

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 October 31, 2020

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

For the transition period from _____ to _____

Commission file number: 0-14678

Ross Stores, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-1390387

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

5130 Hacienda Drive, Dublin, California

(Address of principal executive offices)

94568-7579

(Zip Code)

Registrant's telephone number, including area code

(925) 965-4400

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

N/A

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

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$.01	ROST	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of Common Stock, with \$.01 par value, outstanding on November 13, 2020 was 356,463,102.

Ross Stores, Inc.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Statements of Operations

(\$000, except stores and per share data, unaudited)	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Sales	\$ 3,754,509	\$ 3,849,117	\$ 8,281,894	\$ 11,625,628
Costs and Expenses				
Cost of goods sold	2,711,419	2,766,432	6,681,530	8,311,950
Selling, general and administrative	877,857	604,605	1,812,657	1,754,825
Interest expense (income), net	28,740	(4,402)	64,261	(14,819)
Total costs and expenses	3,618,016	3,366,635	8,558,448	10,051,956
Earnings (loss) before taxes	136,493	482,482	(276,554)	1,573,672
Provision (benefit) for taxes on earnings (loss)	5,296	111,550	(123,956)	368,877
Net earnings (loss)	\$ 131,197	\$ 370,932	\$ (152,598)	\$ 1,204,795
Earnings (loss) per share				
Basic	\$ 0.37	\$ 1.04	\$ (0.43)	\$ 3.35
Diluted	\$ 0.37	\$ 1.03	\$ (0.43)	\$ 3.32
Weighted-average shares outstanding (000)				
Basic	352,481	356,879	352,320	359,919
Diluted	354,457	359,299	352,320	362,455
Store count at end of period	1,869	1,810	1,869	1,810

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

Condensed Consolidated Statements of Comprehensive Income (Loss)

(\$000, unaudited)	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Net earnings (loss)	\$ 131,197	\$ 370,932	\$ (152,598)	\$ 1,204,795
Other comprehensive income (loss)	—	—	—	—
Comprehensive income (loss)	\$ 131,197	\$ 370,932	\$ (152,598)	\$ 1,204,795

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

Condensed Consolidated Balance Sheets

(\$000, except share data, unaudited)	October 31, 2020	February 1, 2020	November 2, 2019
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,416,124	\$ 1,351,205	\$ 1,142,709
Accounts receivable	122,654	102,236	124,853
Merchandise inventory	1,630,390	1,832,339	2,168,796
Prepaid expenses and other	347,399	147,048	170,304
Total current assets	6,516,567	3,432,828	3,606,662
Property and Equipment			
Land and buildings	1,185,442	1,177,262	1,173,131
Fixtures and equipment	3,201,940	3,115,003	3,032,151
Leasehold improvements	1,243,755	1,219,736	1,199,591
Construction-in-progress	372,950	189,536	145,756
	6,004,087	5,701,537	5,550,629
Less accumulated depreciation and amortization	3,297,203	3,048,101	2,984,747
Property and equipment, net	2,706,884	2,653,436	2,565,882
Operating lease assets	3,132,056	3,053,782	3,042,298
Other long-term assets	215,159	208,321	200,999
Total assets	\$ 12,570,666	\$ 9,348,367	\$ 9,415,841
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	\$ 2,426,390	\$ 1,296,482	\$ 1,480,205
Accrued expenses and other	655,408	462,111	496,623
Current operating lease liabilities	590,122	564,481	559,433
Accrued payroll and benefits	269,709	364,435	321,977
Income taxes payable	—	14,425	—
Total current liabilities	3,941,629	2,701,934	2,858,238
Long-term debt	2,512,037	312,891	312,778
Non-current operating lease liabilities	2,672,139	2,610,528	2,601,372
Other long-term liabilities	290,795	214,086	225,934
Deferred income taxes	135,029	149,679	140,740
Commitments and contingencies			
Stockholders' Equity			
Common stock, par value \$.01 per share Authorized 1,000,000,000 shares Issued and outstanding 356,449,000, 356,775,000 and 359,378,000 shares, respectively	3,564	3,568	3,594
Additional paid-in capital	1,546,078	1,458,307	1,435,713
Treasury stock	(478,419)	(433,328)	(429,583)
Retained earnings	1,947,814	2,330,702	2,267,055
Total stockholders' equity	3,019,037	3,359,249	3,276,779
Total liabilities and stockholders' equity	\$ 12,570,666	\$ 9,348,367	\$ 9,415,841

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

Condensed Consolidated Statements of Stockholders' Equity

(000)	Nine Months Ended October 31, 2020						Total
	Common stock		Additional paid-in capital	Treasury stock	Retained earnings		
	Shares	Amount					
Balance at February 1, 2020	356,775	\$ 3,568	\$ 1,458,307	\$ (433,328)	\$ 2,330,702	\$ 3,359,249	
Net loss	—	—	—	—	(305,842)	(305,842)	
Common stock issued under stock plans, net of shares used for tax withholding	318	3	5,441	(32,317)	—	(26,873)	
Stock-based compensation	—	—	24,739	—	—	24,739	
Common stock repurchased	(1,171)	(12)	(3,576)	—	(128,879)	(132,467)	
Dividends declared (\$0.285 per share)	—	—	—	—	(101,414)	(101,414)	
Balance at May 2, 2020	355,922	\$ 3,559	\$ 1,484,911	\$ (465,645)	\$ 1,794,567	\$ 2,817,392	
Net earnings	—	—	—	—	22,047	22,047	
Common stock issued under stock plans, net of shares used for tax withholding	84	1	5,630	(29)	—	5,602	
Stock-based compensation	—	—	22,158	—	—	22,158	
Balance at August 1, 2020	356,006	\$ 3,560	\$ 1,512,699	\$ (465,674)	\$ 1,816,614	\$ 2,867,199	
Net earnings	—	—	—	—	131,197	131,197	
Common stock issued under stock plans, net of shares used for tax withholding	443	4	6,009	(12,745)	3	(6,729)	
Stock-based compensation	—	—	27,370	—	—	27,370	
Balance at October 31, 2020	356,449	\$ 3,564	\$ 1,546,078	\$ (478,419)	\$ 1,947,814	\$ 3,019,037	

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

Condensed Consolidated Statements of Stockholders' Equity

Nine Months Ended November 2, 2019

(000)	Common stock		Additional paid-in capital	Treasury stock	Retained earnings	Total
	Shares	Amount				
Balance at February 2, 2019	368,242	\$ 3,682	\$ 1,375,965	\$ (372,663)	\$ 2,298,762	\$ 3,305,746
Net earnings	—	—	—	—	421,142	421,142
Cumulative effect of adoption of accounting standard (leases), net	—	—	—	—	(19,614)	(19,614)
Common stock issued under stock plans, net of shares used for tax withholding	390	4	5,291	(50,880)	—	(45,585)
Stock-based compensation	—	—	19,689	—	—	19,689
Common stock repurchased	(3,372)	(33)	(9,387)	—	(310,710)	(320,130)
Dividends declared (\$0.255 per share)	—	—	—	—	(93,722)	(93,722)
Balance at May 4, 2019	365,260	\$ 3,653	\$ 1,391,558	\$ (423,543)	\$ 2,295,858	\$ 3,267,526
Net earnings	—	—	—	—	412,721	412,721
Common stock issued under stock plans, net of shares used for tax withholding	98	1	5,610	(1,469)	—	4,142
Stock-based compensation	—	—	24,924	—	—	24,924
Common stock repurchased	(3,192)	(32)	(9,116)	—	(310,981)	(320,129)
Dividends declared (\$0.255 per share)	—	—	—	—	(92,920)	(92,920)
Balance at August 3, 2019	362,166	\$ 3,622	\$ 1,412,976	\$ (425,012)	\$ 2,304,678	\$ 3,296,264
Net earnings	—	—	—	—	370,932	370,932
Common stock issued under stock plans, net of shares used for tax withholding	227	2	5,543	(4,571)	—	974
Stock-based compensation	—	—	25,987	—	—	25,987
Common stock repurchased	(3,015)	(30)	(8,793)	—	(316,827)	(325,650)
Dividends declared (\$0.255 per share)	—	—	—	—	(91,728)	(91,728)
Balance at November 2, 2019	359,378	\$ 3,594	\$ 1,435,713	\$ (429,583)	\$ 2,267,055	\$ 3,276,779

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

Condensed Consolidated Statements of Cash Flows

(\$000, unaudited)	Nine Months Ended	
	October 31, 2020	November 2, 2019
Cash Flows From Operating Activities		
Net (loss) earnings	\$ (152,598)	\$ 1,204,795
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:		
Depreciation and amortization	268,193	255,089
Loss on early extinguishment of debt	239,769	—
Stock-based compensation	74,267	70,600
Deferred income taxes	(14,650)	23,070
Change in assets and liabilities:		
Merchandise inventory	201,949	(418,354)
Other current assets	(31,732)	(46,161)
Accounts payable	1,126,574	305,648
Other current liabilities	118,679	43,968
Income taxes	(119,513)	(42,619)
Operating lease assets and liabilities, net	8,979	12,911
Other long-term, net	63,206	1,983
Net cash provided by operating activities	1,783,123	1,410,930
Cash Flows From Investing Activities		
Additions to property and equipment	(339,545)	(401,251)
Proceeds from investments	—	517
Net cash used in investing activities	(339,545)	(400,734)
Cash Flows From Financing Activities		
Net proceeds from issuance of short-term debt	805,601	—
Payments of short-term debt	(804,972)	—
Net proceeds from issuance of long-term debt	2,965,115	—
Payments of long-term debt	(775,009)	—
Payments of debt extinguishment and debt issuance costs	(232,000)	—
Issuance of common stock related to stock plans	17,088	16,451
Treasury stock purchased	(45,091)	(56,920)
Repurchase of common stock	(132,467)	(965,909)
Dividends paid	(101,411)	(278,370)
Net cash provided by (used in) financing activities	1,696,854	(1,284,748)
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	3,140,432	(274,552)
Cash, cash equivalents, and restricted cash and cash equivalents:		
Beginning of period	1,411,410	1,478,079
End of period	\$ 4,551,842	\$ 1,203,527
Supplemental Cash Flow Disclosures		
Interest paid	\$ 70,347	\$ 10,560
Income taxes paid	\$ 10,207	\$ 388,426

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

Notes to Condensed Consolidated Financial Statements

Three and Nine Months Ended October 31, 2020 and November 2, 2019
(Unaudited)

Note A: Summary of Significant Accounting Policies

Basis of presentation. The accompanying unaudited interim condensed consolidated financial statements have been prepared from the records of Ross Stores, Inc. and subsidiaries (the "Company") without audit and, in the opinion of management, include all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the Company's financial position as of October 31, 2020 and November 2, 2019, the results of operations, comprehensive income (loss), and stockholders' equity for the three and nine month periods ended October 31, 2020 and November 2, 2019, and cash flows for the nine month periods ended October 31, 2020 and November 2, 2019. The Condensed Consolidated Balance Sheet as of February 1, 2020, presented herein, has been derived from the Company's audited consolidated financial statements for the fiscal year then ended.

Certain information and disclosures normally included in the notes to annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted for purposes of these 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 February 1, 2020.

The results of operations, comprehensive income (loss), and stockholders' equity for the three and nine month periods ended October 31, 2020 and November 2, 2019 and cash flows for the nine month periods ended October 31, 2020 and November 2, 2019 presented herein are not necessarily indicative of the results to be expected for the full fiscal year.

Use of accounting estimates. The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company's significant accounting estimates include valuation reserves for inventory, packaway inventory costs, useful lives of fixed assets, insurance reserves, reserves for uncertain tax positions, estimates for provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), and legal claims. Given the global economic climate and additional, or unforeseen effects, from the COVID-19 pandemic, these estimates are more challenging, and actual results could differ materially from the Company's estimates.

Revenue recognition. All of the Company's store locations, its primary source of revenue, were temporarily closed from March 20, 2020 through a portion of the second fiscal quarter of 2020 due to the COVID-19 pandemic. The Company started a phased reopening of its stores on May 14, 2020. On average, the Company's stores were open for about 75 percent of the second quarter, with the vast majority of its store locations open and operating by the end of June 2020 and throughout the third quarter. The following sales mix table disaggregates revenue by merchandise category for the three and nine month periods ended October 31, 2020 and November 2, 2019:

	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020 ¹	November 2, 2019
Home Accents and Bed and Bath	26 %	24 %	26 %	24 %
Ladies	23 %	26 %	24 %	27 %
Men's	15 %	14 %	14 %	14 %
Accessories, Lingerie, Fine Jewelry, and Fragrances	15 %	13 %	14 %	13 %
Shoes	12 %	14 %	13 %	14 %
Children's	9 %	9 %	9 %	8 %
Total	100 %	100 %	100 %	100 %

¹ Sales mix for the nine month period ended October 31, 2020 represents sales for the period the stores were open.

Cash, restricted cash, and restricted investments. Restricted cash, cash equivalents, and investments serve as collateral for certain insurance and trade payable obligations of the Company. These restricted funds are invested in bank deposits, money market mutual funds, U.S. Government and agency securities, and corporate securities and cannot be withdrawn from the Company's account without the prior written consent of the secured parties. The classification between current and long-term is based on the timing of expected payments of the obligations.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and cash equivalents in the Condensed Consolidated Balance Sheets that reconcile to the amounts shown on the Condensed Consolidated Statements of Cash Flows:

(\$000)	October 31, 2020	February 1, 2020	November 2, 2019
Cash and cash equivalents	\$ 4,416,124	\$ 1,351,205	\$ 1,142,709
Restricted cash and cash equivalents included in:			
Prepaid expenses and other	85,322	10,235	10,947
Other long-term assets	50,396	49,970	49,871
Total restricted cash and cash equivalents	135,718	60,205	60,818
Total cash, cash equivalents, and restricted cash and cash equivalents	\$ 4,551,842	\$ 1,411,410	\$ 1,203,527

Property and equipment. As of October 31, 2020 and November 2, 2019, the Company had \$22.4 million and \$11.1 million, respectively, of property and equipment purchased but not yet paid. These purchases are included in Property and equipment, Accounts payable, and Accrued expenses and other in the accompanying Condensed Consolidated Balance Sheets.

Operating leases. In response to the COVID-19 pandemic, the Financial Accounting Standards Board ("FASB") provided relief under Accounting Standards Update ("ASU") 2016-02, *Leases* (Accounting Standards Codification "ASC" 842). Under this relief, companies can make a policy election on how to treat lease concessions resulting directly from the COVID-19 pandemic, provided that the modified contracts result in total cash flows that are substantially the same or less than the cash flows in the original contract.

The Company made the policy election to account for lease concessions that result from the COVID-19 pandemic as if they were made under enforceable rights in the original contract. Additionally, the Company made the policy election to account for these concessions outside of the lease modification framework described under ASC 842. The Company recorded accruals for deferred rental payments and recognized rent abatements or concessions as variable lease costs in the periods incurred. Accruals for rent payment deferrals are included in Accrued expenses and other in the accompanying Condensed Consolidated Balance Sheets.

Supplemental cash flow disclosures related to leases: Operating lease assets obtained in exchange for new operating lease liabilities (includes new leases and remeasurements or modifications of existing leases) were as follows:

(\$000)	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Operating lease assets obtained in exchange for new operating lease liabilities	\$ 225,345	\$ 251,465	\$ 509,696	\$ 586,840

Cash dividends. The Company's Board of Directors declared a cash dividend of \$0.285 per common share in March 2020, and \$0.255 per common share in March, May, August, and November 2019, respectively.

In May 2020, the Company suspended its quarterly dividends.

Litigation, claims, and assessments. Like many retailers, the Company has been named in class/representative action lawsuits, primarily in California, alleging violation of wage and hour/employment laws and consumer protection laws. Class/representative action litigation remains pending as of October 31, 2020.

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

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

Recently adopted accounting standards. In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* (ASC 740). ASU 2019-12 eliminates certain exceptions in ASC 740 related to the methodology for calculating income taxes in an interim period. It also clarifies and simplifies other aspects of the accounting for income taxes. The amendments in ASU 2019-12 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, including adoption in any interim period. The Company adopted ASU 2019-12 on a prospective basis in the first quarter of fiscal 2020. The most significant impact to the Company is the removal of a limit on the tax benefit recognized on pre-tax losses in interim periods. The adoption of this standard is not expected to have a material impact on the Company's fiscal 2020 results.

Recently issued accounting standards. The Company considers the applicability and impact of all ASUs issued by the FASB. For the three and nine month periods ended October 31, 2020, the ASUs issued by the FASB were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's condensed consolidated financial results.

Note B: Fair Value Measurements

The carrying value of cash and cash equivalents, short- and long-term investments, restricted cash and cash equivalents, restricted investments, accounts receivable, other long-term assets, accounts payable, and other long-term liabilities approximates their estimated fair value.

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

There were no transfers between Level 1 and Level 2 categories during the three and nine month periods ended October 31, 2020. The fair value of the Company's financial instruments are as follows:

(\$000)	October 31, 2020	February 1, 2020	November 2, 2019
Cash and cash equivalents (Level 1)	\$ 4,416,124	\$ 1,351,205	\$ 1,142,709
Restricted cash and cash equivalents (Level 1)	\$ 135,718	\$ 60,205	\$ 60,818
Investments (Level 2)	\$ 8	\$ 8	\$ 8

The underlying assets in the Company's non-qualified deferred compensation program as of October 31, 2020, February 1, 2020, and November 2, 2019 (included in Other long-term assets and in Other long-term liabilities) primarily consist of participant-directed money market, stable value, stock, and bond funds. The fair value measurement for funds with quoted market prices in active markets (Level 1) and for funds without quoted market prices in active markets (Level 2) are as follows:

(\$000)	October 31, 2020		February 1, 2020		November 2, 2019	
Level 1	\$	134,991	\$	134,440	\$	129,461
Level 2		10,391		7,003		7,409
Total	\$	145,382	\$	141,443	\$	136,870

Note C: Management Incentive Plan and Stock-Based Compensation

Management incentive plan and performance share award modifications. In August 2020, the Compensation Committee of the Board of Directors approved modifications to the performance measurement goals for the management incentive plan and the performance share award program for fiscal 2020, to be based on the attainment of specific management priorities related to their response to business challenges from COVID-19, as measured and approved by the Compensation Committee, as an alternative to the previously established profitability-based performance goals. As of October 31, 2020, the Company has established an accrual for this incentive compensation based on the Compensation Committee's assessment of progress towards achievement of these specific priorities.

Stock-based compensation. For the three and nine month periods ended October 31, 2020 and November 2, 2019, the Company recognized stock-based compensation expense as follows:

(\$000)	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Restricted stock	\$ 17,330	\$ 15,030	\$ 51,450	\$ 39,388
Performance awards	8,979	9,979	19,801	28,308
Employee stock purchase plan	1,061	978	3,016	2,904
Total	\$ 27,370	\$ 25,987	\$ 74,267	\$ 70,600

Total stock-based compensation expense recognized in the Company's Condensed Consolidated Statements of Operations for the three and nine month periods ended October 31, 2020 and November 2, 2019, is as follows:

Statements of Operations Classification (\$000)	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Cost of goods sold	\$ 13,767	\$ 13,823	\$ 38,282	\$ 40,757
Selling, general and administrative	13,603	12,164	35,985	29,843
Total	\$ 27,370	\$ 25,987	\$ 74,267	\$ 70,600

The tax benefits related to stock-based compensation expense for the three and nine month periods ended October 31, 2020 were \$5.1 million and \$15.3 million, respectively. The tax benefits related to stock-based compensation expense for the three and nine month periods ended November 2, 2019 were \$5.5 million and \$14.2 million, respectively.

Restricted stock awards. The Company grants shares of restricted stock to directors, officers, and key employees. The market value of shares of restricted stock at the date of grant is amortized to expense over the vesting period of generally three to five years.

During the three and nine month periods ended October 31, 2020 and November 2, 2019, shares purchased by the Company for tax withholding totaled 142,350 and 492,171, and 42,300 and 612,924, respectively, and are considered treasury shares which are available for reissuance.

Performance share awards. The Company has a performance share award program for senior executives. A performance share award represents a right to receive shares of restricted stock on a specified settlement date based on the Company's attainment of a performance goal during the performance period, which is the Company's fiscal year. If attained, the restricted stock then vests over a service period, generally two to three years from the date the performance award was granted.

As of October 31, 2020, shares related to unvested restricted stock and performance share awards totaled 4.3 million shares. A summary of restricted stock and performance share award activity for the nine month period ended October 31, 2020, is presented below:

(000, except per share data)	Number of shares	Weighted-average grant date fair value
Unvested at February 1, 2020	4,394	\$ 76.20
Awarded	1,118	94.42
Released	(1,229)	65.65
Forfeited	(20)	81.67
Unvested at October 31, 2020	4,263	\$ 83.99

The unamortized compensation expense at October 31, 2020, was \$178.2 million, which is expected to be recognized over a weighted-average remaining period of 2.1 years. The unamortized compensation expense at November 2, 2019, was \$169.6 million, which was expected to be recognized over a weighted-average remaining period of 2.2 years.

