, in the event it does not receive from the Participant evidence of such filing, to claim a tax deduction for any amount which would otherwise be taxable to the Participant in the absence of such an election.

## 6. ESCROW.

6.1 **Establishment of Escrow.** To ensure that Shares subject to the Company Reacquisition Right will be available for reacquisition, the Company may deposit the Shares with the Company's transfer agent to be held in book entry form, as provided in Section 2.3, and the Participant agrees to deliver to and deposit with an escrow agent designated by the Company each certificate, if any, evidencing the Shares, and an Assignment Separate from Certificate with respect to such book entry shares and each such certificate duly endorsed (with date and number of shares blank) in the form attached to the Grant Notice, to be held by the agent under the terms and conditions of the Joint Escrow Instructions in the form attached to the Grant Notice (the "**Escrow**"). The Company shall bear the expenses of the escrow.



**6.2 Delivery of Shares to Participant.** Whenever the Participant or the Participant's legal representative proposes to sell, exchange, transfer, pledge or otherwise dispose of (other than pursuant to an Ownership Change Event) any shares of Stock subject to the Escrow, the Participant shall so notify the Company. As soon as practicable thereafter, the Company shall determine, in its sole discretion, whether (a) such proposed disposition would not cause the Company to automatically reacquire such Shares pursuant to the Company Reacquisition Right and (b) the Participant has made adequate provision for the tax withholding obligations, if any, pursuant to Section 5. If both conditions (a) and (b) set forth in the preceding sentence are satisfied, the Company shall, as soon as practicable, so notify the Participant and give to the escrow agent a written notice directing the escrow agent to deliver such Shares to the Participant. As soon as practicable after receipt of such notice, the escrow agent shall deliver to the Participant the Shares specified in such notice, and the Escrow shall terminate with respect to such Shares.

**7. ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.**

Subject to any required action by the stockholders of the Company, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate adjustments shall be made in the number and class of shares subject to the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. The Committee in its sole discretion, may also make such adjustments in the terms of any Award to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate. The adjustments determined by the Committee pursuant to this Section shall be final, binding and conclusive.

**8. LEGENDS.**

The Company may at any time place legends referencing the Company Reacquisition Right and any applicable federal, state or foreign securities law restrictions on all certificates representing the Shares. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing the Shares in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS SET FORTH IN AN AGREEMENT BETWEEN THIS CORPORATION AND THE REGISTERED HOLDER, OR HIS PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS CORPORATION."

9. **TRANSFERS IN VIOLATION OF AGREEMENT.**

No Shares may be sold, exchanged, transferred (including, without limitation, any transfer to a nominee or agent of the Participant), assigned, pledged, hypothecated or otherwise disposed of, including by operation of law, in any manner which violates any of the provisions of this Agreement and, except pursuant to an Ownership Change Event, until the date on which such shares become Vested Shares, and any such attempted disposition shall be void. The Company shall not be required (a) to transfer on its books any Shares which will have been transferred in violation of any of the provisions set forth in this Agreement or (b) to treat as owner of such Shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such Shares will have been so transferred. In order to enforce its rights under this Section, the Company shall be authorized to give a stop transfer instruction with respect to the Shares to the Company's transfer agent.

10. **RIGHTS AS A STOCKHOLDER.**

The Participant shall have no rights as a stockholder with respect to any Shares subject to the Award until the date of the issuance of a certificate for such Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 7. Subject the provisions of this Agreement, the Participant shall exercise all rights and privileges of a stockholder of the Company with respect to Shares deposited in the Escrow pursuant to Section 6.

11. **RIGHTS AS EMPLOYEE, CONSULTANT OR BOARD MEMBER.**

If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service at any time.

12. **MISCELLANEOUS PROVISIONS.**

12.1 **Administration.** All questions of interpretation concerning the Grant Notice and this Agreement shall be determined by the Committee. All determinations by the Committee shall be final and binding upon all persons having an interest in the Award. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

12.2 **Amendment.** The Committee may amend this Agreement at any time; provided, however, that no such amendment may adversely affect the Participant's rights under this Agreement without the consent of the Participant. No amendment or addition to this Agreement shall be effective unless in writing.

12.3 **Nontransferability of the Award.** The right to acquire Shares pursuant to the Award may not be assigned or transferred in any manner except by will or by the laws of descent and distribution. During the lifetime of the Participant, all rights with respect to this Award shall be exercisable only by the Participant.

12.4 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

12.5 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

12.6 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address shown below that party's signature to the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, the parties may deliver electronically any notices called for in connection with the Escrow. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 12.6(a) of this Agreement and consents to the electronic delivery of the Plan documents and notices in connection with the Escrow, as described in Section 12.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Chief Financial Officer of the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 12.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 12.6(a).

12.7 **Integrated Agreement.** The Grant Notice, this Agreement and the Plan, together with any employment, service or other agreement between the Participant and a Participating Company referring to the Award shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersedes any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Grant Notice and the Agreement shall survive any settlement of the Award and shall remain in full force and effect.

12.8 **Applicable Law.** This Agreement shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California.

12.9 **Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

September 7, 2004

Ross Stores, Inc.  
Pleasanton, California

We have made a review, in accordance with standards of the Public Company Accounting Oversight Board (United States), of the unaudited interim condensed consolidated financial statements of Ross Stores, Inc. for the periods ended July 31, 2004 and August 2, 2003, as indicated in our reports dated September 7, 2004 and September 9, 2003, respectively; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our reports referred to above, which were included in your Quarterly Reports on Form 10-Q for the quarters ended July 31, 2004, and August 2, 2003, are 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, 333-34988, 333-51478, and 333-115836 of Ross Stores, Inc. on Form S-8.

We also are 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

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

I, Michael Balmuth, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) 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) 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
  - (c) 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: September 9, 2004

/s/MICHAEL BALMUTH

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Michael Balmuth  
Vice Chairman and Chief Executive Officer

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

I, John G. Call, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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)) 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) 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
  - (c) 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: September 9, 2004

/s/J. CALL

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

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 Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended July 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Balmuth, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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: September 9, 2004

/s/MICHAEL BALMUTH

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Michael Balmuth  
Vice Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.



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 Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended July 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John G. Call, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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: September 9, 2004

/s/J. CALL

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.