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

Note D: Earnings (Loss) Per Share

The Company computes and reports both basic earnings (loss) per share ("EPS") and diluted EPS. Basic EPS is computed by dividing net earnings (loss) by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings (loss) by the sum of the weighted-average number of common shares and dilutive common stock equivalents outstanding during the period, except in cases where the effect of the common stock equivalents would be anti-dilutive. Diluted EPS reflects the total potential dilution that could occur from outstanding equity plan awards and unvested shares of both performance and non-performance based awards of restricted stock. For periods of net loss, basic and diluted EPS are the same as the effect of the assumed vesting of restricted stock units is anti-dilutive.

For the three month period ended October 31, 2020, approximately 80,600 weighted-average shares were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive for the period presented. For the nine month period ended October 31, 2020, basic and diluted EPS were the same due to the Company's net loss. For the three and nine month periods ended November 2, 2019, approximately 11,800 and 19,100, respectively, weighted-average shares were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive for the periods presented.

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

Shares in (000s)	Three Months Ended			Nine Months Ended		
	Basic EPS	Effect of dilutive common stock equivalents	Diluted EPS	Basic EPS	Effect of dilutive common stock equivalents	Diluted EPS
October 31, 2020						
Shares	352,481	1,976	354,457	352,320	—	352,320
Amount	\$ 0.37	\$ —	\$ 0.37	\$ (0.43)	\$ —	\$ (0.43)
November 2, 2019						
Shares	356,879	2,420	359,299	359,919	2,536	362,455
Amount	\$ 1.04	\$ (0.01)	\$ 1.03	\$ 3.35	\$ (0.03)	\$ 3.32

Note E: Debt

Long-term debt. Unsecured senior debt, net of unamortized discounts and debt issuance costs, consisted of the following:

(\$000)	October 31, 2020	February 1, 2020	November 2, 2019
6.530% Series B Senior Notes due 2021	\$ 64,883	\$ 64,963	\$ 64,958
3.375% Senior Notes due 2024	248,256	247,928	247,820
4.600% Senior Notes due 2025	694,310	—	—
0.875% Senior Notes due 2026	493,297	—	—
4.700% Senior Notes due 2027	238,944	—	—
4.800% Senior Notes due 2030	132,220	—	—
1.875% Senior Notes due 2031	493,998	—	—
5.450% Senior Notes due 2050	146,129	—	—
Total long-term debt	\$ 2,512,037	\$ 312,891	\$ 312,778

Senior notes. As of October 31, 2020, the Company had outstanding Series B unsecured Senior Notes in the aggregate principal amount of \$65 million held by various institutional investors. The Series B notes are due in December 2021, and bear interest at 6.530%. Borrowings under these Senior Notes are subject to certain financial covenants that were amended in June 2020, and are consistent with the corresponding covenants in the Company's existing revolving credit facility. As of October 31, 2020, the Company was in compliance with these covenants.

As of October 31, 2020, the Company also had outstanding unsecured 3.375% Senior Notes due September 2024 (the "2024 Notes") with an aggregate principal amount of \$250 million. Interest on the 2024 Notes is payable semi-annually.

In April 2020, the Company issued an aggregate of \$2.0 billion in unsecured senior notes in four tenors as follows: 4.600% Senior Notes due April 2025 (the "2025 Notes") with an aggregate principal amount of \$700 million, 4.700% Senior Notes due April 2027 (the "2027 Notes") with an aggregate principal amount of \$400 million, 4.800% Senior Notes due April 2030 (the "2030 Notes") with an aggregate principal amount of \$400 million, and 5.450% Senior Notes due April 2050 (the "2050 Notes") with an aggregate principal amount of \$500 million. Cash proceeds, net of discounts and other issuance costs, were approximately \$1.973 billion. Interest on the 2025, 2027, 2030, and 2050 Notes is payable semi-annually beginning October 2020.

In October 2020, the Company accepted for purchase approximately \$775 million in aggregate principal amount of senior notes pursuant to cash tender offers as follows: \$351 million of the 2050 Notes, \$266 million of the 2030 Notes, and \$158 million of the 2027 Notes. The Company paid approximately \$1.003 billion aggregate consideration (including

transaction costs, and accrued and unpaid interest) and recorded an approximately \$240 million loss on the early extinguishment for the accepted notes.

In October 2020, the Company issued an aggregate of \$1.0 billion in unsecured senior notes in two tenors as follows: 0.875% Senior Notes due April 2026 (the "2026 Notes") with an aggregate principal amount of \$500 million and 1.875% Senior Notes due April 2031 (the "2031 Notes") with an aggregate principal amount of \$500 million. Cash proceeds, net of discounts and other issuance costs, were approximately \$987.2 million. Interest on the 2026 and 2031 Notes is payable semi-annually beginning April 2021. The Company used the net proceeds from the offering of the 2026 and 2031 Notes to fund the purchase of the accepted notes from its tender offers.

The Series B and all of the Senior Notes are subject to prepayment penalties for early payment of principal.

As of October 31, 2020, February 1, 2020, and November 2, 2019, total unamortized discount and debt issuance costs were \$28.0 million, \$2.1 million, and \$2.2 million, respectively, and were classified as a reduction of Long-term debt.

As of October 31, 2020, the aggregate fair value of the eight outstanding series of Senior Notes was approximately \$2.8 billion. As of February 1, 2020 and November 2, 2019, the aggregate fair value of the two then outstanding series of Senior Notes was approximately \$335 million and \$333 million, respectively. The fair value is estimated by obtaining comparable market quotes which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance.

Revolving credit facilities. In July 2019, the Company entered into an \$800 million unsecured revolving credit facility, which replaced the Company's previous \$600 million unsecured revolving credit facility. This current credit facility expires in July 2024, and contains a \$300 million sublimit for issuance of standby letters of credit. The facility also contains an option allowing the Company to increase the size of its credit facility by up to an additional \$300 million, with the agreement of the lenders. Interest on borrowings under this facility is based on LIBOR (or an alternate benchmark rate, if LIBOR is no longer available) plus an applicable margin and is payable quarterly and upon maturity. The revolving credit facility may be extended, at the Company's option, for up to two additional one year periods, subject to customary conditions.

In March 2020, the Company borrowed \$800 million available under its revolving credit facility. Interest on the loan was based on LIBOR plus 0.875% (or 1.76%).

In May 2020, the Company amended its \$800 million unsecured revolving credit facility (the "Amended Credit Facility") to temporarily suspend, for the second and third quarters of fiscal 2020, the Consolidated Adjusted Debt to EBITDAR ratio financial covenant, and to apply a transitional modification to that ratio effective in the fourth quarter of fiscal 2020. The Amended Credit Facility also established a new temporary minimum liquidity requirement, effective for the first quarter of fiscal 2020 and through the end of April 2021. As of October 31, 2020, the Company was in compliance with these amended covenants.

In October 2020, the Company repaid in full the \$800 million it borrowed under the unsecured revolving credit facility. As a result, the Company currently has no borrowings or standby letters of credit outstanding under this facility, and the \$800 million credit facility remains in place and available.

In May 2020, the Company also entered into an additional \$500 million 364-day senior revolving credit facility which was scheduled to expire in April 2021. In October 2020, the Company terminated this senior revolving credit facility. The Company had no borrowings under that credit facility at any time.

The table below shows the components of interest expense and income for the three and nine month periods ended October 31, 2020 and November 2, 2019:

(\$000)	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Interest expense on long-term debt	\$ 27,826	\$ 3,284	66,338	\$ 9,850
Interest expense on short-term debt	2,565	—	7,861	—
Other interest expense	2,535	216	3,844	756
Capitalized interest	(3,856)	(1,186)	(9,359)	(3,069)
Interest income	(330)	(6,716)	(4,423)	(22,356)
Interest expense (income), net	\$ 28,740	\$ (4,402)	\$ 64,261	\$ (14,819)

Note F: Taxes on Earnings (Loss)

On March 27, 2020, the CARES Act was signed into law. The CARES Act made several significant changes to business tax provisions including modifications for net operating losses, employee retention credits, and deferral of employer payroll tax payments. The modifications for net operating losses eliminate the taxable income limitation for certain net operating losses and allow the carry back of net operating losses arising in 2018, 2019, and 2020 to the five prior tax years, respectively.

The Company's effective tax rates for the three month periods ended October 31, 2020 and November 2, 2019, were approximately 4% and 23%, respectively. The decrease in the effective tax rate of 19% for the three month period ended October 31, 2020 compared to the three month period ended November 2, 2019 was primarily due to fluctuations in forecasted pre-tax earnings. The Company's effective tax rates for the nine month periods ended October 31, 2020 and November 2, 2019, were approximately 45% and 23%, respectively. The increase in the effective tax rate of 22% for the nine month period ended October 31, 2020 compared to the nine month period ended November 2, 2019 was primarily due to a pre-tax loss for the nine month period ended October 31, 2020. The effective tax rate is impacted by changes in tax law and accounting guidance, location of new stores, level of earnings, tax effects associated with share-based compensation, and uncertain tax positions.

As of October 31, 2020, February 1, 2020, and November 2, 2019, the reserves for unrecognized tax benefits were \$76.1 million, \$67.1 million, and \$83.4 million, inclusive of \$9.4 million, \$7.2 million, and \$13.9 million of related interest and penalties, respectively. In November 2019, the Company resolved uncertain tax positions with a tax authority. As a result, the Company recognized a decrease in reserves for tax positions in prior periods of \$16.2 million, inclusive of \$6.6 million of related reserves for interest and penalties. The Company accounts for interest and penalties related to unrecognized tax benefits as a part of its provision for taxes on earnings. If recognized, \$60.6 million would impact the Company's effective tax rate. It is reasonably possible that certain state tax matters may be concluded or statutes of limitations may lapse during the next 12 months. Accordingly, the total amount of unrecognized tax benefits may decrease by up to \$10.1 million. The difference between the total amount of unrecognized tax benefits and the amounts that would impact the effective tax rate relates to amounts attributable to deferred income tax assets and liabilities. These amounts are net of federal and state income taxes.

The Company is open to audit by the Internal Revenue Service under the statute of limitations for fiscal years 2017 through 2019. The Company's state income tax returns are generally open to audit under the various statutes of limitations for fiscal years 2015 through 2019. Certain state tax returns are currently under audit by various tax authorities. The Company does not expect the results of these audits to have a material impact on the condensed consolidated financial statements.

Report of Independent Registered Public Accounting Firm

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

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of October 31, 2020 and November 2, 2019, the related condensed consolidated statements of operations, comprehensive income (loss), and stockholders' equity for the three and nine month periods ended October 31, 2020 and November 2, 2019, and cash flows for the nine month periods ended October 31, 2020 and November 2, 2019, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of February 1, 2020, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 31, 2020, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding a change in accounting principle. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of February 1, 2020 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with standards of the PCAOB. 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 the standards of the PCAOB, 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.

/s/ Deloitte & Touche LLP

San Francisco, California
December 9, 2020

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. Our 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 below under the caption "Forward-Looking Statements" and in Part II, Item 1A (Risk Factors) of this Form 10-Q, and also those in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for 2019. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for 2019. All information is based on our fiscal calendar.

Overview

Ross Stores, Inc. operates two brands of off-price retail apparel and home fashion stores -- Ross Dress for Less® ("Ross") and dd's DISCOUNTS®. Ross is the largest off-price apparel and home fashion chain in the United States, with 1,594 locations in 40 states, the District of Columbia and Guam as of October 31, 2020. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 60% off department and specialty store regular prices every day. We also operate 275 dd's DISCOUNTS stores in 21 states that feature a more moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 70% off moderate department and discount store regular prices every day.

Effects of the COVID-19 Pandemic on Our Business

The United States and other countries are experiencing an ongoing, major global health pandemic related to the outbreak of a novel strain of coronavirus, COVID-19. Governmental authorities in affected regions have taken and continue to take dramatic actions in an effort to slow down the spread of the disease. Like other retailers across the country, we temporarily closed all store locations, our distribution centers, and buying and corporate offices. Our closures took effect March 20, 2020, and we remained closed through a portion of our fiscal second quarter. We also instituted "work from home" measures for many of our associates.

The vast majority of our store locations and all our distribution centers were open and operating by the end of June 2020 and throughout the third quarter, though our stores were operating on shorter hours for a period of time compared to the prior year. All our distribution centers were reopened by the end of May 2020.

The impacts from the COVID-19 pandemic and the related economic disruption have had a material adverse impact on our results of operations, financial position, and cash flows in fiscal 2020. The condensed consolidated results reflect the significant revenue decline and other impacts from our temporary store closures (for approximately half of the first quarter and 25 percent of the second quarter). Core business results improved during the third quarter; however, we expect material adverse effects from the pandemic to continue through the current fiscal year and potentially beyond. This will cause our results for interim periods throughout fiscal 2020 to not be comparable to our results in the corresponding prior year periods.

The temporary closure of all our stores significantly impacted our ability to sell seasonal inventory in a timely manner. As we reopened our stores and resumed operations in the middle of the second quarter, a significant portion of the merchandise in our stores was aged and out of season. We took deep markdowns to sell through this inventory. During the initial reopenings, sales were ahead of our conservative plans as we benefited from pent-up consumer demand and aggressive markdowns. In the weeks after reopening, sales trends were negatively affected by depleted store inventory levels while we were ramping up our buying and distribution capabilities. During the third quarter, sales improved substantially compared to the second quarter. This was driven by several factors, including an improvement in our merchandise assortments, a later back-to-school season, stronger performance in our larger markets, and our return to more normal store hours.

The ongoing effect of the pandemic on consumer behavior and spending patterns remains highly uncertain. Despite the initial surge in customer demand as our stores reopened, we expect customer demand to be generally suppressed for an extended period. In addition, there are currently resurgences in the spread of COVID-19 throughout the United States, which may also recur in the future, in one or more regions, and which have and could require our stores and distribution centers to temporarily close again nationally, regionally, or in specific locations. These closures would further negatively impact our revenue and operations.

In response to COVID-19, we incurred various costs to reopen our stores and distribution centers, and we incur ongoing operating costs for additional processes and procedures to facilitate social distancing, to enhance cleaning and sanitation activities, and to provide personal protective equipment to our associates. These actions, combined with various other actions taken to reduce costs, resulted in approximately \$25 million and \$90 million of additional net costs in the three and nine month periods ended October 31, 2020, respectively. We expect to incur higher operating costs related to our response to COVID-19 on an ongoing basis.

To preserve our financial liquidity and enhance our financial flexibility, we borrowed \$800 million from our revolving credit facility in March 2020, completed a \$2.0 billion senior notes offering in April 2020, and entered into a new \$500 million 364-day senior revolving credit facility in May 2020. In the third quarter of fiscal 2020, we refinanced \$775 million in aggregate principal amount of our higher interest senior notes with the issuance of \$1.0 billion in aggregate principal amount of lower interest rate senior notes. This action significantly reduced the annual interest expense and total cash outlays over the life of the debt. In addition to the senior notes refinancing, during the third quarter, we also took several other actions to reduce our ongoing debt costs, including the repayment of the \$800 million revolving credit facility and termination of the undrawn \$500 million 364-day senior revolving credit facility.

In addition, we suspended our stock repurchase program in March 2020 and suspended quarterly dividends in May 2020, and we have taken measures to reduce our expenses, inventory receipts, and planned capital expenditures. Beginning April 5, 2020, we implemented temporary furloughs for a large portion of our hourly store and distribution center and other associates in our buying and corporate offices who could not work productively while our stores and distribution centers were closed. Employee health benefits for eligible associates continued during the temporary furlough at no cost to the impacted associates. We also reduced payroll expenses through temporary salary reductions for senior executives and other personnel, which remained in effect until May 24, 2020, when more than half of our stores reopened. In conjunction with these payroll expense reduction measures, effective April 1, 2020, the non-employee members of our Board of Directors suspended the cash elements of their director compensation, which remained in effect until August 2020.

In May 2020, in connection with the phased reopening of our store and distribution center locations, we began recalling many of these furloughed associates as they were able to resume productive work. As of October 2020, with all of our stores and all distribution centers reopened, the majority of these associates have returned to work.

Beginning in May 2020, we suspended rent payments associated with the leases for our temporarily closed stores. During the second and third quarters of fiscal 2020, we negotiated rent deferrals and/or rent abatements (primarily for second quarter lease payments) for a significant number of our stores. The repayment of the deferrals will be at later dates, primarily in fiscal 2021. We have recorded accruals for rent payment deferrals and have recorded rent abatements associated with the second and third quarters as a reduction of variable lease costs.

Given the unprecedented impact the COVID-19 pandemic has had on our business, and the continued uncertainty surrounding the pandemic, including its unknown duration and severity and potential for resurgence, and the unknown overall impact on consumer demand and store productivity, we expect that impacts from the COVID-19 pandemic and the related economic disruption will have a material adverse impact on our consolidated results of operations, financial position, and cash flows throughout the remainder of fiscal 2020 and potentially beyond.

Results of Operations

The following table summarizes the financial results for the three and nine month periods ended October 31, 2020 and November 2, 2019:

	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Sales				
Sales (millions)	\$ 3,755	\$ 3,849	\$ 8,282	\$ 11,626
Sales (decline) growth	(2.5 %) ¹	8.4 % ¹	(28.8 %) ²	6.9 % ¹
Comparable store sales (decline) growth	(3 %) ¹	5 % ¹	n/a ²	3 % ¹
Costs and expenses (as a percent of sales)				
Cost of goods sold	72.2 %	71.9 %	80.7 %	71.5 %
Selling, general and administrative	23.4 %	15.7 %	21.9 %	15.1 %
Interest expense (income), net	0.8 %	(0.1 %) ¹	0.8 %	(0.1 %) ¹
Earnings (loss) before taxes (as a percent of sales)				
	3.6 %	12.5 %	(3.4 %) ²	13.5 %
Net earnings (loss) (as a percent of sales)				
	3.5 %	9.6 %	(1.8 %) ²	10.4 %

¹ Comparable store sales represents sales from stores that have been open for more than 14 complete months.

² Given that stores were open for less than seven weeks of the 13-week period ended May 2, 2020, the comparable store sales metric for the nine months ended October 31, 2020, is not meaningful.

Stores. In response to the impacts from the COVID-19 pandemic, we have reduced our planned new store openings for fiscal 2020. We did not open any new stores in the second quarter of fiscal 2020, and opened 39 stores in the third quarter. Our longer term expansion strategy is to open additional stores based on market penetration, local demographic characteristics, competition, expected store profitability, and the ability to leverage overhead expenses. We continually evaluate opportunistic real estate acquisitions and opportunities for potential new store locations. We also evaluate our current store locations and determine store closures based on similar criteria.

Store Count	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Beginning of the period	1,832	1,772	1,805	1,717
Opened in the period	39 ¹	42	66 ¹	98
Closed in the period	(2)	(4) ²	(2)	(5) ²
End of the period	1,869	1,810	1,869	1,810

¹ Includes the reopening of a store previously temporarily closed due to a weather event.

² Includes a temporary closure of a store impacted by a weather event.

Sales. Sales for the three month period ended October 31, 2020, decreased \$94.6 million, or 2.5%, compared to the three month period ended November 2, 2019. This was primarily due to COVID-19's negative impact on customer demand which resulted in a 3% decline in comparable store sales. We opened 59 net new stores between November 2, 2019 and October 31, 2020, which partially offset the comparable store sales decline.

Sales for the nine month period ended October 31, 2020, decreased \$3.3 billion, or 28.8%, compared to the nine month period ended November 2, 2019. This was primarily due to the negative impact from store closures during the March 2020 to June 2020 period and COVID-19's negative impact on customer demand. We opened 59 net new stores between

November 2, 2019 and October 31, 2020. The sales from these stores partially offset the sales decline while the stores were open in the period.

Comparable store sales. For the three month period ended October 31, 2020, comparable store sales represents sales from stores that have been open for more than 14 complete months. For the three month period ended October 31, 2020, comparable store sales were down 3%. Comparable stores sales were impacted by COVID-19's negative impact on customer demand and by other factors. Given that stores were open for less than seven weeks of the 13-week period ended May 2, 2020, the comparable store sales metric for the nine month period ended October 31, 2020, is not meaningful.

Our sales mix for the three and nine month periods ended October 31, 2020 and November 2, 2019 is shown below:

	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020 ¹	November 2, 2019
Home Accents and Bed and Bath	26 %	24 %	26 %	24 %
Ladies	23 %	26 %	24 %	27 %
Men's	15 %	14 %	14 %	14 %
Accessories, Lingerie, Fine Jewelry, and Fragrances	15 %	13 %	14 %	13 %
Shoes	12 %	14 %	13 %	14 %
Children's	9 %	9 %	9 %	8 %
Total	100 %	100 %	100 %	100 %

¹ Sales mix for the nine month period ended October 31, 2020 represents sales for the period the stores were open.

Our historic strategies and store expansion program have contributed to our sales gains in the past. However, given the impacts from the COVID-19 pandemic on our results for the first nine months of fiscal 2020, and the significant ongoing impacts and uncertainties, including the unknown overall impact on consumer demand and shopping behavior, and the unknown duration of the pandemic and potential responses to it (which may require stores and distribution centers to close again nationally, regionally, or in specific locations), we cannot be sure that our strategies and resumption of our store expansion program will result in a continuation of our historical sales growth or in a recovery of, or an increase in, net earnings.

Cost of goods sold. Cost of goods sold for the three month period ended October 31, 2020, decreased \$55.0 million compared to the same period in the prior year, primarily due to lower sales resulting from COVID-19's negative impact on customer demand.

Cost of goods sold as a percentage of sales for the three month period ended October 31, 2020, increased approximately 35 basis points from the same period in the prior year, primarily due to a 90 basis point increase in freight costs, a 70 basis point increase in distribution expenses, a 40 basis point increase in buying costs, and a 25 basis point deleveraging of occupancy costs. These increases were partially offset by a 190 basis point improvement in merchandise margin.

Cost of goods sold for the nine month period ended October 31, 2020, decreased \$1.6 billion compared to the same period in the prior year, mainly due to the lower sales from the closing of all store locations starting on March 20, 2020 through a portion of the second quarter of fiscal 2020, COVID-19's negative impact on customer demand post store reopenings, and the temporary furlough of most hourly associates in our distribution centers and some associates in our buying offices. These decreases were partially offset by higher markdowns used to clear aged and seasonal inventory, expenditures for COVID-19 related measures, and higher packaway-related expenses.

Selling, general and administrative expenses. For the three month period ended October 31, 2020, selling, general and administrative expenses ("SG&A") increased \$273.3 million compared to the same period in the prior year, primarily due to approximately \$240 million in long-term debt refinancing costs, and COVID-related expenses for supplies, cleaning, and payroll related to additional safety protocols.

Selling, general and administrative expenses as a percentage of sales for the three month period ended October 31, 2020, increased 765 basis points, which includes a 640 basis point impact from the long-term debt refinancing costs, a 65 basis point impact from higher COVID-related operating costs, and a 60 basis point impact from the deleveraging effect from the decline in same store sales.

For the nine month period ended October 31, 2020, selling, general and administrative expenses increased \$57.8 million compared to the same period in the prior year, primarily due to approximately \$240 million in long-term debt refinancing costs, COVID-related expenses for supplies, cleaning, and payroll-related to additional safety protocols, and payments to associates while our stores were closed (net of employee retention credits under the CARES Act), partially offset by payroll-related cost reduction measures in response to the COVID-19 pandemic (including the temporary furlough of most hourly associates in our stores prior to reopening, and some associates in our corporate offices), and reductions in non-business critical operating expenses.

Interest expense (income), net. Interest expense (income), net for the three and nine month periods ended October 31, 2020, increased \$33.1 million and \$79.1 million, respectively, compared to the same periods in the prior year. These increases were primarily due to higher interest expense on long-term debt due to the issuance of Senior Notes in April 2020 and October 2020 (net of repurchase of Senior Notes), lower interest income due to lower interest rates, and higher interest expense on short-term debt due to the draw down on our \$800 million revolving credit facility in March 2020 (which was subsequently repaid in October 2020), partially offset by higher capitalized interest primarily related to the construction of our Brookshire, Texas distribution center. Interest expense (income), net for the three and nine month periods ended October 31, 2020 and November 2, 2019, consists of the following:

(\$000)	Three Months Ended		Nine Months Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Interest expense on long-term debt	\$ 27,826	\$ 3,284	\$ 66,338	\$ 9,850
Interest expense on short-term debt	2,565	—	7,861	—
Other interest expense	2,535	216	3,844	756
Capitalized interest	(3,856)	(1,186)	(9,359)	(3,069)
Interest income	(330)	(6,716)	(4,423)	(22,356)
Interest expense (income), net	\$ 28,740	\$ (4,402)	\$ 64,261	\$ (14,819)

Taxes on earnings (loss). On March 27, 2020, the CARES Act was signed into law. The CARES Act made several significant changes to business tax provisions including modifications for net operating losses, employee retention credits, and deferral of employer payroll tax payments. The modifications for net operating losses eliminate the taxable income limitation for certain net operating losses and allow the carry back of net operating losses arising in 2018, 2019, and 2020 to the five prior tax years, respectively.

Our effective tax rates for the three month periods ended October 31, 2020 and November 2, 2019, were approximately 4% and 23%, respectively. The decrease in the effective tax rate of 19% for the three month period ended October 31, 2020 compared to the three month period ended November 2, 2019 was primarily due to fluctuations in forecasted pre-tax earnings. Our effective tax rates for the nine month periods ended October 31, 2020 and November 2, 2019, were approximately 45% and 23%, respectively. The increase in the effective tax rate of 22% for the nine month period ended October 31, 2020 compared to the nine month period ended November 2, 2019 was primarily due to a pre-tax loss for the nine month period ended October 31, 2020. The effective tax rate is impacted by changes in tax law and accounting guidance, location of new stores, level of earnings, tax effects associated with share-based compensation, and uncertain tax positions.

Net earnings (loss). Net earnings as a percentage of sales for the three month period ended October 31, 2020, was lower compared to the same period in the prior year primarily due to higher SG&A, higher interest expense, and higher cost of goods sold, partially offset by lower taxes on earnings.

Net loss as a percentage of sales for the nine month period ended October 31, 2020 was 1.8% compared to the net earnings as a percentage of sales of 10.4% for the same period in the prior year. The change was primarily due to higher cost of goods sold, higher SG&A, and higher interest expense, partially offset by income tax benefit on net loss for the nine month period ended October 31, 2020.

Earnings (loss) per share. Diluted earnings per share for the three month periods ended October 31, 2020 and November 2, 2019 were \$0.37 and \$1.03, respectively. The diluted earnings per share for the three month period ended

October 31, 2020, was primarily attributable to the long-term debt refinancing costs, COVID-19 related operating costs, and lower sales from COVID-19's negative impact on customer demand.

Diluted loss per share was \$(0.43) for the nine month period ended October 31, 2020, compared to diluted earnings per share of \$3.32 for the nine month period ended November 2, 2019. The diluted loss per share for the nine month period ended October 31, 2020, was primarily attributable to lower sales due to the closing of all our store locations starting on March 20, 2020 through a portion the second quarter of fiscal 2020, COVID-19's negative impact on customer demand, higher markdowns to clear aged and seasonal inventory, long-term debt refinancing costs, payments to associates while our stores were closed (net of employee retention credits under the CARES Act), and higher expenditures for COVID-19 related measures, partially offset by income tax benefits.

Financial Condition

Liquidity and Capital Resources

As previously noted, the United States and other countries are experiencing a major global health pandemic related to the outbreak of a novel strain of coronavirus, COVID-19. Governmental authorities in affected regions have taken, and continue to take, dramatic actions in an effort to slow down the spread of the disease. Similar to other retailers across the country, we temporarily closed all store locations, our distribution centers, and buying and corporate offices, effective March 20, 2020 through May 14, 2020, when we began a phased process of resuming operations. The vast majority of our store locations and all our distribution centers were open and operating by the end of June 2020 and throughout the third quarter, though our stores were operating on shorter hours for a period of time compared to the prior year. All our distribution centers were reopened by the end of May 2020.

The impacts from the COVID-19 pandemic and the related economic disruption have had a material adverse impact on our results of operations, financial position, and cash flows in fiscal 2020. Our results reflect the impact of the significant revenue decline from our temporary store closures and COVID-19's negative impact on customer demand, higher markdowns to clear aged and seasonal inventory, higher financing costs related to long-term debt, and increased expenditures for COVID-19 related measures.

To preserve our financial liquidity and enhance our financial flexibility, we borrowed \$800 million from our revolving credit facility in March 2020, completed a \$2.0 billion senior notes offering in April 2020, and entered into a new \$500 million 364-day senior revolving credit facility in May 2020. In the third quarter of fiscal 2020, we refinanced \$775 million in aggregate principal amount of our higher interest senior notes with the issuance of \$1.0 billion in aggregate principal amount of lower interest rate senior notes. This action significantly reduced the annual interest expense and total cash outlays over the life of the debt. In addition to the senior notes refinancing, during the third quarter, we also took several other actions to reduce our ongoing debt costs, including the repayment of the \$800 million revolving credit facility and termination of the undrawn \$500 million 364-day senior revolving credit facility.

In addition, we suspended our stock repurchase program in March 2020 and suspended quarterly dividends in May 2020, and we have taken measures to reduce our expenses, inventory receipts, and planned capital expenditures. Beginning April 5, 2020, we implemented temporary furloughs for a large portion of our hourly store and distribution center and other associates in our buying and corporate offices who could not work productively while our stores and distribution centers were closed. Employee health benefits for eligible associates continued during the temporary furlough at no cost to the impacted associates. We also reduced payroll expenses through temporary salary reductions for senior executives and other personnel, which remained in effect until May 24, 2020, when more than half of our stores reopened. In conjunction with these payroll expense reduction measures, effective April 1, 2020, the non-employee members of our Board of Directors suspended the cash elements of their director compensation, which remained in effect until August 2020.

In May 2020, in connection with the phased reopening of our store and distribution center locations, we began recalling many of these furloughed associates as they were able to resume productive work. As of October 2020, with all of our stores and all distribution centers reopened, the majority of these associates have returned to work.

Beginning in May 2020, we suspended rent payments associated with the leases for our temporarily closed stores. During the second and third quarters of fiscal 2020, we negotiated rent deferrals and/or rent abatements (primarily for second quarter lease payments) for a significant number of our stores. The repayment of the deferrals will be at later dates, primarily in fiscal 2021. We recorded accruals for rent payment deferrals and recorded rent abatements associated with the second and third quarters as a reduction of variable lease costs.

We ended the third quarter of fiscal 2020 with over \$5.2 billion in liquidity, which consists of \$4.4 billion unrestricted cash balances and the \$800 million available under our senior revolving credit facility.

Historically, our primary sources of funds for our business activities have been cash flows from operations and short-term trade credit. Our primary ongoing cash requirements are for merchandise inventory purchases, payroll, operating and variable lease costs, taxes, and for capital expenditures in connection with new and existing stores, and investments in distribution centers, information systems, and buying and corporate offices. We also used cash to repurchase stock under our stock repurchase program and to pay dividends, and for the repayment of debt as it becomes due.

Due to the COVID-19 pandemic and related economic disruptions, and with the possibility that some of our stores, distribution centers, and other facilities may need to temporarily close again in response to government actions to slow the spread of the disease, we anticipate potential interruptions to our cash flows from operations. We anticipate that we will be required to rely more on our cash reserves and we expect to carefully monitor and manage our cash position in light of ongoing conditions and levels of operations.

(\$000)	Nine Months Ended	
	October 31, 2020	November 2, 2019
Cash provided by operating activities	\$ 1,783,123	\$ 1,410,930
Cash used in investing activities	(339,545)	(400,734)
Cash provided by (used in) financing activities	1,696,854	(1,284,748)
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	\$ 3,140,432	\$ (274,552)

Operating Activities

Net cash provided by operating activities was \$1.8 billion for the nine month period ended October 31, 2020. This was primarily driven by lower merchandise receipts as we closely managed inventory levels and used packaway inventory to replenish our stores, and higher accounts payable due to extended payment terms. This was partially offset by the net loss due to lower sales from the closing of all store locations starting on March 20, 2020 through a portion of the second quarter, and COVID-19's negative impact on customer demand. Net cash provided by operating activities was \$1.4 billion for the nine month period ended November 2, 2019 and was primarily driven by net earnings excluding non-cash expenses for depreciation and amortization.

The increase in cash flow from operating activities for the nine month period ended October 31, 2020, compared to the same period in the prior year was primarily driven by higher accounts payable leverage. Accounts payable leverage (defined as accounts payable divided by merchandise inventory) was 149%, 71%, and 68% as of October 31, 2020, February 1, 2020, and November 2, 2019, respectively. The increase in accounts payable leverage from the prior year was primarily driven by lower packaway and in-store inventory and extended payment terms.

As a regular part of our business, packaway inventory levels will vary over time based on availability of compelling opportunities in the marketplace. Packaway merchandise is purchased with the intent that it will be stored in our warehouses until a later date. The timing of the release of packaway inventory to our stores is principally driven by the product mix and seasonality of the merchandise, and its relation to our store merchandise assortment plans. As such, the aging of packaway varies by merchandise category and seasonality of purchases, but typically packaway remains in storage less than six months. However, given the uncertainty around the duration of the COVID-19 pandemic, and its impact on our operations and customer demand, a portion of our current packaway inventory may remain in storage longer than our historical cycles. We expect to continue to take advantage of packaway inventory opportunities to maximize our ability to deliver bargains to our customers.

Changes in packaway inventory levels impact our operating cash flow. As of October 31, 2020, packaway inventory was 26% of total inventory compared to 46% at the end of fiscal 2019. As of November 2, 2019, packaway inventory was 39% of total inventory compared to 46% at the end of fiscal 2018.

Investing Activities

Net cash used in investing activities was \$339.5 million and \$400.7 million for the nine month periods ended October 31, 2020 and November 2, 2019, respectively, primarily related to capital expenditures.

Our capital expenditures were \$339.5 million and \$401.3 million for the nine month periods ended October 31, 2020 and November 2, 2019, respectively. Our capital expenditures include costs to build, expand, and improve distribution centers (primarily related to the ongoing construction of our Brookshire, Texas distribution center); open new stores and improve existing stores; and for various other expenditures related to our information technology systems, buying and corporate offices.

As previously noted, due to the COVID-19 pandemic and related economic disruptions, and to preserve our financial liquidity, we reduced our capital expenditure plans for fiscal 2020. Capital expenditures for fiscal 2020 are projected to be approximately \$420 million, compared to our original plan of approximately \$730 million. Our remaining, planned capital expenditures are expected to be used to fund commitments related to the construction of our Brookshire, Texas distribution center, costs for fixtures and leasehold improvements to open planned new Ross and dd's DISCOUNTS stores, investments in certain information technology systems, and for various other needed expenditures related to our stores, distribution centers, buying, and corporate offices. We expect to fund capital expenditures with available cash.

Financing Activities

Net cash provided by financing activities was \$1.7 billion for the nine month period ended October 31, 2020. Net cash used in financing activities was \$1.3 billion for the nine month period ended November 2, 2019. The increase in cash provided by financing activities for the nine month period ended October 31, 2020, compared to the nine month period ended November 2, 2019, was primarily due to the completion of our public debt offerings net of repurchase and refinancing costs, and the suspension of our share repurchases and dividends in the second quarter of 2020.

In July 2019, we entered into an \$800 million unsecured revolving credit facility, which replaced our previous \$600 million unsecured revolving credit facility. The current credit facility expires in July 2024, and contains a \$300 million sublimit for issuance of standby letters of credit. The facility also contains an option allowing us to increase the size of our credit facility by up to an additional \$300 million, with the agreement of the lenders. Interest on borrowings under this facility is based on LIBOR (or an alternate benchmark rate, if LIBOR is no longer available) plus an applicable margin (currently 75 basis points) and is payable quarterly and upon maturity. The revolving credit facility may be extended, at our option, for up to two additional one-year periods, subject to customary conditions.

In March 2020, we borrowed \$800 million under our revolving credit facility. Interest on the loan was based on LIBOR plus 0.875% (or 1.76%).

In May 2020, we amended the \$800 million revolving credit facility (the "Amended Credit Facility") to temporarily suspend for the second and third quarters of fiscal 2020 the Consolidated Adjusted Debt to EBITDAR ratio financial covenant, and to apply a transitional modification to that ratio effective in the fourth quarter of fiscal 2020. The Amended Credit Facility also established a new temporary minimum liquidity requirement effective for the first quarter of fiscal 2020 and through the end of April 2021. As of October 31, 2020, we were in compliance with these amended covenants.

In October 2020, we repaid in full the \$800 million we borrowed under the unsecured revolving credit facility. As a result, we currently have no borrowings or standby letters of credit outstanding under this facility, and the \$800 million credit facility remains in place and available.

In May 2020, we entered into an additional \$500 million 364-day senior revolving credit facility which was scheduled to expire in April 2021. In October 2020, we terminated this senior revolving credit facility. We had no borrowings under that credit facility at any time.

In April 2020, we issued an aggregate of \$2.0 billion in unsecured senior notes in four tenors as follows: \$700 million of 4.600% Senior Notes due April 2025, \$400 million of 4.700% Senior Notes due April 2027, \$400 million of 4.800% Senior Notes due April 2030, and \$500 million of 5.450% Senior Notes due April 2050.

In October 2020, we accepted for purchase approximately \$775 million in aggregate principal amount of senior notes pursuant to cash tender offers as follows: \$351 million of the 2050 Notes, \$266 million of the 2030 Notes, and \$158 million of the 2027 Notes. We paid approximately \$1.003 billion aggregate consideration (including transaction costs, and accrued and unpaid interest) and recorded an approximately \$240 million loss on the early extinguishment for the accepted notes.

In October 2020, we issued an aggregate of \$1.0 billion in unsecured senior notes in two tenors as follows: 0.875% Senior Notes due April 2026 (the "2026 Notes") with an aggregate principal amount of \$500 million and 1.875% Senior Notes due April 2031 (the "2031 Notes") with an aggregate principal amount of \$500 million. Cash proceeds, net of discounts and other issuance costs, were approximately \$987.2 million. Interest on the 2026 and 2031 Notes is payable semi-annually beginning April 2021. We used the net proceeds from the offering of the 2026 and 2031 Notes to fund the purchase of the accepted notes from our tender offers.

In June 2020, we amended the covenants associated with the \$65 million outstanding Series B unsecured senior notes. The amended covenants are consistent with the corresponding covenants in our existing revolving credit facility. As of October 31, 2020, we were in compliance with these covenants.

We repurchased 1.2 million and 9.6 million shares of common stock for aggregate purchase prices of approximately \$132.5 million and \$965.9 million during the nine month periods ended October 31, 2020 and November 2, 2019, respectively. We also acquired 0.5 million and 0.6 million shares of treasury stock under our employee stock equity compensation programs, for aggregate purchase prices of approximately \$45.1 million and \$56.9 million during the nine month periods ended October 31, 2020 and November 2, 2019, respectively. In March 2019, our Board of Directors approved a two-year \$2.55 billion stock repurchase program through fiscal 2020. As of the end of the third quarter of fiscal 2020, we had \$1.143 billion remaining under the stock repurchase program. Due to the current economic uncertainty stemming from the severe impact of the COVID-19 pandemic, we suspended our stock repurchase program in March 2020. We have no plans to repurchase any additional shares for the remainder of the fiscal year.

For the nine month periods ended October 31, 2020 and November 2, 2019, we paid cash dividends of \$101.4 million and \$278.4 million, respectively. Due to the current economic uncertainty stemming from the severe impact of the COVID-19 pandemic, we suspended our quarterly dividends in May 2020.

The COVID-19 pandemic and related economic disruptions, including the temporary closure of all of our store locations effective March 20, 2020 through a portion of the second quarter, have and continue to create significant uncertainty and challenges. We believe that existing cash balances, bank credit facility, and trade credit are adequate to meet our operating, investing, and financing needs for at least the next 12 months.

Contractual Obligations and Off-Balance Sheet Arrangements

The table below presents our significant contractual obligations as of October 31, 2020:

(\$000)	Less than one year	1 - 3 years	3 - 5 years	After 5 years	Total ¹
Recorded contractual obligations:					
Senior notes	\$ —	\$ 65,000	\$ 950,000	\$ 1,524,991	\$ 2,539,991
Operating leases	637,268	1,214,521	826,035	675,535	3,353,359
New York buying office ground lease ²	6,417	13,730	14,178	942,211	976,536
Unrecorded contractual obligations:					
Real estate obligations ³	5,897	26,476	29,608	93,678	155,659
Interest payment obligations	84,371	162,753	136,094	299,041	682,259
Purchase obligations ⁴	3,716,478	14,656	2,309	—	3,733,443
Total contractual obligations	\$ 4,450,431	\$ 1,497,136	\$ 1,958,224	\$ 3,535,456	\$ 11,441,247

¹ We have a \$74.8 million liability for unrecognized tax benefits that is included in Other long-term liabilities on our interim Condensed Consolidated Balance Sheet. This liability is excluded from the schedule above as the timing of payments cannot be reasonably estimated.

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

³ Minimum lease payments for leases signed that have not yet commenced.

⁴ Purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to construction projects, store fixtures and supplies, and information technology services, transportation, and maintenance contracts.

Other than the unrecorded contractual obligations noted above, we do not have any material off-balance sheet arrangements as of October 31, 2020.

Standby letters of credit and collateral trust. We use standby letters of credit outside of our \$800 million revolving credit facility in addition to a funded trust to collateralize our insurance and trade payable obligations. As of October 31, 2020, February 1, 2020, and November 2, 2019, we had \$16.2 million, \$4.2 million, and \$4.6 million, respectively, in standby letters of credit outstanding and \$56.5 million, \$56.0 million and \$56.2 million, respectively, in a collateral trust. The standby letters of credit are collateralized by restricted cash and the collateral trust consists of restricted cash, cash equivalents, and investments.

Trade letters of credit. We had \$24.7 million, \$11.2 million, and \$23.5 million in trade letters of credit outstanding at October 31, 2020, February 1, 2020, and November 2, 2019, respectively.

Dividends. In May 2020, we suspended our quarterly dividends.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and on various other factors that management believes to be reasonable. Given the global economic climate and additional or unforeseen effects from the COVID-19 pandemic, these estimates are more challenging, and actual results could differ materially from our estimates. During the third quarter of fiscal 2020, there have been no significant changes to the critical accounting policies discussed in our Annual Report on Form 10-K for the year ended February 1, 2020.

See Note A to the Condensed Consolidated Financial Statements - Summary of Significant Accounting Policies (Recently Adopted Accounting Standards) for information regarding our adoption of ASU 2019-12.

Forward-Looking Statements

This report may contain a number of forward-looking statements regarding, without limitation, the rapidly developing challenges and our plans and responses to the COVID-19 pandemic and related economic disruptions, including adjustments to our operations, planned new store growth, capital expenditures, and other matters. These forward-looking statements reflect our then-current beliefs, plans, and estimates with respect to future events and our projected financial performance, operations, and competitive position. The words “plan,” “expect,” “target,” “anticipate,” “estimate,” “believe,” “forecast,” “projected,” “guidance,” “looking ahead,” and similar expressions identify forward-looking statements.

Future impact from the ongoing COVID-19 pandemic, and other economic and industry trends that could potentially impact revenue, profitability, operating conditions, and growth are difficult to predict. Our forward-looking statements are subject to risks and uncertainties which could cause our actual results to differ materially from those forward-looking statements and our previous expectations, plans, and projections. Such risks are not limited to but may include:

- The uncertainties and potential for further significant business disruptions arising from the recent and ongoing COVID-19 pandemic, including distribution center closures, store closures, and restrictions on customer access.
- Unexpected changes in the level of consumer spending on, or preferences for, apparel and home-related merchandise, which could adversely affect us.
- Impacts from the macro-economic environment, financial and credit markets, geopolitical conditions, pandemics, or public health and public safety issues, that affect consumer confidence and consumer disposable income.
- Our need to effectively manage our inventories, markdowns, and inventory shortage in order to achieve our planned gross margins.
- Competitive pressures in the apparel and home-related merchandise retailing industry.
- Risks associated with selling and importing merchandise produced in other countries and from supply chain disruptions in other countries, including those due to COVID-19 closures.
- Unseasonable weather that may affect shopping patterns and consumer demand for seasonal apparel and other merchandise.
- Our dependence on the market availability, quantity, and quality of attractive brand name merchandise at desirable discounts, and on the ability of our buyers to purchase merchandise to enable us to offer customers a wide assortment of merchandise at competitive prices.
- Information or data security breaches, including cyber-attacks on our transaction processing and computer information systems, which could result in theft or unauthorized disclosure of customer, credit card, employee, or other private and valuable information that we handle in the ordinary course of our business.
- Disruptions in our supply chain or in our information systems that could impact our ability to process sales and to deliver product to our stores in a timely and cost-effective manner.
- Our need to obtain acceptable new store sites with favorable consumer demographics to achieve our planned new store openings.
- Our need to expand in existing markets and enter new geographic markets in order to achieve planned market penetration.
- Consumer problems or legal issues involving the quality, safety, or authenticity of products we sell, which could harm our reputation, result in lost sales, and/or increase our costs.
- An adverse outcome in various legal, regulatory, or tax matters that could increase our costs.
- Damage to our corporate reputation or brands that could adversely affect our sales and operating results.
- Our need to continually attract, train, and retain associates with the retail talent necessary to execute our off-price retail strategies.
- Our need to effectively advertise and market our business.
- Changes in U.S. tax, tariff, or trade policy regarding apparel and home-related merchandise produced in other countries, which could adversely affect our business.
- Possible volatility in our revenues and earnings.
- An additional public health or public safety crisis, demonstrations, natural or man-made disaster in California or in another region where we have a concentration of stores, offices, or a distribution center that could harm our business.
- Our need to maintain sufficient liquidity to support our continuing operations and our new store openings.

The factors underlying our forecasts are dynamic and subject to change. As a result, any forecasts or forward-looking statements speak only as of the date they are given and do not necessarily reflect our outlook at any other point in time. We disclaim any obligation to update or revise these forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We may occasionally use forward contracts to hedge against fluctuations in foreign currency prices. We had no outstanding forward contracts as of October 31, 2020.

Interest that is payable on our revolving credit facility is based on variable interest rates and is, therefore, affected by changes in market interest rates. As of October 31, 2020, we had no borrowings outstanding under our \$800 million revolving credit facility.

As of October 31, 2020, we have outstanding eight series of unsecured Senior Notes. Interest that is payable on all series of our Senior Notes is based on fixed interest rates, and is therefore unaffected by changes in market interest rates.

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

A hypothetical 100 basis point increase or decrease in prevailing market interest rates would not have had a material negative impact on our condensed consolidated financial position, results of operations, cash flows, our revolving credit facility, or the fair values of our short- and long-term investments as of and for the three and nine month periods ended October 31, 2020. We do not consider the potential losses in future earnings and cash flows from reasonably possible, near-term changes in interest rates to be material.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

Quarterly Evaluation of Changes in Internal Control Over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the third fiscal quarter of 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our management concluded that there was no such change during the third fiscal quarter of 2020.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The matters under the caption “Litigation, claims, and assessments” in Note A of Notes to Condensed Consolidated Financial Statements are incorporated herein by reference.

ITEM 1A. RISK FACTORS

See Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 1, 2020 for a description of the risks and uncertainties associated with our business. Except as presented below, there have been no material changes to the risk factors described in our most recent Annual Report on Form 10-K.

The current, major health pandemic from the novel coronavirus (COVID-19) continues to severely and adversely affect our sales and our operations, and we expect it to continue to have serious adverse effects on our business and our financial condition.

The United States and other countries are experiencing a major, prolonged global health pandemic related to the outbreak of a novel strain of coronavirus (COVID-19), with related, severe disruptions to retail operations and supply chains and to general economic activities, as the affected regions have taken dramatic actions, sometimes including mandatory closure of retail operations, in an effort to slow down the spread of the disease. As the COVID-19 pandemic continues, many of our customers and associates are being impacted by recommendations and/or mandates from federal, state, and local authorities to stay home ("shelter in place" or "safer at home"), to avoid non-essential social contact and gatherings of people, and to self-quarantine. Following a chain-wide closure from late March 2020 to mid-May 2020, all of our distribution centers and substantially all of our store locations had reopened by the end of June 2020. However, the pandemic is not over, and resurgences are occurring as colder weather and the traditional flu season begins, coinciding with the holiday shopping season. "Second and third waves" of outbreaks and spreading of the disease are occurring in many places across the United States, and health officials are warning of further disruptions and quarantine responses. State and local "work from home" recommendations and mandates have been in effect for many of our corporate offices, and may continue for some time. Store closures and distribution center closures may be required again nationally, regionally, or in specific locations. The situation continues to be unprecedented and rapidly changing, and has unknown duration and severity. California announced the reinstatement of "stay at home" measures in early December, to take effect regionally in the event of rising hospitalization levels, and a number of county and city governments in California have implemented such measures in advance of the state mandates. We have a concentration of store locations in the States of California, Texas, and Florida; together those states include more than fifty percent of our stores, and they have each reported regional "hot spots" and increasing numbers of cases in recent months, which have already resulted in strict customer capacity limits, limits to our hours of operations and curfews, and in mandatory store closures, in certain areas. These "stay at home" measures may discourage in-person shopping and may reduce traffic in our stores. More than half of our distribution centers and warehouses are located in California. A required closure of these facilities would be very disruptive to our ability to supply merchandise to our stores. The temporary closure of our stores and distribution centers has already resulted in a significant loss of sales and profits and has had material adverse effects on our financial condition. Further closures, particularly during the holiday season, would also result in lost sales and profits. In addition, the COVID-19 pandemic may potentially adversely affect our ability to adequately staff our distribution centers, our stores, and our merchant and other support operations. Further, the COVID-19 pandemic has severely impacted multiple countries, which may also adversely affect our ability to access and ship products from the impacted countries. The prolonged, widespread pandemic has adversely impacted global economies, which has resulted in an economic downturn that may reduce consumer demand for our products. The extent of the impact from the COVID-19 pandemic on our business and financial results will depend largely on future developments, including the duration and spread of the outbreak within the U.S., regional surges in infection, the response by all levels of government in their efforts to contain the outbreak and to mitigate the economic disruptions, and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted. Such impacts have and are expected to adversely affect our profitability, cash flows, financial results, and our capital resources.

We need to successfully operate under the health and safety measures implemented in our stores and distribution centers, and across all our operations, to comply with regulatory requirements and with the goal of keeping our customers and associates safe from the spread of the COVID-19 virus without disruptions to our operations.

We have implemented a variety of measures in our stores locations, distribution centers, and other facilities, with the goal of keeping our associates, customers, and the communities we serve safe from spreading the COVID-19 virus. These measures include additional cleaning and sanitation of stores and workspaces, return merchandise quarantining, providing associates with personal protective equipment based on CDC or other federal, state, or local health guidelines, and implementing physical distancing practices, in our stores, distribution centers, and in our other operations. This is very challenging to do, and there is significant risk, incremental costs, and uncertainty regarding requirements and implementation. Not only are these measures new and evolving, but they often require change to established habits and patterns of behavior by large groups of people, who may not fully understand or agree with the requested changes. Whatever measures we adopt, there will also be challenges in effecting consistent compliance by our customers and our associates. We will need to adapt and change these measures over time and as we learn from experience. And despite our efforts and best intentions, incidents of infection will occur at our stores, distribution centers, or in our other facilities,

potentially resulting in serious illness for those affected, including our associates. This may result in required temporary closure of specific stores, distribution centers, or other facilities, and in temporary or longer term loss of key personnel during illness, and potential supply chain disruptions. We may also face claims (with or without merit) that our retail stores or our other facilities and workplaces are operating in an unsafe manner or are not in compliance with applicable laws and regulations. Any such incidents may adversely affect our operating results, increase our costs, and damage our reputation and competitive position.

We are subject to impacts from the macro-economic environment, financial and credit markets, and geopolitical conditions that affect consumer confidence and consumer disposable income. The COVID-19 pandemic may have prolonged and significant negative effects on consumer confidence, shopping behavior, and spending, which may adversely affect our sales and gross margins.

Consumer spending habits for the merchandise we sell are affected by many factors. Currently, the repercussions from the COVID-19 pandemic are unknown and present significant risks and uncertainty. There is significant uncertainty over potential changes in consumer behavior and shopping patterns as the pandemic continues and as different regions experience surges. Other factors include levels of unemployment, the size and timing of federal stimulus programs, salaries and wage rates, prevailing economic conditions, recession and fears of recession, housing costs, energy and fuel costs, income tax rates and the timing of tax refunds, inflation, consumer confidence in future economic conditions, consumer perceptions of personal well-being and security, availability of consumer credit, consumer debt levels, and consumers' disposable income. The COVID-19 pandemic, and other potential, adverse developments in any of these areas could reduce demand for our merchandise, decrease our inventory turnover, cause greater markdowns, and negatively affect our sales and margins. All of our stores are located in the United States and its territories, so we are especially susceptible to changes in the U.S. economy.

In order to achieve our planned gross margins, we must effectively manage our inventories, markdowns, and inventory shortage. As a result of potential changes in shopping behaviors due to the COVID-19 pandemic and potential disruptions to supply chains and store operations, we are at significant risk for inventory imbalances and the potential for significantly higher than normal levels of markdowns to sell through our inventory, which would negatively affect our gross margins and our operating results.

We purchase the majority of our inventory based on our sales plans. If actual demand is lower than our sales plans, we may experience excess inventory levels and need to take markdowns on excess or slow-moving inventory, resulting in decreased profit margins. We also may have insufficient fresh inventory to meet current customer demand, leading to lost sales opportunities. The pandemic may cause changes in shopping behavior so that our predictions and sales plans are less accurate, and that may lead us to have higher than usual levels of slow-moving or non-salable inventory at our prior planned price levels. We would need to aggressively and progressively reduce our selling prices in order to clear out that inventory, which would result in decreased profit margins or losses on sales of that inventory, and adversely affect our results of operations in future periods.

We are subject to impacts from instances of damage to our stores and losses of merchandise accompanying protests or demonstrations, which may result in temporary store closures.

There have been recent demonstrations and protests in cities throughout the United States. While they have generally been peaceful, in some locations they have been accompanied by violence, damage to retail stores, and the loss of merchandise. While generally subject to coverage by insurance, the repair of damage to our stores and replacement of lost merchandise may also increase our costs and temporarily disrupt store operations, and we may incur increased operating costs for additional security. Governmental authorities in affected cities and regions may take actions in an effort to protect people and property while permitting lawful and non-violent protests, including curfews and restrictions on business operations, which may be disruptive to our operations. These activities, governmental responses, and resulting media coverage may also harm consumer confidence and perceptions of personal well-being and security, which may negatively affect shopping behavior and our sales.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Information regarding shares of common stock we repurchased during the third quarter of fiscal 2020 is as follows:

Period	Total number of shares (or units) purchased¹	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)²
August (8/02/2020 - 8/29/2020)	105,529	\$89.31	—	\$1,142,533
September (8/30/2020 - 10/03/2020)	36,821	\$90.22	—	\$1,142,533
October (10/04/2020 - 10/31/2020)	—	\$0.00	—	\$1,142,533
Total	142,350	\$89.55	—	\$1,142,533

¹ We acquired 142,350 shares of treasury stock during the quarter ended October 31, 2020, which relates to shares acquired from employees for tax withholding purposes related to vesting of restricted stock grants. No shares were repurchased under our publicly announced stock repurchase program.

² In March 2019, our Board of Directors approved a two-year \$2.55 billion stock repurchase program through fiscal 2020. Due to the current economic uncertainty stemming from the COVID-19 pandemic, we suspended our stock repurchase program as of March 2020. We have no plans to purchase any additional shares for the remainder of the fiscal year.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit
3.1	Certificate of Incorporation of Ross Stores, Inc. as amended (Corrected First Restated Certificate of Incorporation, dated March 17, 1999, together with amendments thereto through Amendment of Certificate of Incorporation dated May 29, 2015) incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 1, 2015.
3.2	Amended and Restated Bylaws of Ross Stores, Inc. (as amended March 8, 2017), incorporated by reference to Exhibit 3.2 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 28, 2017.
4.1	Indenture, dated September 18, 2014, between Ross Stores, Inc. and U.S. Bank National Association, incorporated by reference to Exhibit 4.1 to the Form 8-K filed by Ross Stores on September 18, 2014.
4.2	Officers' Certificate, dated as of October 21, 2020 establishing the aggregate amounts, terms and forms of the Notes, incorporated by reference to Exhibit 4.2 to the Form 8-K filed by Ross Stores, Inc. on October 22, 2020.
4.3	Form of the 0.875% Senior Notes Due 2026, included in Exhibit 4.2 and incorporated by reference to Exhibit 4.2 to the Form 8-K filed by Ross Stores, Inc. on October 22, 2020.
4.4	Form of the 1.875% Senior Notes Due 2031, included in Exhibit 4.2 and incorporated by reference to Exhibit 4.2 to the Form 8-K filed by Ross Stores, Inc. on October 22, 2020.
10.1	Underwriting Agreement, dated as of October 19, 2020, by and among Ross Stores, Inc., J.P. Morgan Securities LLC and BofA Securities, Inc., as representatives of the several underwriters named therein, incorporated by reference to Exhibit 1.1 to the Form 8-K filed by Ross Stores on October 22, 2020.
10.2	Second Amended and Restated Ross Stores, Inc. Incentive Compensation Plan.
10.3	Amended Ross Stores, Inc. 2017 Equity Incentive Plan.
10.4	Amendment to Independent Contractor Consultancy Agreement effective September 24, 2020 between Norman A. Ferber and Ross Stores, Inc.
10.5	Eighth Amendment to the Employment Agreement effective September 24, 2020 between Michael Balmuth and Ross Stores, Inc.
15	Letter re: Unaudited Interim Financial Information from Deloitte & Touche LLP dated December 9, 2020.
31.1	Certification of Chief Executive Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
31.2	Certification of Chief Financial Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document. (The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.)

101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File. (The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

ROSS STORES, INC.

(Registrant)

Date: December 9, 2020

By: /s/Travis R. Marquette

Travis R. Marquette

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

**SECOND AMENDED AND RESTATED
ROSS STORES, INC.
INCENTIVE COMPENSATION PLAN**

(As Amended Effective August 19, 2020)

1. **Establishment, Purpose, Term of Plan.**

a **Establishment.** The Amended and Restated Ross Stores, Inc. Incentive Compensation Plan was amended and restated in its entirety as the Second Amended and Restated Ross Stores, Inc. Incentive Compensation Plan (the “*Plan*”) effective as of May 18, 2006, the date of its approval by the stockholders of the Company, and was further amended effective as of May 18, 2016, the date of its reapproval by the stockholders of the Company (the “*Effective Date*”).

b **Purpose.** The purposes of the Plan is to advance the interests of the Company and its stockholders by providing an incentive to management and other key employees of the Company to meet or exceed pre-established, corporate and individual performance goals.

c **Term of Plan.** The Plan shall continue in effect until its termination by the Committee.

2. **Definitions and Construction.**

a **Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

(i) “*Affiliate*” means (i) an entity that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) an entity that is controlled by the Company directly or indirectly through one or more intermediary entities. For this purpose, the term “control” (including the term “controlled by”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the relevant entity, whether through the ownership of voting securities, by contract or otherwise.

(ii) “*Award*” means an incentive award granted under the Plan.

(iii) “*Award Formula*” means, for any Award, a formula or table established by the Committee which provides the basis for computing the value of the Award at one or more threshold levels of attainment of the applicable Performance Goal(s) as of the end of the applicable Performance Period.

(iv) “*Board*” means the Board of Directors of the Company.

(v) “**Code**” means the Internal Revenue Code of 1986, as amended, and any applicable regulations or administrative guidelines promulgated thereunder.

(vi) “**Change in Control**” means the occurrence of any of the following:

(1) any “person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), other than (1) a trustee or other fiduciary holding stock of the Company under an employee benefit plan of a Participating Company or (2) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, becomes the “beneficial owner” (as defined in Rule 13d3 promulgated under the Exchange Act), directly or indirectly, of stock of the Company representing more than fifty percent (50%) of the total combined voting power of the Company’s then outstanding voting stock; or

(2) an Ownership Change Event or a series of related Ownership Change Events (collectively, a “**Transaction**”) wherein the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting stock of the Company or, in the event of a sale of assets, of the corporation or corporations to which the assets of the Company were transferred (the “**Transferee Corporation(s)**”).

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting stock of one or more corporations which, as a result of the Transaction, own the Company or the Transferee Corporation(s), as the case may be, either directly or through one or more subsidiary corporations. The Board shall have the right to determine whether multiple Ownership Change Events are related, and its determination shall be final, binding and conclusive.

(vii) “**Committee**” means the Compensation Committee or other committee of one or more members of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. If no committee of the Board has been appointed to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(viii) “**Company**” means Ross Stores, Inc., a Delaware corporation, or any successor corporation thereto.

(ix) “**Employee**” means any person treated as an employee (including an officer or a member of the Board who is also treated as an employee) in the records of a Participating Company.

(x) “**Executive Officer**” mean a person who, on the last day of a Fiscal Year, is then serving as the Chief Executive Officer, the President, an Executive Vice President or a Senior Vice President of the Company.

(xi) “**Fiscal Year**” means a fiscal year of the Company.

(xii) “**Ownership Change Event**” means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(xiii) “**Participant**” means any eligible person who has been granted one or more Awards.

(xiv) “**Participating Company**” means the Company or any Affiliate.

(xv) “**Performance Goal**” means a performance goal established by the Committee pursuant to Section 5.1.

(xvi) “**Performance Measure**” means a measure of business or financial performance or other objective or subjective criteria established by the Committee.

(xvii) “**Performance Period**” means a period established by the Committee pursuant to Section 5.1 at the end of which one or more Performance Goals are to be measured.

(xviii) “**Performance Targets**” mean levels of attainment with respect to one or more Performance Measures, as described in Section 5.2.

(xix) “**Section 409A**” means Section 409A of the Code.

(xx) “**Service**” means a Participant’s employment with a Participating Company in the capacity of an Employee. A Participant’s Service shall be deemed to have terminated if the Participant ceases to be an Employee, even if the Participant continues to render service to a Participating Company in a capacity other than as an Employee. A Participant’s Service shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. Subject to the foregoing, the Company, in its discretion, shall determine whether a Participant’s Service has terminated and the effective date of such termination.

(xxi) “**Short-Term Deferral Period**” means the period ending on the later of (i) the 15th day of the third month following the end of the Participant’s first taxable year in which the applicable Award is no longer subject to a substantial risk of forfeiture or (ii) the 15th day of the third month following the end of the Company’s first taxable year in which the applicable Award is no longer subject to a substantial risk of forfeiture. For this purpose, the term “substantial risk of forfeiture” shall have the meaning set forth in any applicable U.S. Treasury Regulations or other applicable guidance promulgated pursuant to Section 409A.

b **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. 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.

3. **Administration.**

a **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final and binding upon all persons having an interest in the Plan or such Award.

b **Authority of Officers.** Any Executive Officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the Executive Officer has apparent authority with respect to such matter, right, obligation, determination or election. The Committee may, in its discretion, delegate to the Chief Executive Officer of the Company the authority to grant one or more Awards to any eligible Employee, other than a person who, at the time of such grant, is an Executive Officer and to otherwise exercise the powers of the Committee as set forth in Section 3.4 with respect to such Awards without further approval of the Committee, provided that each such Award shall conform to the provisions of the Plan and such other guidelines as shall be established from time to time by the Committee.

c **Powers of the Committee.** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion:

(i) to determine the persons to whom, and the time or times at which Awards shall be granted;

(ii) to determine the Award Formula, Performance Measure(s), Performance Targets, Performance Period, Performance Goal(s) and all other terms, conditions and restrictions applicable to each Award (which need not be identical) and the extent to which such Performance Goal(s) have been attained;

(iii) to amend, modify or adjust any Award or Award Formula or to waive any restrictions or conditions applicable to any Award;

(iv) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws of, or to accommodate the tax policy or custom of, foreign jurisdictions whose citizens may be granted Awards; and

(v) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award and to make all other determinations and take such other actions with

respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

d **Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or officers or employees of the Company, members of the Board and any officers or employees of the Company to whom authority to act for the Board or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. **Eligibility and Award Limitation.**

a **Persons Eligible for Awards.** Awards may be granted only to Employees who are managers or key employees of a Participating Company and who are designated as Participants by the Committee. No person whose Service commences or recommences after October 31 of any Fiscal Year shall be eligible to be granted an Award with respect to such Fiscal Year.

b **Maximum Award.** No Participant may be granted an Award which would result in the Participant receiving in settlement of the Award for each Fiscal Year contained in the Performance Period for such Award an amount in excess of \$8,000,000.

5. **Grant of Awards.**

Subject to the provisions of the Plan, the Committee, at any time and from time to time, may grant Awards in such amounts and upon such conditions as it shall determine, subject to the following:

a **Establishment of Performance Period, Performance Goals and Award Formula.** In granting each Award, the Committee shall establish in writing the applicable Performance Period, Award Formula and one or more Performance Goals which, when measured at the end of the Performance Period, shall determine on the basis of the Award Formula the final value of the Award to be paid to the Participant. The Committee may, in its discretion, establish different Award Formulas applicable to different classes, categories, positions or organizational levels of Participants or to individual Participants. In establishing the Performance Periods, Performance Goals and Award Formulas, the Committee shall take into account the recommendations of the Management Committee of the Company.

b **Measurement of Performance Goals.** The Committee shall establish Performance Goals on the basis of Performance Targets to be attained with respect to one or more Performance Measures, subject to the following:

(i) **Performance Measures.** Performance Measures based on objective criteria shall have the same meanings as used in the Company's financial statements, or, if such terms are not used in the Company's financial statements, they shall have the meaning applied pursuant to generally accepted accounting principles, a method used generally in the Company's industry, or in accordance with a methodology established by the Committee prior to the grant of the Award. Performance Measures based on subjective criteria shall be determined on the basis established by the Committee in granting the Award. Performance Measures based on financial criteria may be calculated with respect to the Company and each Affiliate consolidated therewith for financial reporting purposes or such division or other business unit as may be selected by the Committee. For purposes of the Plan, the Performance Measures applicable to an Award shall be calculated in accordance with generally accepted accounting principles, but prior to the accrual or payment of any performance award for the same Performance Period and excluding the effect (whether positive or negative) of any change in accounting standards or any unusual or infrequently occurring event or transaction, as determined by the Committee, occurring after the establishment of the Performance Goals applicable to the Award. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Measures in order to prevent the dilution or enlargement of the Participant's rights with respect to an Award. Performance Measures may be one or more of the following, without limitation, as determined by the Committee:

- (1) revenue;
- (2) sales;
- (3) expenses;
- (4) operating income;
- (5) gross margin;
- (6) operating margin;
- (7) earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization;
- (8) pre-tax profit;
- (9) net operating income;
- (10) net income;
- (11) economic value added;

- (12) free cash flow;
- (13) operating cash flow;
- (14) stock price;
- (15) earnings per share;
- (16) return on stockholder equity;
- (17) return on capital;
- (18) return on assets;
- (19) return on investment;
- (20) employee retention;
- (21) market share;
- (22) customer satisfaction;
- (23) completion of an identified special project;
- (24) completion of a joint venture or other corporate transaction; and
- (25) personal performance objectives established for an individual Participant or group of

Participants.

(ii) **Performance Targets.** Performance Targets may include a minimum, maximum, target level and intermediate levels of performance, with the final value of an Award determined under the applicable Award Formula by the level attained during the applicable Performance Period. A Performance Target may be stated as an absolute value or as a value determined relative to an index, budget or other standard selected by the Committee.

c **Discretionary Adjustment of Award Formulas.** In its discretion, the Committee may, either at the time it grants an Award or at any time thereafter, provide for the adjustment of the Award Formula applicable to an Award granted to any Participant to reflect such Participant's individual performance in his or her position with a Participating Company or such other factors as the Committee may determine.

d **New or Promoted Employees.** Any Award granted by the Committee to an Employee who becomes eligible to participate in the Plan following the commencement of a Fiscal Year, whether as a result of hiring or promotion, shall provide for an Award Formula prorated on the basis the length of the Fiscal Year remaining from the date on which the Employee becomes eligible to participate. If a Participant previously granted an Award for a

Fiscal Year is promoted to a position within a category of Participants for which the Committee has established a more favorable Award Formula, the more favorable Award Formula shall be applied on a pro rata basis to that portion of the Fiscal Year remaining from the date of the Employee's promotion, and the original Award Formula shall be applied on a pro rata basis to that portion of the Fiscal Year preceding the date of promotion.

e **Notice to Participants.** The Company shall notify each Participant of the terms of the Award granted to him or her, including the Performance Period, Performance Goal(s) and Award Formula.

6. **Settlement of Awards.**

a **Determination of Final Award Values.** As soon as practicable following the completion of the Performance Period applicable to each Award, the Committee shall determine the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the Participant and to be paid upon its settlement in accordance with the applicable Award Formula. Except as provided in Section 6.2, the Committee shall have no discretion to increase the value of an Award payable upon its settlement in excess of the amount called for by the terms of the applicable Award Formula on the basis of the degree of attainment of the Performance Goals as determined by the Committee.

b **Adjustment for Exceptional Individual Performance.** In the event that the Performance Goals are not attained under an Award having a Performance Period consisting of a Fiscal Year, as a result of which no amount would otherwise be payable on the basis of the Award Formula applicable to such Award, but the Company is profitable for such Fiscal Year in the judgment of the Committee, a Participant granted such Award who has received an individual performance appraisal rating of "exceptional" shall be eligible, at the discretion of the Committee, to receive the amount of the final Award value that would have become payable to the Participant under the applicable Award Formula had 100% of the Performance Goals been attained and had the Participant received an individual performance appraisal rating of "good."

c **Effect of Leaves of Absence.** Unless otherwise required by law or Company policy, payment of the final value of an Award held by a Participant who has taken in excess of thirty (30) days of military leave, sick leave or other approved leaves of absence during any one or more Fiscal Years contained in the Performance Period applicable to the Award shall be prorated on the basis of the number of days of the Participant's Service during the Performance Period on which the Participant was not on a leave of absence.

d **Notice to Participants.** As soon as practicable following the Committee's determination in accordance with Section 6.1 with respect to an Award, the Company shall notify the Participant of the determination of the Committee.

e **Payment in Settlement of Awards.** As soon as practicable following the Committee's determination in accordance with Section 6.1 with respect to an Award, but in any event within the Short-Term Deferral Period, payment shall be made to the Participant of the resulting final value, if any, of such Award (subject to applicable tax withholding); provided,

however, that, except as otherwise provided by Section 8.1, a Participant shall not be eligible to receive a payment under the Award unless the Participant remains an active, full-time Employee on the payment date. For this purpose, a Participant on an approved leave of absence shall be deemed to be an active Employee. All such payments shall be made in cash or by check.

f **Tax Withholding.** The Company shall have the right to deduct from any and all payments made under the Plan or otherwise all federal, state, local and foreign taxes, if any, required by law to be withheld by the Company with respect to any such payment.

7. **Effect of Termination of Service.**

Except as otherwise provided by Section 8.1, if a Participant's Service terminates for any reason or no reason prior to the date of payment of the final value of an Award held by the Participant, the Participant shall immediately forfeit the Award and shall be entitled to receive no payment therefor.

8. **Change in Control.**

a **Effect of Change in Control.** Unless otherwise provided by a contract of employment between the Participant and a Participating Company, in the event of the consummation of a Change in Control prior to the completion of the Performance Period applicable to the Participant's Award and provided that the Participant's Service has not terminated prior to the date of the Change in Control, the Award shall become payable, effective as of the date of the Change in Control, in the amount that would constitute the final value of the Award determined in accordance with the Award Formula had 100% of the Performance Goals for the Performance Period been attained and had the Participant received an individual performance rating of "good;" provided, however, that such amount shall be prorated on the basis of the number of days of the Participant's Service during the Performance Period prior to the date of the Change in Control. Subject to Section 8.2, payment pursuant to this Section 8.1 (subject to applicable tax withholding) shall be made in cash or by check within thirty (30) days following the date of the Change in Control regardless of whether or not the Participant's Service has terminated on or after the date of the Change in Control.

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

(i)**Excess Parachute Payment.** In the event that any payment pursuant to an Award 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 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 payment called for under the Award in order to avoid such characterization.

(ii)**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 a payment 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 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. **Amendment or Termination of the Plan.**

a **In General.** The Plan, as set forth in this document, represents the general guidelines the Company presently intends to utilize to determine what Awards, if any, will be granted and paid. If, however, at the sole discretion of the Committee, the Company’s best interest is served by applying different guidelines to certain individuals, or to individuals under special or unusual circumstances, it reserves the right to do so by notice to such individuals at any time, or from time to time. To the extent that such applications are contrary to any provisions of the Plan, the Plan will be deemed amended to such extent. The Committee may terminate or amend the Plan at any time.

b **Effect of 2020 Amendment.** The Plan was amended by the Board, effective August 19, 2020 (the “*2020 Amendment*”), to eliminate certain restrictions on Awards granted to a “covered employee” as defined in Section 162(m)(3) of the Code and the regulations thereunder, intended to result in qualified performance-based compensation for the purposes of Section 162(m) as applicable to the Company before its first taxable year beginning after December 31, 2017 (“*Prior 162(m)*”). Any Award granted before February 4, 2018 to a covered employee and intended to result in qualified performance-based compensation under Prior 162(m) will continue to be subject to the terms of the Plan as in effect before the 2020 Amendment.

10. **Miscellaneous Provisions.**

10.1 **Nontransferability of Awards.** Prior to settlement in accordance with the provisions of the Plan, no Awards may be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant’s beneficiary, except by will or by the laws of descent and distribution. All rights with respect to an Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant.

10.2 **Rights as Employee.** No person, even though eligible pursuant to Section 4, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall

confer on any Participant a right to remain an Employee or interfere with or limit in any way the right of the Company to terminate the Participant's Service at any time.

10.3 Beneficiary Designation. Each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant's death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation shall be subject to the consent of the Participant's spouse. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant's death, the Company will pay any remaining unpaid benefits to the Participant's legal representative.

10.4 Unfunded Obligation. Any amounts payable to Participants pursuant to the Plan shall be unfunded obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974. The Company shall not be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or the Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of the Company. The Participants shall have no claim against the Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan.

10.5 Applicable Law. The Plan 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.

10.6 Treatment of Awards Outstanding on Effective Date. Notwithstanding any other provision of the Plan to the contrary, each Award granted under a prior version of the Plan and remaining outstanding on the Effective Date shall, following the Effective Date, be treated as having been granted under and governed by the terms and conditions of the Plan as in effect on the date of grant of such Award. For purposes of the preceding sentence, such prior versions of the Plan include the Ross Stores, Inc. Incentive Compensation Plan adopted on May 30, 1996, the Amended and Restated Ross Stores, Inc. Incentive Compensation Plan adopted on March 16, 2000, and the Second Amended and Restated Ross Stores, Inc. Incentive Compensation Plan adopted on May 18, 2006 and reapproved by the stockholders on May 18, 2011.

10.7 Compliance with Section 409A. The provisions of the Plan are intended to comply with the requirements of Section 409A, and the Plan shall be so construed. Notwithstanding any other provision of the Plan to the contrary, the Committee may, in its sole

and absolute discretion and without the consent of any Participant, amend the Plan to take effect retroactively or otherwise as it deems necessary or advisable for the purpose of conforming the Plan to the requirements of Section 409A. The payment of any and all Awards granted under a prior version of the Plan after October 3, 2004 shall conform to the applicable payment provisions of the Plan and not to the provisions of such prior version of the Plan.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the Second Amended and Restated Ross Stores, Inc. Incentive Compensation Plan as duly adopted by the Compensation Committee on March 16, 2006 and amended effective as of May 18, 2016 and further amended effective as of August 19, 2020.

/s/ Kenneth A Jew

Kenneth A. Jew, Secretary

ROSS STORES, INC.
2017 EQUITY INCENTIVE PLAN

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Ross Stores, Inc.
2017 Equity Incentive Plan
(As Amended Effective August 19, 2020)

1. **ESTABLISHMENT, PURPOSE AND TERM OF PLAN.**

1.1 **Establishment.** The Ross Stores, Inc. 2017 Equity Incentive Plan (the “*Plan*”) is hereby established effective as of May 17, 2017, the date of its approval by the stockholders of the Company (the “*Effective Date*”).

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan seeks to achieve this purpose by providing for Awards in the form of Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Performance Shares, Performance Units, Cash-Based Awards and Other Stock-Based Awards.

1.3 **Term of Plan.** The Plan shall continue in effect until its termination by the Committee; provided, however, that all Awards shall be granted, if at all, within ten (10) years from the Effective Date

2. **DEFINITIONS AND CONSTRUCTION.**

2.1 **Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) “*Affiliate*” means (i) a parent entity, other than a Parent Corporation, that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) a subsidiary entity, other than a Subsidiary Corporation, that is controlled by the Company directly or indirectly through one or more intermediary entities. For this purpose, the terms “parent,” “subsidiary,” “control” and “controlled by” shall have the meanings assigned such terms for the purposes of registration of securities on Form S-8 under the Securities Act.

(b) “*Award*” means any Option, Stock Appreciation Right, Restricted Stock Purchase Right, Restricted Stock Bonus, Restricted Stock Unit, Performance Share, Performance Unit, Cash-Based Award or Other Stock-Based Award granted under the Plan.

(c) “*Award Agreement*” means a written or electronic agreement between the Company and a Participant setting forth the terms, conditions and restrictions applicable to an Award.

(d) “*Board*” means the Board of Directors of the Company.

- (e) **“Cash-Based Award”** means an Award denominated in cash and granted pursuant to Section 11.
- (f) **“Cashless Exercise”** means a Cashless Exercise as defined in Section 6.3(b)(i).
- (g) **“Change in Control”** means the occurrence of any one or a combination of the following:

(i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) acquires during a twelve-month period ending on the date of the most recent acquisition by such person, in one or a series of transactions, “beneficial ownership” (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing thirty-five percent (35%) or more of the total combined voting power of the Company’s then-outstanding securities entitled to vote generally in the election of Directors; provided, however, that a Change in Control shall not be deemed to have occurred if such degree of beneficial ownership results from any of the following: (A) an acquisition by any person who on the Effective Date is the beneficial owner of thirty-five percent (35%) or more of such voting power, (B) any acquisition directly from the Company, including, without limitation, pursuant to or in connection with a public offering of securities, (C) any acquisition by the Company, (D) any acquisition by a trustee or other fiduciary under an employee benefit plan of a Participating Company or (E) any acquisition by an entity owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the voting securities of the Company; or

(ii) an Ownership Change Event or series of related Ownership Change Events (collectively, a **“Transaction”**) in which the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding securities entitled to vote generally in the election of Directors or, in the case of an Ownership Change Event described in Section 2.1(dd)(iii), the entity to which the assets of the Company were transferred (the **“Transferee”**), as the case may be; or

(iii) a date specified by the Committee following approval by the stockholders of a plan of complete liquidation or dissolution of the Company;

provided, however, that a Change in Control shall be deemed not to include a transaction described in subsections (i) or (ii) of this Section 2.1(g) in which a majority of the members of the board of directors of the continuing, surviving or successor entity, or parent thereof, immediately after such transaction is comprised of Incumbent Directors.

For purposes of the preceding sentence, indirect beneficial ownership shall include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company or the Transferee, as the case may be, either directly or through one or more subsidiary corporations or other business entities. The Committee shall determine whether multiple events described in subsections (i), (ii) and (iii)

of this Section 2.1(g) are related and to be treated in the aggregate as a single Change in Control, and its determination shall be final, binding and conclusive.

(h) “**Code**” means the Internal Revenue Code of 1986, as amended, and any applicable regulations and administrative guidelines promulgated thereunder.

(i) “**Committee**” means the Compensation Committee and such other committee or subcommittee of the Board, if any, duly appointed to administer the Plan and having such powers in each instance as shall be specified by the Board. If, at any time, there is no committee of the Board then authorized or properly constituted to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers.

(j) “**Company**” means Ross Stores, Inc., a Delaware corporation, and any successor corporation thereto.

(k) “**Consultant**” means a person engaged to provide consulting or advisory services (other than as an Employee or a Director) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on registration on Form S8 under the Securities Act.

(l) “**Director**” means a member of the Board.

(m) “**Disability**” means, unless such term or an equivalent term is otherwise defined by the applicable Award Agreement or other written agreement between the Participant and a Participating Company applicable to an Award, the permanent and total disability of the Participant, within the meaning of Section 22(e)(3) of the Code.

(n) “**Dividend Equivalent Right**” means the right of a Participant, granted at the discretion of the Committee or as otherwise provided by the Plan, to receive a credit for the account of such Participant in an amount equal to the cash dividends paid on one share of Stock for each share of Stock represented by an Award held by such Participant.

(o) “**Employee**” means any person treated as an employee (including an Officer or a Director who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a Director nor payment of a Director’s fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual’s employment or termination of employment, as the case may be. For purposes of an individual’s rights, if any, under the terms of the Plan as of the time of the Company’s determination of whether or not the individual is an Employee, all such determinations by the Company shall be final, binding and conclusive as to such rights, if any, notwithstanding that the

Company or any court of law or governmental agency subsequently makes a contrary determination as to such individual's status as an Employee.

(p) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(q) "**Fair Market Value**" means, as of any date, the value of a share of Stock or other property as determined by the Committee, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) Except as otherwise determined by the Committee, if, on such date, the Stock is listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock as quoted on the national or regional securities exchange or quotation system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or quotation system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded or quoted prior to the relevant date, or such other appropriate day as shall be determined by the Committee, in its discretion.

(ii) Notwithstanding the foregoing, the Committee may, in its discretion, determine the Fair Market Value of a share of Stock on the basis of the opening, closing, or average of the high and low sale prices of a share of Stock on such date or the preceding trading day, the actual sale price of a share of Stock received by a Participant, any other reasonable basis using actual transactions in the Stock as reported on a national or regional securities exchange or quotation system, or on any other basis consistent with the requirements of Section 409A. The Committee may vary its method of determination of the Fair Market Value as provided in this Section for different purposes under the Plan to the extent consistent with the requirements of Section 409A.

(iii) If, on such date, the Stock is not listed or quoted on a national or regional securities exchange or quotation system, the Fair Market Value of a share of Stock shall be as determined by the Committee in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse, and in a manner consistent with the requirements of Section 409A.

(r) "**Full Value Award**" means any Award settled in Stock, other than (i) an Option, (ii) a Stock Appreciation Right, or (iii) a Restricted Stock Purchase Right or an Other Stock-Based Award under which the Company will receive monetary consideration equal to the Fair Market Value (determined on the effective date of grant) of the shares subject to such Award.

(s) “**Incentive Stock Option**” means an Option intended to be (as set forth in the Award Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.

(t) “**Incumbent Director**” means a director who either (i) is a member of the Board as of the Effective Date or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but excluding a director who was elected or nominated in connection with an actual or threatened proxy contest relating to the election of directors of the Company).

(u) “**Insider**” means an Officer, a Director or other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(v) “**Net Exercise**” means a Net Exercise as defined in Section 6.3(b)(iii).

(w) “**Nonemployee Director**” means a Director who is not an Employee.

(x) “**Nonemployee Director Award**” means any Award granted to a Nonemployee Director.

(y) “**Nonstatutory Stock Option**” means an Option not intended to be (as set forth in the Award Agreement) or which does not qualify as an incentive stock option within the meaning of Section 422(b) of the Code.

(z) “**Officer**” means any person designated by the Board as an officer of the Company.

(aa) “**Option**” means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(bb) “**Other Stock-Based Award**” means an Award denominated in shares of Stock and granted pursuant to Section 11.

(cc) “**Ownership Change Event**” means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of securities of the Company representing more than fifty percent (50%) of the total combined voting power of the Company’s then outstanding securities entitled to vote generally in the election of Directors; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company (other than a sale, exchange or transfer to one or more subsidiaries of the Company).

(dd) “**Parent Corporation**” means any present or future “parent corporation” of the Company, as defined in Section 424(e) of the Code.

(ee) “**Participant**” means any eligible person who has been granted one or more Awards.

(ff) “**Participating Company**” means the Company or any Parent Corporation, Subsidiary Corporation or Affiliate.

(gg) “**Participating Company Group**” means, at any point in time, the Company and all other entities collectively which are then Participating Companies.

(hh) “**Performance Award**” means an Award of Performance Shares or Performance Units.

(ii) “**Performance Award Formula**” means, for any Performance Award, a formula or table established by the Committee pursuant to Section 10.3 which provides the basis for computing the value of a Performance Award at one or more levels of attainment of the applicable Performance Goal(s) measured as of the end of the applicable Performance Period.

(jj) “**Performance Goal**” means a performance goal established by the Committee pursuant to Section 10.3.

(kk) “**Performance Period**” means a period established by the Committee pursuant to Section 10.3 at the end of which one or more Performance Goals are to be measured.

(ll) “**Performance Share**” means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Share, as determined by the Committee, based upon attainment of applicable Performance Goal(s).

(mm) “**Performance Unit**” means a right granted to a Participant pursuant to Section 10 to receive a payment equal to the value of a Performance Unit, as determined by the Committee, based upon attainment of applicable Performance Goal(s).

(nn) “**Predecessor Plan**” means the Company’s 2008 Equity Incentive Plan.

(oo) “**Restricted Stock Award**” means an Award of a Restricted Stock Bonus or a Restricted Stock Purchase Right.

(pp) “**Restricted Stock Bonus**” means Stock granted to a Participant pursuant to Section 8.

(qq) “**Restricted Stock Purchase Right**” means a right to purchase Stock granted to a Participant pursuant to Section 8.

(rr) “**Restricted Stock Unit**” means a right granted to a Participant pursuant to Section 9 to receive on a future date or occurrence of a future event a share of Stock or cash in lieu thereof, as determined by the Committee.

(ss) “**Rule 16b-3**” means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(tt) “**SAR**” or “**Stock Appreciation Right**” means a right granted to a Participant pursuant to Section 7 to receive payment, for each share of Stock subject to such Award, of an amount equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the Award over the exercise price thereof.

(uu) “**Section 409A**” means Section 409A of the Code.

(vv) “**Section 409A Deferred Compensation**” means compensation provided pursuant to an Award that constitutes nonqualified deferred compensation within the meaning of Section 409A.

(ww) “**Securities Act**” means the Securities Act of 1933, as amended.

(xx) “**Service**” means a Participant’s employment or service with the Participating Company Group, whether as an Employee, a Director or a Consultant. Unless otherwise provided by the Committee, a Participant’s Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders Service or a change in the Participating Company for which the Participant renders Service, provided that there is no interruption or termination of the Participant’s Service. Furthermore, a Participant’s Service shall not be deemed to have been interrupted or terminated if the Participant takes any military leave, sick leave, or other bona fide leave of absence approved by the Company. However, if any such leave taken by a Participant exceeds ninety (90) days, then on the one hundred eighty-first (181st) day following the commencement of such leave any Incentive Stock Option held by the Participant shall cease to be treated as an Incentive Stock Option and instead shall be treated thereafter as a Nonstatutory Stock Option, unless the Participant’s right to return to Service is guaranteed by statute or contract. Notwithstanding the foregoing, unless otherwise designated by the Company or required by law, an unpaid leave of absence shall not be treated as Service for purposes of determining vesting under the Participant’s Award Agreement. A Participant’s Service shall be deemed to have terminated either upon an actual termination of Service or upon the business entity for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant’s Service has terminated and the effective date of and reason for such termination.

(yy) “**Stock**” means the common stock of the Company, as adjusted from time to time in accordance with Section 4.4.

(zz) “**Stock Tender Exercise**” means a Stock Tender Exercise as defined in Section 6.3(b)(ii).

(aaa) “**Subsidiary Corporation**” means any present or future “subsidiary corporation” of the Company, as defined in Section 424(f) of the Code.

(bbb) “**Ten Percent Owner**” means a Participant who, at the time an Option is granted to the Participant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company (other than an Affiliate) within the meaning of Section 422(b)(6) of the Code.

(ccc) “**Trading Compliance Policy**” means the written policy of the Company pertaining to the purchase, sale, transfer or other disposition of the Company’s equity securities by Directors, Officers, Employees or other service providers who may possess material, nonpublic information regarding the Company or its securities.

(ddd) “**Vesting Conditions**” mean those conditions established in accordance with the Plan prior to the satisfaction of which an Award or shares subject to an Award remain subject to forfeiture or a repurchase option in favor of the Company exercisable for the Participant’s monetary purchase price, if any, for such shares upon the Participant’s termination of Service or failure of a performance condition to be satisfied.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. 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.

3. **ADMINISTRATION.**

3.1 **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan, of any Award Agreement or of any other form of agreement or other document employed by the Company in the administration of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final, binding and conclusive upon all persons having an interest in the Plan or such Award, unless fraudulent or made in bad faith. Any and all actions, decisions and determinations taken or made by the Committee in the exercise of its discretion pursuant to the Plan or Award Agreement or other agreement thereunder (other than determining questions of interpretation pursuant to the preceding sentence) shall be final, binding and conclusive upon all persons having an interest therein. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

3.2 **Authority of Officers.** Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the Officer has apparent authority with respect to such matter, right, obligation, determination or election. To the extent permitted by applicable law, the Committee may, in its discretion, delegate to one or more Officers or to a committee comprised of one or more Officers the authority to grant one or more Awards (and to amend or modify Awards previously granted by such Officer or Officers), without further approval of the Committee, to any Employee, other than a person who, at the time of such grant, is an Insider, and to exercise such other powers under the Plan as the Committee may determine; provided, however, that (a) the Committee shall fix the maximum number of

shares subject to Awards that may be granted by such Officers, (b) the exercise price per share of each such Award which is an Option or SAR shall be not less than the Fair Market Value per share of the Stock on the effective date of grant (or, if the Stock has not traded on such date, on the last day preceding the effective date of grant on which the Stock was traded), (c) each such Award shall be subject to the terms and conditions of the appropriate standard form of Award Agreement approved by the Board or the Committee and shall conform to the provisions of the Plan, and (d) each such Award shall conform to such other limits and guidelines as may be established from time to time by the Committee.

3.3 Administration with Respect to Insiders. With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3.

3.4 Powers of the Committee. In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion:

- (a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock, units or monetary value to be subject to each Award;
- (b) to determine the type of Award granted;
- (c) to determine the Fair Market Value of shares of Stock or other property;
- (d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of shares pursuant to any Award, (ii) the method of payment for shares purchased pursuant to any Award, (iii) the method for satisfaction of any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares of Stock, (iv) the timing, terms and conditions of the exercisability or vesting of any Award or any shares acquired pursuant thereto, (v) the Performance Measures, Performance Period, Performance Award Formula and Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (vi) the time of expiration of any Award, (vii) the effect of any Participant's termination of Service on any of the foregoing, and (viii) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto not inconsistent with the terms of the Plan;
- (e) to determine whether an Award will be settled in shares of Stock, cash, other property or in any combination thereof;
- (f) to approve one or more forms of Award Agreement;

(g) to amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired pursuant thereto;

(h) to accelerate, continue, extend or defer the exercisability or vesting of any Award or any shares acquired pursuant thereto, including with respect to the period following a Participant's termination of Service;

(i) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws of, or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose residents may be granted Awards; and

(j) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law.

3.5 Option or SAR Repricing. Without the affirmative vote of holders of a majority of the shares of Stock cast in person or by proxy at a meeting of the stockholders of the Company at which a quorum representing a majority of all outstanding shares of Stock is present or represented by proxy, the Committee shall not approve a program providing for either (a) the cancellation of outstanding Options or SARs having exercise prices per share greater than the then Fair Market Value of a share of Stock ("*Underwater Awards*") and the grant in substitution therefor of new Options or SARs having a lower exercise price, Full Value Awards or payments in cash, or (b) the amendment of outstanding Underwater Awards to reduce the exercise price thereof. This Section shall not be construed to apply to (i) "issuing or assuming a stock option in a transaction to which Section 424(a) applies," within the meaning of Section 424 of the Code, (ii) adjustments pursuant to the assumption of or substitution for an Option or SAR in a manner that would comply with Section 409A, or (iii) an adjustment pursuant to Section 4.4.

3.6 Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, to the extent permitted by applicable law, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the

institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

4. **SHARES SUBJECT TO PLAN.**

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Sections 4.2, 4.3 and 4.4, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be equal to twelve million (12,000,000) shares and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof.

4.2 **Adjustment for Unissued or Forfeited Predecessor Plan Shares.** The maximum aggregate number of shares of Stock that may be issued under the Plan as set forth in Section 4.1 shall be cumulatively increased from time to time by:

(a) the number of shares of Stock subject to that portion of any option or other award outstanding pursuant to the Predecessor Plan as of the Effective Date which, on or after the Effective Date, expires or is terminated or canceled for any reason without having been exercised or settled in full;

(b) the number of shares of Stock acquired pursuant to the Predecessor Plan subject to forfeiture or repurchase by the Company for an amount not greater than the Participant's purchase price which, on or after the Effective Date, is so forfeited or repurchased; and

(c) the number of shares of Stock that are withheld or reacquired by the Company on or after the Effective Date in satisfaction of tax withholding obligations pursuant to an award, other than an option or a stock appreciation right, granted under the Predecessor Plan;

provided, however, that the aggregate number of shares of Stock authorized for issuance under the Predecessor Plan that may become authorized for issuance under the Plan pursuant to this Section 4.2 shall not exceed 5,500,000 shares.

4.3 **Share Counting.** If an outstanding Award for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares of Stock acquired pursuant to an Award subject to forfeiture or repurchase are forfeited or repurchased by the Company for an amount not greater than the Participant's purchase price, the shares of Stock allocable to the terminated portion of such Award or such forfeited or repurchased shares of Stock shall again be available for issuance under the Plan. Shares of Stock shall not be deemed to have been issued pursuant to the Plan with respect to any portion of an Award that is settled in cash. Upon payment in shares of Stock pursuant to the exercise of an SAR, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the SAR is exercised. If the exercise price of an Option is paid by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant, or by means of a Net Exercise, the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the Option is exercised. Shares purchased in the open market with proceeds from the exercise of Options shall not be added to the limit set forth in Section 4.1.

Shares withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to the exercise or settlement of Options or SARs pursuant to Section 16.2 shall not again be available for issuance under the Plan. Shares withheld or reacquired by the Company in satisfaction of tax withholding obligations pursuant to the vesting or settlement of Full Value Awards pursuant to Section 16.2 shall again become available for issuance under the Plan.

4.4 Adjustments for Changes in Capital Structure. Subject to any required action by the stockholders of the Company and the requirements of Sections 409A and 424 of the Code to the extent applicable, 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 regular, periodic cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate and proportionate adjustments shall be made in the number and kind of shares subject to the Plan and to any outstanding Awards, the Award limits set forth in Section 5.3 and Section 5.4, and the exercise or purchase price per share under any outstanding Award in order to prevent dilution or enlargement of Participants' rights under the Plan. 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." If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "**New Shares**"), the Committee may unilaterally amend the outstanding Awards to provide that such Awards are for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise or purchase price per share of, the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Committee, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. In no event may the exercise or purchase price, if any, under any Award be decreased to an amount less than the par value, if any, of the stock subject to such Award. The Committee in its 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, including modification of Performance Goals, Performance Award Formulas and Performance Periods. The adjustments determined by the Committee pursuant to this Section shall be final, binding and conclusive.

4.5 Assumption or Substitution of Awards. The Committee may, without affecting the number of shares of Stock reserved or available hereunder, authorize the issuance or assumption of benefits under this Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate, subject to compliance with Section 409A and any other applicable provisions of the Code.

5. **ELIGIBILITY, PARTICIPATION AND AWARD LIMITATIONS.**

5.1 **Persons Eligible for Awards.** Awards may be granted only to Employees, Consultants and Directors.

5.2 **Participation in the Plan.** Awards are granted solely at the discretion of the Committee. Eligible persons may be granted more than one Award. However, eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

5.3 **Incentive Stock Option Limitations.**

(a) **Maximum Number of Shares Issuable Pursuant to Incentive Stock Options.** Subject to adjustment as provided in Section 4.4, the maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to the exercise of Incentive Stock Options shall not exceed 12,000,000 shares. The maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to all Awards other than Incentive Stock Options shall be the number of shares determined in accordance with Section 4.1, subject to adjustment as provided in Sections 4.2, 4.3 and 4.4.

(b) **Persons Eligible.** An Incentive Stock Option may be granted only to a person who, on the effective date of grant, is an Employee of the Company, a Parent Corporation or a Subsidiary Corporation (each being an “**ISO-Qualifying Corporation**”). Any person who is not an Employee of an ISO-Qualifying Corporation on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option.

(c) **Fair Market Value Limitation.** To the extent that options designated as Incentive Stock Options (granted under all stock plans of the Participating Company Group, including the Plan) become exercisable by a Participant for the first time during any calendar year for stock having a Fair Market Value greater than One Hundred Thousand Dollars (\$100,000), the portion of such options which exceeds such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a limitation different from that set forth in this Section, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section, the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Upon exercise of the Option, shares issued pursuant to each such portion shall be separately identified.

5.4 **Award Limits.** The following limits shall apply to the grant of any applicable Award:

(a) **Options and SARs.** Subject to adjustment as provided in Section 4.4, no Employee shall be granted within any fiscal year of the Company one or more Options or Freestanding SARs which in the aggregate are for more than the lesser of (1) seven hundred fifty thousand (750,000) shares or (2) one percent (1%) of the number of shares of Stock issued and outstanding as reported in the most recent periodic report filed with the Securities and Exchange Commission.

(b) **Restricted Stock and Restricted Stock Unit Awards.** Subject to adjustment as provided in Section 4.4, no Employee shall be granted within any fiscal year of the Company one or more Restricted Stock Awards or Restricted Stock Unit Awards, subject to Vesting Conditions based on the attainment of Performance Goals, for more than the lesser of (1) seven hundred fifty thousand (750,000) shares or (2) one percent (1%) of the number of shares of Stock issued and outstanding as reported in the most recent periodic report filed with the Securities and Exchange Commission.

(c) **Performance and Other Awards.** Subject to adjustment as provided in Section 4.4, no Employee shall be granted (1) one or more Awards of Performance Shares or Other Stock-Based Awards subject to Vesting Conditions based on the attainment of Performance Goals which could result in such Employee receiving more than five hundred thousand (500,000) shares for each full fiscal year of the Company contained in the Performance Period for such Awards, or (2) one or more Awards of Performance Units or Cash-Based Awards subject to Vesting Conditions based on the attainment of Performance Goals which could result in such Employee receiving more than ten million dollars (\$10,000,000) for each full fiscal year of the Company contained in the Performance Period for such Awards.

5.5 **Nonemployee Director Award Limit.** No Nonemployee Director shall be granted within any fiscal year of the Company one or more Nonemployee Director Awards pursuant to the Plan which in the aggregate are for more than a number of shares of Stock determined by dividing one million dollars (\$1,000,000) by the Fair Market Value of a share of Stock determined on the date on which the applicable Nonemployee Director Award is granted.

5.6 **Minimum Vesting.** Except with respect to five percent (5%) of the maximum aggregate number of shares of Stock that may be issued under the Plan, as provided in Section 4, no Award which vests on the basis of the Participant's continued Service shall vest earlier than one year following the date of grant of such Award and no Award which vests on the basis of attainment of performance goals shall provide for a performance period of less than one year.

6. **STOCK OPTIONS.**

Options shall be evidenced by Award Agreements specifying the number of shares of Stock covered thereby, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 Exercise Price. The exercise price for each Option shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price less than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner that would qualify under the provisions of Section 409A or Section 424(a) of the Code.

6.2 Exercisability and Term of Options. Subject to the minimum vesting provisions of Section 5.6, Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; provided, however, that (a) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (b) no Incentive Stock Option granted to a Ten Percent Owner shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option and (c) no Option granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable until at least six (6) months following the date of grant of such Option (except in the event of such Employee's death, disability or retirement, upon a Change in Control, or as otherwise permitted by the Worker Economic Opportunity Act). Subject to the foregoing, unless otherwise specified by the Committee in the grant of an Option, each Option shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions.

6.3 Payment of Exercise Price.

(a) **Forms of Consideration Authorized.** Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent; (ii) if permitted by the Committee and subject to the limitations contained in Section 6.3(b), by means of (1) a Cashless Exercise, (2) a Stock Tender Exercise or (3) a Net Exercise; (iii) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (iv) by any combination thereof. The Committee may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

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

(i) **Cashless Exercise.** A "*Cashless Exercise*" means the delivery of a properly executed notice of exercise together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System). The Company

reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise, including with respect to one or more Participants specified by the Company notwithstanding that such program or procedures may be available to other Participants.

(ii) **Stock Tender Exercise.** A "*Stock Tender Exercise*" means the delivery of a properly executed exercise notice accompanied by a Participant's tender to the Company, or attestation to the ownership, in a form acceptable to the Company of whole shares of Stock owned by the Participant having a Fair Market Value that does not exceed the aggregate exercise price for the shares with respect to which the Option is exercised. A Stock Tender Exercise shall not be permitted if it 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, an 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 a period of time 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.

(iii) **Net Exercise.** A "*Net Exercise*" means the delivery of a properly executed exercise notice followed by a procedure pursuant to which (1) the Company will reduce the number of shares otherwise issuable to a Participant upon the exercise of an Option by the largest whole number of shares having a Fair Market Value that does not exceed the aggregate exercise price for the shares with respect to which the Option is exercised, and (2) the Participant shall pay to the Company in cash the remaining balance of such aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued.

6.4 **Effect of Termination of Service.**

(a) **Option Exercisability.** Subject to earlier termination of the Option as otherwise provided by this Plan and unless otherwise provided by the Committee, an Option shall terminate immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period determined in accordance with this Section and thereafter shall terminate.

(i) **Disability.** If the Participant's Service terminates because of the Disability of the Participant, the Option, to the extent unexercised and exercisable for vested shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months (or such longer or shorter period provided by the Award Agreement) after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Award Agreement evidencing such Option (the "*Option Expiration Date*").

(ii) **Death.** If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for vested

shares 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 (or such longer or shorter period provided by the Award Agreement) after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months (or such longer or shorter period provided by the Award Agreement) after the Participant's termination of Service.

(iii) **Other Termination of Service.** If the Participant's Service terminates for any reason, except Disability or death, the Option, to the extent unexercised and exercisable for vested shares 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 (or such longer or shorter period provided by the Award Agreement) after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

(b) **Extension if Exercise Prevented by Law.** Notwithstanding the foregoing, if the exercise of an Option within the applicable time periods set forth in Section 6.4(a) is prevented by the provisions of Section 14 below, the Option shall remain exercisable until the later of (i) thirty (30) days after the date such exercise first would no longer be prevented by such provisions or (ii) the end of the applicable time period under Section 6.4(a), but in any event no later than the Option Expiration Date.

6.5 Transferability of Options. During the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. An Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option, an Option shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act or, in the case of an Incentive Stock Option, only as permitted by applicable regulations under Section 421 of the Code in a manner that does not disqualify such Option as an Incentive Stock Option.

7. STOCK APPRECIATION RIGHTS.

Stock Appreciation Rights shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

7.1 Types of SARs Authorized. SARs may be granted in tandem with all or any portion of a related Option (a "**Tandem SAR**") or may be granted independently of any

Option (a “**Freestanding SAR**”). A Tandem SAR may only be granted concurrently with the grant of the related Option.

7.2 Exercise Price. The exercise price for each SAR shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share subject to a Tandem SAR shall be the exercise price per share under the related Option and (b) the exercise price per share subject to a Freestanding SAR shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the SAR. Notwithstanding the foregoing, an SAR may be granted with an exercise price lower than the minimum exercise price set forth above if such SAR is granted pursuant to an assumption or substitution for another stock appreciation right in a manner that would qualify under the provisions of Section 409A of the Code.

7.3 Exercisability and Term of SARs.

(a) **Tandem SARs.** Tandem SARs shall be exercisable only at the time and to the extent, and only to the extent, that the related Option is exercisable, subject to such provisions as the Committee may specify where the Tandem SAR is granted with respect to less than the full number of shares of Stock subject to the related Option. The Committee may, in its discretion, provide in any Award Agreement evidencing a Tandem SAR that such SAR may not be exercised without the advance approval of the Company and, if such approval is not given, then the Option shall nevertheless remain exercisable in accordance with its terms. A Tandem SAR shall terminate and cease to be exercisable no later than the date on which the related Option expires or is terminated or canceled. Upon the exercise of a Tandem SAR with respect to some or all of the shares subject to such SAR, the related Option shall be canceled automatically as to the number of shares with respect to which the Tandem SAR was exercised. Upon the exercise of an Option related to a Tandem SAR as to some or all of the shares subject to such Option, the related Tandem SAR shall be canceled automatically as to the number of shares with respect to which the related Option was exercised.

(b) **Freestanding SARs.** Subject to the minimum vesting provisions of Section 5.6, Freestanding SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such SAR; provided, however, that (i) no Freestanding SAR shall be exercisable after the expiration of ten (10) years after the effective date of grant of such SAR and (ii) no Freestanding SAR granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, shall be first exercisable until at least six (6) months following the date of grant of such SAR (except in the event of such Employee’s death, disability or retirement, upon a Change in Control, or as otherwise permitted by the Worker Economic Opportunity Act). Subject to the foregoing, unless otherwise specified by the Committee in the grant of a Freestanding SAR, each Freestanding SAR shall terminate ten (10) years after the effective date of grant of the SAR, unless earlier terminated in accordance with its provisions.

7.4 Exercise of SARs. Upon the exercise (or deemed exercise pursuant to Section 7.5) of an SAR, the Participant (or the Participant’s legal representative or other person

who acquired the right to exercise the SAR by reason of the Participant's death) shall be entitled to receive payment of an amount for each share with respect to which the SAR is exercised equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the SAR over the exercise price. Payment of such amount shall be made (a) in the case of a Tandem SAR, solely in shares of Stock in a lump sum upon the date of exercise of the SAR and (b) in the case of a Freestanding SAR, in cash, shares of Stock, or any combination thereof as determined by the Committee, in a lump sum upon the date of exercise of the SAR. When payment is to be made in shares of Stock, the number of shares to be issued shall be determined on the basis of the Fair Market Value of a share of Stock on the date of exercise of the SAR. For purposes of Section 7, an SAR shall be deemed exercised on the date on which the Company receives notice of exercise from the Participant or as otherwise provided in Section 7.5.

7.5 Deemed Exercise of SARs. If, on the date on which an SAR would otherwise terminate or expire, the SAR by its terms remains exercisable immediately prior to such termination or expiration and, if so exercised, would result in a payment to the holder of such SAR, then any portion of such SAR which has not previously been exercised shall automatically be deemed to be exercised as of such date with respect to such portion.

7.6 Effect of Termination of Service. Subject to earlier termination of the SAR as otherwise provided herein and unless otherwise provided by the Committee, an SAR shall be exercisable after a Participant's termination of Service only to the extent and during the applicable time period determined in accordance with Section 6.4 (treating the SAR as if it were an Option) and thereafter shall terminate.

7.7 Transferability of SARs. During the lifetime of the Participant, an SAR shall be exercisable only by the Participant or the Participant's guardian or legal representative. An SAR shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Award, a Tandem SAR related to a Nonstatutory Stock Option or a Freestanding SAR shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 under the Securities Act.

8. RESTRICTED STOCK AWARDS.

Restricted Stock Awards shall be evidenced by Award Agreements specifying whether the Award is a Restricted Stock Bonus or a Restricted Stock Purchase Right and the number of shares of Stock subject to the Award, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

8.1 Types of Restricted Stock Awards Authorized. Restricted Stock Awards may be granted in the form of either a Restricted Stock Bonus or a Restricted Stock Purchase Right. Restricted Stock Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance

Goals described in Section 10.4. If either the grant of or satisfaction of Vesting Conditions applicable to a Restricted Stock Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

8.2 Purchase Price. The purchase price for shares of Stock issuable under each Restricted Stock Purchase Right shall be established by the Committee in its discretion. No monetary payment (other than applicable tax withholding) shall be required as a condition of receiving shares of Stock pursuant to a Restricted Stock Bonus, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock subject to a Restricted Stock Award.

8.3 Purchase Period. A Restricted Stock Purchase Right shall be exercisable within a period established by the Committee, which shall in no event exceed thirty (30) days from the effective date of the grant of the Restricted Stock Purchase Right.

8.4 Payment of Purchase Price. Except as otherwise provided below, payment of the purchase price for the number of shares of Stock being purchased pursuant to any Restricted Stock Purchase Right shall be made (a) in cash, by check or in cash equivalent, (b) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (c) by any combination thereof.

8.5 Vesting and Restrictions on Transfer. Subject to the minimum vesting provisions of Section 5.6, Shares issued pursuant to any Restricted Stock Award may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. During any period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, such shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to an Ownership Change Event or as provided in Section 8.8. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Award that, if the satisfaction of Vesting Conditions with respect to any shares subject to such Restricted Stock Award would otherwise occur on a day on which the sale of such shares would violate the provisions of the Trading Compliance Policy, then satisfaction of the Vesting Conditions automatically shall be determined on the next trading day on which the sale of such shares would not violate the Trading Compliance Policy. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

8.6 Voting Rights; Dividends and Distributions. Except as provided in this Section, Section 8.5 and any Award Agreement, during any period in which shares acquired

pursuant to a Restricted Stock Award remain subject to Vesting Conditions, the Participant shall have all of the rights of a stockholder of the Company holding shares of Stock, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares; provided, however, that if so determined by the Committee and provided by the Award Agreement, such dividends and distributions shall be subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid, and otherwise shall be paid no later than the end of the calendar year in which such dividends or distributions are paid to stockholders (or, if later, the 15th day of the third month following the date such dividends or distributions are paid to stockholders). At the discretion of the Company, the Participant shall be obligated to promptly repay to the Company upon termination of the Participant's Service any such dividends and other distributions paid to the Participant in cash with respect to shares that remain subject to Vesting Conditions at the time of such termination of Service. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant is entitled by reason of the Participant's Restricted Stock Award shall be immediately subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid or adjustments were made.

8.7 Effect of Termination of Service. Unless otherwise provided by the Committee in the Award Agreement evidencing a Restricted Stock Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then (a) the Company shall have the option to repurchase for the purchase price paid by the Participant any shares acquired by the Participant pursuant to a Restricted Stock Purchase Right which remain subject to Vesting Conditions as of the date of the Participant's termination of Service and (b) the Participant shall forfeit to the Company any shares acquired by the Participant pursuant to a Restricted Stock Bonus which remain subject to Vesting Conditions as of the date of the Participant's termination of Service. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

8.8 Nontransferability of Restricted Stock Award Rights. Rights to acquire shares of Stock pursuant to a Restricted Stock Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or the laws of descent and distribution. All rights with respect to a Restricted Stock Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

9. **RESTRICTED STOCK UNITS.**

Restricted Stock Unit Awards shall be evidenced by Award Agreements specifying the number of Restricted Stock Units subject to the Award, in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of

the Plan by reference and shall comply with and be subject to the following terms and conditions:

9.1 Grant of Restricted Stock Unit Awards. Restricted Stock Unit Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 10.4. If either the grant of a Restricted Stock Unit Award or the Vesting Conditions with respect to such Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 10.3 through 10.5(a).

9.2 Purchase Price. No monetary payment (other than applicable tax withholding, if any) shall be required as a condition of receiving a Restricted Stock Unit Award, the consideration for which shall be services actually rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Restricted Stock Unit Award.

9.3 Vesting. Subject to the minimum vesting provisions of Section 5.6, Restricted Stock Unit Awards may (but need not) be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award.

9.4 Voting Rights, Dividend Equivalent Rights and Distributions. Participants shall have no voting rights with respect to shares of Stock represented by Restricted Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Restricted Stock Unit Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Dividend Equivalent Rights, if any, shall be paid by crediting the Participant with a cash amount or with additional whole Restricted Stock Units as of the date of payment of such cash dividends on Stock, as determined by the Committee. The number of additional Restricted Stock Units (rounded to the nearest whole number), if any, to be credited shall be determined by dividing (a) the amount of cash dividends paid on the dividend payment date with respect to the number of shares of Stock represented by the Restricted Stock Units previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. If so determined by the Committee and provided by the Award Agreement, such cash amount or additional Restricted Stock Units shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time as the Restricted Stock Units originally subject to the Restricted Stock Unit Award. If the Award Agreement provides for current payment of Dividend Equivalent Rights in cash, such amounts

shall be paid no later than the end of the calendar year in which the corresponding dividends are paid to stockholders (or, if later, the 15th day of the third month following the date such dividends are paid to stockholders). At the discretion of the Company, the Participant shall be obligated to promptly repay to the Company upon termination of the Participant's Service any such Dividend Equivalent Rights paid to the Participant in cash with respect to Restricted Stock Units that remain subject to Vesting Conditions at the time of such termination of Service. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, appropriate adjustments shall be made in the Participant's Restricted Stock Unit Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions as are applicable to the Award.

9.5 Effect of Termination of Service. Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Restricted Stock Unit Award, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or disability), then the Participant shall forfeit to the Company any Restricted Stock Units pursuant to the Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service.

9.6 Settlement of Restricted Stock Unit Awards. The Company shall issue to a Participant on the date on which Restricted Stock Units subject to the Participant's Restricted Stock Unit Award vest or on such other date determined by the Committee in compliance with Section 409A, if applicable, and set forth in the Award Agreement one (1) share of Stock (and/or any other new, substituted or additional securities or other property pursuant to an adjustment described in Section 9.4) for each Restricted Stock Unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes, if any. The Committee, in its discretion, may provide in any Award Agreement evidencing a Restricted Stock Unit Award that if the settlement date with respect to any shares issuable upon vesting of Restricted Stock Units would otherwise occur on a day on which the sale of such shares would violate the provisions of the Trading Compliance Policy, then the settlement date shall be deferred until the next trading day on which the sale of such shares would not violate the Trading Compliance Policy but in any event no later than the 15th day of the third calendar month following the year in which such Restricted Stock Units vest. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section, and such deferred issuance date(s) and amount(s) elected by the Participant shall be set forth in the Award Agreement. Notwithstanding the foregoing, the Committee, in its discretion, may provide for settlement of any Restricted Stock Unit Award by payment to the Participant in cash of an amount equal to the Fair Market Value on the payment date of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section.

9.7 **Nontransferability of Restricted Stock Unit Awards.** The right to receive shares pursuant to a Restricted Stock Unit Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Restricted Stock Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

10. **PERFORMANCE AWARDS.**

Performance Awards shall be evidenced by Award Agreements in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

10.1 **Types of Performance Awards Authorized.** Performance Awards may be granted in the form of either Performance Shares or Performance Units. Each Award Agreement evidencing a Performance Award shall specify the number of Performance Shares or Performance Units subject thereto, the Performance Award Formula, the Performance Goal(s) and Performance Period applicable to the Award, and the other terms, conditions and restrictions of the Award.

10.2 **Initial Value of Performance Shares and Performance Units.** Unless otherwise provided by the Committee in granting a Performance Award, each Performance Share shall have an initial monetary value equal to the Fair Market Value of one (1) share of Stock, subject to adjustment as provided in Section 4.4, on the effective date of grant of the Performance Share, and each Performance Unit shall have an initial monetary value established by the Committee at the time of grant. The final value payable to the Participant in settlement of a Performance Award determined on the basis of the applicable Performance Award Formula will depend on the extent to which Performance Goals established by the Committee are attained within the applicable Performance Period established by the Committee.

10.3 **Establishment of Performance Period, Performance Goals and Performance Award Formula.** In granting each Performance Award, the Committee shall establish in writing the applicable Performance Period (subject to the minimum vesting provisions of Section 5.6), Performance Award Formula and one or more Performance Goals which, when measured at the end of the Performance Period, shall determine on the basis of the Performance Award Formula the final value of the Performance Award to be paid to the Participant. The Company shall notify each Participant granted a Performance Award of the terms of such Award, including the Performance Period, Performance Goal(s) and Performance Award Formula.

10.4 **Measurement of Performance Goals.** Performance Goals shall be established by the Committee on the basis of targets to be attained ("*Performance Targets*") with respect to one or more measures of business or financial performance or other objective or

subjective criteria established by the Committee (each, a “*Performance Measure*”), subject to the following:

(a) ***Performance Measures.*** Performance Measures based on objective criteria shall be calculated in accordance with the Company’s financial statements, or, if such measures are not reported in the Company’s financial statements, they shall be calculated in accordance with generally accepted accounting principles, a method used generally in the Company’s industry, or in accordance with a methodology established by the Committee prior to the grant of the Performance Award. Performance Measures based on subjective criteria shall be determined on the basis established by the Committee in granting the Award. As specified by the Committee, Performance Measures based on financial criteria may be calculated with respect to the Company and each Subsidiary Corporation consolidated therewith for financial reporting purposes, one or more Subsidiary Corporations or such division or other business unit of any of them selected by the Committee. Unless otherwise determined by the Committee prior to the grant of the Performance Award, the Performance Measures applicable to the Performance Award shall be calculated prior to the accrual of expense for any Performance Award for the same Performance Period and excluding the effect (whether positive or negative) on the Performance Measures of any change in accounting standards or any unusual or infrequently occurring event or transaction, as determined by the Committee, occurring after the establishment of the Performance Goals applicable to the Performance Award. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Measures in order to prevent the dilution or enlargement of the Participant’s rights with respect to a Performance Award. Performance Measures may be based upon one or more of the following, without limitation, as determined by the Committee:

- (i) revenue;
- (ii) sales;
- (iii) expenses;
- (iv) operating income;
- (v) gross margin;
- (vi) operating margin;
- (vii) earnings before any one or more of: stock-based compensation expense, interest, taxes, depreciation and amortization;
- (viii) pre-tax profit;
- (ix) adjusted pre-tax profit;
- (x) net operating income;
- (xi) net income;

- (xii) economic value added;
- (xiii) free cash flow;
- (xiv) operating cash flow;
- (xv) balance of cash, cash equivalents and marketable securities;
- (xvi) stock price;
- (xvii) earnings per share;
- (xviii) return on stockholder equity;
- (xix) return on capital;
- (xx) return on assets;
- (xxi) return on investment;
- (xxii) total stockholder return;
- (xxiii) employee satisfaction;
- (xxiv) employee retention;
- (xxv) market share;
- (xxvi) customer satisfaction;
- (xxvii) product development;
- (xxviii) research and development expenses;
- (xxix) completion of an identified special project;
- (xxx) completion of a joint venture or other corporate transaction; and

(xxxi) personal performance objectives established for an individual Participant or group of Participants.

(b) **Performance Targets.** Performance Targets may include a minimum, maximum, target level and intermediate levels of performance, with the final value of a Performance Award determined under the applicable Performance Award Formula by the Performance Target level attained during the applicable Performance Period. A Performance Target may be stated as an absolute value, an increase or decrease in a value, or as a value determined relative to an index, budget or other standard selected by the Committee.

10.5 Settlement of Performance Awards.

(a) **Determination of Final Value.** As soon as practicable following the completion of the Performance Period applicable to a Performance Award, the Committee shall determine the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the Participant and to be paid upon its settlement in accordance with the applicable Performance Award Formula.

(b) **Discretionary Adjustment of Award Formula.** In its discretion, the Committee may, either at the time it grants a Performance Award or at any time thereafter, provide for the positive or negative adjustment of the Performance Award Formula applicable to a Performance Award granted to any Participant to reflect such Participant's individual performance in his or her position with the Company or such other factors as the Committee may determine.

(c) **Notice to Participants.** As soon as practicable following the Committee's determination in accordance with Sections 10.5(a) and (b), the Company shall notify each Participant of the determination of the Committee.

(d) **Payment in Settlement of Performance Awards.** As soon as practicable following the Committee's determination in accordance with Sections 10.5(a) and (b), but in any event within the Short-Term Deferral Period described in Section 15.1 (except as otherwise provided below or consistent with the requirements of Section 409A), payment shall be made to each eligible Participant (or such Participant's legal representative or other person who acquired the right to receive such payment by reason of the Participant's death) of the final value of the Participant's Performance Award. Payment of such amount shall be made in cash, shares of Stock, or a combination thereof as determined by the Committee. Unless otherwise provided in the Award Agreement evidencing a Performance Award, payment shall be made in a lump sum. If permitted by the Committee, the Participant may elect, consistent with the requirements of Section 409A, to defer receipt of all or any portion of the payment to be made to the Participant pursuant to this Section, and such deferred payment date(s) elected by the Participant shall be set forth in the Award Agreement. If any payment is to be made on a deferred basis, the Committee may, but shall not be obligated to, provide for the payment during the deferral period of Dividend Equivalent Rights or interest.

(e) **Provisions Applicable to Payment in Shares.** If payment is to be made in shares of Stock, the number of such shares shall be determined by dividing the final value of the Performance Award by the Fair Market Value of a share of Stock determined by the method specified in the Award Agreement. Shares of Stock issued in payment of any Performance Award may be fully vested and freely transferable shares or may be shares of Stock subject to Vesting Conditions as provided in Section 8.5. Any shares subject to Vesting Conditions shall be evidenced by an appropriate Award Agreement and shall be subject to the provisions of Sections 8.5 through 8.8 above.

10.6 **Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by

Performance Share Awards until the date of the issuance of such shares, if any (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Performance Share Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date the Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date on which the Performance Shares are settled or the date on which they are forfeited. Such Dividend Equivalent Rights, if any, shall be credited to the Participant either in cash or in the form of additional whole Performance Shares as of the date of payment of such cash dividends on Stock, as determined by the Committee. The number of additional Performance Shares (rounded to the nearest whole number), if any, to be so credited shall be determined by dividing (a) the amount of cash dividends paid on the dividend payment date with respect to the number of shares of Stock represented by the Performance Shares previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Dividend Equivalent Rights, if any, shall be accumulated and paid to the extent that the related Performance Shares become nonforfeitable on the basis of the attainment of the applicable Performance Goals. Settlement of Dividend Equivalent Rights may be made in cash, shares of Stock, or a combination thereof as determined by the Committee, and may be paid on the same basis as settlement of the related Performance Share as provided in Section 10.5. Dividend Equivalent Rights shall not be paid with respect to Performance Units. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, appropriate adjustments shall be made in the Participant's Performance Share Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Performance Share Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Performance Goals as are applicable to the Award.

10.7 Effect of Termination of Service. Unless otherwise provided by the Committee and set forth in the Award Agreement evidencing a Performance Award, the effect of a Participant's termination of Service on the Performance Award shall be as follows:

(a) ***Death or Disability.*** If the Participant's Service terminates because of the death or Disability of the Participant before the completion of the Performance Period applicable to the Performance Award, the final value of the Participant's Performance Award shall be determined by the extent to which the applicable Performance Goals have been attained with respect to the entire Performance Period and shall be prorated based on the number of months of the Participant's Service during the Performance Period. Payment shall be made following the end of the Performance Period in any manner permitted by Section 10.5.

(b) ***Other Termination of Service.*** If the Participant's Service terminates for any reason except death or Disability before the completion of the Performance Period applicable to the Performance Award, such Award shall be forfeited in its entirety; provided, however, that in the event of an involuntary termination of the Participant's Service,

the Committee, in its discretion, may waive the automatic forfeiture of all or any portion of any such Award and determine the final value of the Performance Award in the manner provided by Section 10.7(a). Payment of any amount pursuant to this Section shall be made following the end of the Performance Period in any manner permitted by Section 10.5.

10.8 Nontransferability of Performance Awards. Prior to settlement in accordance with the provisions of the Plan, no Performance Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Performance Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

11. CASH-BASED AWARDS AND OTHER STOCK-BASED AWARDS.

Cash-Based Awards and Other Stock-Based Awards shall be evidenced by Award Agreements in such form as the Committee shall establish. Such Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

11.1 Grant of Cash-Based Awards. Subject to the provisions of the Plan, the Committee, at any time and from time to time, may grant Cash-Based Awards to Participants in such amounts and upon such terms and conditions, including the achievement of performance criteria, as the Committee may determine.

11.2 Grant of Other Stock-Based Awards. The Committee may grant other types of equity-based or equity-related Awards not otherwise described by the terms of this Plan (including the grant or offer for sale of unrestricted securities, stock-equivalent units, stock appreciation units, securities or debentures convertible into common stock or other forms determined by the Committee) in such amounts and subject to such terms and conditions as the Committee shall determine. Other Stock-Based Awards may be made available as a form of payment in the settlement of other Awards or as payment in lieu of compensation to which a Participant is otherwise entitled. Other Stock-Based Awards may involve the transfer of actual shares of Stock to Participants, or payment in cash or otherwise of amounts based on the value of Stock and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

11.3 Value of Cash-Based and Other Stock-Based Awards. Each Cash-Based Award shall specify a monetary payment amount or payment range as determined by the Committee. Each Other Stock-Based Award shall be expressed in terms of shares of Stock or units based on such shares of Stock, as determined by the Committee. Subject to the minimum vesting provisions of Section 5.6, the Committee may require the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 10.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. If the Committee exercises its discretion to establish performance criteria, the final value of Cash-Based Awards or Other Stock-Based

Awards that will be paid to the Participant will depend on the extent to which the performance criteria are met.

11.4 Payment or Settlement of Cash-Based Awards and Other Stock-Based Awards. Payment or settlement, if any, with respect to a Cash-Based Award or an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash, shares of Stock or other securities or any combination thereof as the Committee determines. To the extent applicable, payment or settlement with respect to each Cash-Based Award and Other Stock-Based Award shall be made in compliance with the requirements of Section 409A.

11.5 Voting Rights; Dividend Equivalent Rights and Distributions. Participants shall have no voting rights with respect to shares of Stock represented by Other Stock-Based Awards until the date of the issuance of such shares of Stock (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), if any, in settlement of such Award. However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Other Stock-Based Award that the Participant shall be entitled to Dividend Equivalent Rights with respect to the payment of cash dividends on Stock during the period beginning on the date such Award is granted and ending, with respect to each share subject to the Award, on the earlier of the date the Award is settled or the date on which it is terminated. Such Dividend Equivalent Rights, if any, shall be paid in accordance with the provisions set forth in Section 9.4. Dividend Equivalent Rights shall not be granted with respect to Cash-Based Awards. In the event of a dividend or distribution paid in shares of Stock or other property or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.4, appropriate adjustments shall be made in the Participant's Other Stock-Based Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of such Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions and performance criteria, if any, as are applicable to the Award.

11.6 Effect of Termination of Service. Each Award Agreement evidencing a Cash-Based Award or Other Stock-Based Award shall set forth the extent to which the Participant shall have the right to retain such Award following termination of the Participant's Service. Such provisions shall be determined in the discretion of the Committee, need not be uniform among all Cash-Based Awards or Other Stock-Based Awards, and may reflect distinctions based on the reasons for termination, subject to the requirements of Section 409A, if applicable.

11.7 Nontransferability of Cash-Based Awards and Other Stock-Based Awards. Prior to the payment or settlement of a Cash-Based Award or Other Stock-Based Award, the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. The Committee may impose such additional restrictions on any shares of Stock issued in settlement of

Cash-Based Awards and Other Stock-Based Awards as it may deem advisable, including, without limitation, minimum holding period requirements, restrictions under applicable federal securities laws, under the requirements of any stock exchange or market upon which such shares of Stock are then listed and/or traded, or under any state securities laws or foreign law applicable to such shares of Stock.

12. **STANDARD FORMS OF AWARD AGREEMENT.**

12.1 **Award Agreements.** Each Award shall comply with and be subject to the terms and conditions set forth in the appropriate form of Award Agreement approved by the Committee and as amended from time to time. No Award or purported Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement, which execution may be evidenced by electronic means.

12.2 **Authority to Vary Terms.** The Committee shall have the authority from time to time to vary the terms of any standard form of Award Agreement either in connection with the grant or amendment of an individual Award or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Award Agreement are not inconsistent with the terms of the Plan.

13. **CHANGE IN CONTROL.**

13.1 **Effect of Change in Control on Awards.** In the event of a Change in Control, outstanding Awards shall be subject to the definitive agreement entered into by the Company in connection with the Change in Control. Subject to the requirements and limitations of Section 409A, if applicable, the Committee may provide for any one or more of the following:

(a) ***Accelerated Vesting.*** In its discretion, the Committee may provide in the grant of any Award or at any other time may take such action as it deems appropriate to provide for acceleration of the exercisability, vesting and/or settlement in connection with a Change in Control of each or any outstanding Award or portion thereof and shares acquired pursuant thereto upon such conditions, including termination of the Participant's Service prior to, upon, or following the Change in Control, and to such extent as the Committee determines.

(b) ***Assumption, Continuation or Substitution.*** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "***Acquiror***"), may, without the consent of any Participant, assume or continue the Company's rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror's stock, as applicable. For purposes of this Section, if so determined by the Committee in its discretion, an Award denominated in shares of Stock shall be deemed assumed if, following the Change in Control, the Award confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each share of

Stock subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of Stock on the effective date of the Change in Control was entitled (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Award, for each share of Stock subject to the Award, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Stock pursuant to the Change in Control. Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control nor exercised or settled as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control.

(c) **Cash-Out of Outstanding Stock-Based Awards.** The Committee may, in its discretion and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award denominated in shares of Stock or portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested share (and each unvested share, if so determined by the Committee) of Stock subject to such canceled Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a Fair Market Value equal to the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control, reduced (but not below zero) by the exercise or purchase price per share, if any, under such Award. In the event such determination is made by the Committee, an Award having an exercise or purchase price per share equal to or greater than the Fair Market Value of the consideration to be paid per share of Stock in the Change in Control may be canceled without payment of consideration to the holder thereof. Payment pursuant to this Section (reduced by applicable withholding taxes, if any) shall be made to Participants in respect of the vested portions of their canceled Awards as soon as practicable following the date of the Change in Control and in respect of the unvested portions of their canceled Awards in accordance with the vesting schedules applicable to such Awards.

13.2 Effect of Change in Control on Nonemployee Director Awards. Subject to the requirements and limitations of Section 409A, if applicable, including as provided by Section 15.4(f), in the event of a Change in Control, each outstanding Nonemployee Director Award shall become immediately exercisable and vested in full and, except to the extent assumed, continued or substituted for pursuant to Section 13.1(b), shall be settled effective immediately prior to the time of consummation of the Change in Control.

13.3 Federal Excise Tax Under Section 4999 of the Code.

(a) **Excess Parachute Payment.** If any acceleration of vesting pursuant to an Award and any other payment or benefit received or to be received by a 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, then, provided such election would not subject the Participant to taxation under Section 409A, the Participant may elect to reduce the amount of any acceleration of vesting called for under the Award in order to avoid such characterization.

(b) **Determination by Tax Firm.** To aid the Participant in making any election called for under Section 13.3(a), no later than the date of the occurrence of any event that might reasonably be anticipated to result in an “excess parachute payment” to the Participant as described in Section 13.3(a), the Company shall request a determination in writing by the professional firm engaged by the Company for general tax purposes, or, if the tax firm so engaged by the Company is serving as accountant or auditor for the Acquiror, the Company will appoint a nationally recognized tax firm to make the determinations required by this Section (the “**Tax Firm**”). As soon as practicable thereafter, the Tax Firm shall determine and report to the Company and the Participant 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 Tax Firm 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 Tax Firm such information and documents as the Tax Firm may reasonably request in order to make its required determination. The Company shall bear all fees and expenses the Tax Firm charges in connection with its services contemplated by this Section.

14. **COMPLIANCE WITH SECURITIES LAW.**

The grant of Awards and the issuance of shares of Stock pursuant to any Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities and the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised or shares issued pursuant to an Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the shares issuable pursuant to the Award, or (b) in the opinion of legal counsel to the Company, the shares issuable pursuant to the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. 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 under the Plan 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 issuance of any Stock, 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.

15. **COMPLIANCE WITH SECTION 409A.**

15.1 **Awards Subject to Section 409A.** The Company intends that Awards granted pursuant to the Plan shall either be exempt from or comply with Section 409A, and the Plan shall be so construed. The provisions of this Section 15 shall apply to any Award or portion

thereof that constitutes or provides for payment of Section 409A Deferred Compensation. Such Awards may include, without limitation:

(a) A Nonstatutory Stock Option or SAR that includes any feature for the deferral of compensation other than the deferral of recognition of income until the later of (i) the exercise or disposition of the Award or (ii) the time the stock acquired pursuant to the exercise of the Award first becomes substantially vested.

(b) Any Restricted Stock Unit Award, Performance Award, Cash-Based Award or Other Stock-Based Award that either (i) provides by its terms for settlement of all or any portion of the Award at a time or upon an event that will or may occur later than the end of the Short-Term Deferral Period (as defined below) or (ii) permits the Participant granted the Award to elect one or more dates or events upon which the Award will be settled after the end of the Short-Term Deferral Period.

Subject to the provisions of Section 409A, the term “*Short-Term Deferral Period*” means the 2½ month period ending on the later of (i) the 15th day of the third month following the end of the Participant’s taxable year in which the right to payment under the applicable portion of the Award is no longer subject to a substantial risk of forfeiture or (ii) the 15th day of the third month following the end of the Company’s taxable year in which the right to payment under the applicable portion of the Award is no longer subject to a substantial risk of forfeiture. For this purpose, the term “substantial risk of forfeiture” shall have the meaning provided by Section 409A.

15.2 Deferral and/or Distribution Elections. Except as otherwise permitted or required by Section 409A, the following rules shall apply to any compensation deferral and/or payment elections (each, an “*Election*”) that may be permitted or required by the Committee pursuant to an Award providing Section 409A Deferred Compensation:

(a) Elections must be in writing and specify the amount of the payment in settlement of an Award being deferred, as well as the time and form of payment as permitted by this Plan.

(b) Elections shall be made by the end of the Participant’s taxable year prior to the year in which services commence for which an Award may be granted to the Participant.

(c) Elections shall continue in effect until a written revocation or change in Election is received by the Company, except that a written revocation or change in Election must be received by the Company prior to the last day for making the Election determined in accordance with paragraph (b) above or as permitted by Section 15.3.

15.3 Subsequent Elections. Except as otherwise permitted or required by Section 409A, any Award providing Section 409A Deferred Compensation which permits a subsequent Election to delay the payment or change the form of payment in settlement of such Award shall comply with the following requirements:

(a) No subsequent Election may take effect until at least twelve (12) months after the date on which the subsequent Election is made.

(b) Each subsequent Election related to a payment in settlement of an Award not described in Section 15.4(a)(ii), 15.4(a)(iii) or 15.4(a)(vi) must result in a delay of the payment for a period of not less than five (5) years from the date on which such payment would otherwise have been made.

(c) No subsequent Election related to a payment pursuant to Section 15.4(a)(iv) shall be made less than twelve (12) months before the date on which such payment would otherwise have been made.

(d) Subsequent Elections shall continue in effect until a written revocation or change in the subsequent Election is received by the Company, except that a written revocation or change in a subsequent Election must be received by the Company prior to the last day for making the subsequent Election determined in accordance the preceding paragraphs of this Section 15.3.

15.4 **Payment of Section 409A Deferred Compensation.**

(a) ***Permissible Payments.*** Except as otherwise permitted or required by Section 409A, an Award providing Section 409A Deferred Compensation must provide for payment in settlement of the Award only upon one or more of the following:

(i) The Participant's "separation from service" (as defined by Section 409A);

(ii) The Participant's becoming "disabled" (as defined by Section 409A);

(iii) The Participant's death;

(iv) A time or fixed schedule that is either (i) specified by the Committee upon the grant of an Award and set forth in the Award Agreement evidencing such Award or (ii) specified by the Participant in an Election complying with the requirements of Section 15.2 or 15.3, as applicable;

(v) A change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 409A; or

(vi) The occurrence of an "unforeseeable emergency" (as defined by Section 409A).

(b) ***Installment Payments.*** It is the intent of this Plan that any right of a Participant to receive installment payments (within the meaning of Section 409A) shall, for all purposes of Section 409A, be treated as a right to a series of separate payments.

(c) **Required Delay in Payment to Specified Employee Pursuant to Separation from Service.**

Notwithstanding any provision of the Plan or an Award Agreement to the contrary, except as otherwise permitted by Section 409A, no payment pursuant to Section 15.4(a)(i) in settlement of an Award providing for Section 409A Deferred Compensation may be made to a Participant who is a “specified employee” (as defined by Section 409A) as of the date of the Participant’s separation from service before the date (the “**Delayed Payment Date**”) that is six (6) months after the date of such Participant’s separation from service, or, if earlier, the date of the Participant’s death. All such amounts that would, but for this paragraph, become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

(d) **Payment Upon Disability.** All distributions of Section 409A Deferred Compensation payable pursuant to Section 15.4(a)(ii) by reason of a Participant becoming disabled shall be paid in a lump sum or in periodic installments as established by the Participant’s Election. If the Participant has made no Election with respect to distributions of Section 409A Deferred Compensation upon becoming disabled, all such distributions shall be paid in a lump sum upon the determination that the Participant has become disabled.

(e) **Payment Upon Death.** If a Participant dies before complete distribution of amounts payable upon settlement of an Award subject to Section 409A, such undistributed amounts shall be distributed to his or her beneficiary under the distribution method for death established by the Participant’s Election upon receipt by the Committee of satisfactory notice and confirmation of the Participant’s death. If the Participant has made no Election with respect to distributions of Section 409A Deferred Compensation upon death, all such distributions shall be paid in a lump sum upon receipt by the Committee of satisfactory notice and confirmation of the Participant’s death.

(f) **Payment Upon Change in Control.** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, to the extent that any amount constituting Section 409A Deferred Compensation would become payable under this Plan by reason of a Change in Control, such amount shall become payable only if the event constituting a Change in Control would also constitute a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A. Any Award which constitutes Section 409A Deferred Compensation and which would vest and otherwise become payable upon a Change in Control as a result of the failure of the Acquiror to assume, continue or substitute for such Award in accordance with Section 13.1(b) shall vest to the extent provided by such Award but shall be converted automatically at the effective time of such Change in Control into a right to receive, in cash on the date or dates such award would have been settled in accordance with its then existing settlement schedule (or as required by Section 15.4(c)), an amount or amounts equal in the aggregate to the intrinsic value of the Award at the time of the Change in Control.

(g) **Payment Upon Unforeseeable Emergency.** The Committee shall have the authority to provide in the Award Agreement evidencing any Award providing for Section 409A Deferred Compensation for payment pursuant to Section 15.4(a)(vi) in settlement

of all or a portion of such Award in the event that a Participant establishes, to the satisfaction of the Committee, the occurrence of an unforeseeable emergency. In such event, the amount(s) distributed with respect to such unforeseeable emergency cannot exceed the amounts reasonably necessary to satisfy the emergency need plus amounts necessary to pay taxes reasonably anticipated as a result of such distribution(s), after taking into account the extent to which such emergency need is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Award. All distributions with respect to an unforeseeable emergency shall be made in a lump sum upon the Committee's determination that an unforeseeable emergency has occurred. The Committee's decision with respect to whether an unforeseeable emergency has occurred and the manner in which, if at all, the payment in settlement of an Award shall be altered or modified, shall be final, conclusive, and not subject to approval or appeal.

(h) ***Prohibition of Acceleration of Payments.*** Notwithstanding any provision of the Plan or an Award Agreement to the contrary, this Plan does not permit the acceleration of the time or schedule of any payment under an Award providing Section 409A Deferred Compensation, except as permitted by Section 409A.

(i) ***No Representation Regarding Section 409A Compliance.*** Notwithstanding any other provision of the Plan, the Company makes no representation that Awards shall be exempt from or comply with Section 409A. No Participating Company shall be liable for any tax, penalty or interest imposed on a Participant by Section 409A.

16. **TAX WITHHOLDING.**

16.1 **Tax Withholding in General.** The Company shall have the right to deduct from any and all payments made under the Plan, or to require the Participant, through payroll withholding, cash payment or otherwise, to make adequate provision for, the federal, state, local and foreign taxes (including social insurance), if any, required by law to be withheld by any Participating Company with respect to an Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Stock, to release shares of Stock from an escrow established pursuant to an Award Agreement, or to make any payment in cash under the Plan until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

16.2 **Withholding in or Directed Sale of Shares.** The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable to a Participant upon the exercise or settlement of an Award, or to accept from the Participant the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of any Participating Company. The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates. The Company may require a Participant to direct a broker, upon the vesting, exercise or settlement of an Award, to sell a portion of the shares subject to the Award determined by the Company in its discretion to be sufficient to cover the tax withholding obligations of any

Participating Company and to remit an amount equal to such tax withholding obligations to such Participating Company in cash.

17. **AMENDMENT, SUSPENSION OR TERMINATION OF PLAN.**

17.1 **In General.** The Committee may amend, suspend or terminate the Plan at any time. However, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Sections 4.2, 4.3 and 4.4), (b) no change in the class of persons eligible to receive Incentive Stock Options, and (c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule, including the rules of any stock exchange or quotation system upon which the Stock may then be listed or quoted. No amendment, suspension or termination of the Plan shall affect any then outstanding Award unless expressly provided by the Committee. Except as provided by the next sentence, no amendment, suspension or termination of the Plan may have a materially adverse effect on any then outstanding Award without the consent of the Participant. Notwithstanding any other provision of the Plan or any Award Agreement to the contrary, the Committee may, in its sole and absolute discretion and without the consent of any Participant, amend the Plan or any Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement to any present or future law, regulation or rule applicable to the Plan, including, but not limited to, Section 409A.

17.2 **Effect of 2020 Amendment.** The Plan was amended by the Board, effective August 19, 2020 (the "**2020 Amendment**"), to eliminate certain restrictions on Awards granted to a "covered employee" as defined in Section 162(m)(3) of the Code and the regulations thereunder, intended to result in qualified performance-based compensation for the purposes of Section 162(m) as applicable to the Company before its first taxable year beginning after December 31, 2017 ("**Prior 162(m)**"). Any Award granted before February 4, 2018 to a covered employee and intended to result in qualified performance-based compensation under Prior 162(m) will continue to be subject to the terms of the Plan as in effect before the 2020 Amendment.

18. **MISCELLANEOUS PROVISIONS.**

18.1 **Repurchase Rights.** Shares issued under the Plan may be subject to one or more repurchase options, or other conditions and restrictions as determined by the Committee in its discretion at the time the Award is granted. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

18.2 **Forfeiture Events.**

(a) The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of Service for cause or any act by a Participant, whether before or after termination of Service, that would constitute cause for termination of Service, or any accounting restatement due to material noncompliance of the Company with any financial reporting requirements of securities laws as a result of which, and to the extent that, such reduction, cancellation, forfeiture, or recoupment is required by applicable securities laws.

(b) If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with any financial reporting requirement under the securities laws, any Participant who knowingly or through gross negligence engaged in the misconduct, or who knowingly or through gross negligence failed to prevent the misconduct, and any Participant who is one of the individuals subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002, shall reimburse the Company for (i) the amount of any payment in settlement of an Award received by such Participant during the twelve- (12-) month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement, and (ii) any profits realized by such Participant from the sale of securities of the Company during such twelve- (12-) month period.

18.3 Provision of Information. Each Participant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

18.4 Rights as Employee, Consultant or Director. No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee, Consultant or Director or interfere with or limit in any way any right of a Participating Company to terminate the Participant's Service at any time. To the extent that an Employee of a Participating Company other than the Company receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that the Company is the Employee's employer or that the Employee has an employment relationship with the Company.

18.5 Rights as a Stockholder. A Participant shall have no rights as a stockholder with respect to any shares covered by an Award until the date of the issuance of 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 shares are issued, except as provided in Section 4.4 or another provision of the Plan.

18.6 Delivery of Title to Shares. Subject to any governing rules or regulations, the Company shall issue or cause to be issued the shares of Stock acquired pursuant

to an Award and shall deliver such shares to or for the benefit of the Participant by means of one or more of the following: (a) by delivering to the Participant evidence of book entry shares of Stock credited to the account of the Participant, (b) by depositing such shares of Stock for the benefit of the Participant with any broker with which the Participant has an account relationship, or (c) by delivering such shares of Stock to the Participant in certificate form.

18.7 **Fractional Shares.** The Company shall not be required to issue fractional shares upon the exercise or settlement of any Award.

18.8 **Retirement and Welfare Plans.** Neither Awards made under this Plan nor shares of Stock or cash paid pursuant to such Awards may be included as “compensation” for purposes of computing the benefits payable to any Participant under any Participating Company’s retirement plans (both qualified and non-qualified) or welfare benefit plans unless such other plan expressly provides that such compensation shall be taken into account in computing a Participant’s benefit.

18.9 **Beneficiary Designation.** Subject to local laws and procedures, each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant’s death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant’s lifetime. If a married Participant designates a beneficiary other than the Participant’s spouse, the effectiveness of such designation may be subject to the consent of the Participant’s spouse. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant’s death, the Company will pay any remaining unpaid benefits to the Participant’s legal representative.

18.10 **Severability.** If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

18.11 **No Constraint on Corporate Action.** Nothing in this Plan shall be construed to: (a) limit, impair, or otherwise affect the Company’s or another Participating Company’s right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or (b) limit the right or power of the Company or another Participating Company to take any action which such entity deems to be necessary or appropriate.

18.12 **Unfunded Obligation.** Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be considered unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974. No Participating Company shall be required to segregate any monies from its general funds, or to create any trusts,

or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or any Participating Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of any Participating Company. The Participants shall have no claim against any Participating Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan.

18.13 **Choice of Law.** Except to the extent governed by applicable federal law, the validity, interpretation, construction and performance of the Plan and each Award Agreement shall be governed by the laws of the State of California, without regard to its conflict of law rules.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the Ross Stores, Inc. 2017 Equity Incentive Plan as duly adopted by the Board on March 8, 2017 and amended effective August 19, 2020.

/s/ Kenneth A Jew

Kenneth A. Jew, Secretary

AMENDMENT TO INDEPENDENT CONTRACTOR CONSULTANCY AGREEMENT
AND
RETIREMENT BENEFIT PACKAGE AGREEMENT

This Amendment to the Independent Contractor Consultancy Agreement and the Amended and Restated Retirement Benefit Package Agreement (the "Amendment") is made effective as of September 24, 2020 (the "Effective Date") by and between Ross Stores, Inc. ("Company" or "Ross") and Norman A. Ferber, an individual ("Contractor" or "Ferber"), and amends (i) the Amended and Restated Independent Contractor Consultancy Agreement entered into by the Company and Contractor effective as of January 6, 2010 and subsequently amended effective January 30, 2012, February 17, 2015, March 1, 2017, February 1, 2018, July 30, 2019 and April 1, 2020 (collectively, the "Consultancy Agreement") and (ii) the Amended and Restated Retirement Benefit Package Agreement entered into by the Company and Contractor effective as of January 6, 2010 and subsequently amended effective January 30, 2012, February 17, 2015, and January 1, 2016 (collectively, the "Benefit Agreement") as follows:

1. Section 2.1 of the Consultancy Agreement is hereby amended by replacing the phrase "\$2,250,000" with the phrase "\$1,600,000", effective June 1, 2021.
2. Section 2.3 of the Consultancy Agreement is hereby amended by replacing both references therein to the phrase "May 31, 2021" with the phrase "May 31, 2022".
3. Section 8.1 of the Consultancy Agreement is hereby amended by replacing the phrase "May 31, 2021" with the phrase "May 31, 2022".
4. Section 8.2 of the Consultancy Agreement is hereby amended by adding the following new sentence immediately after the last sentence:

Notwithstanding anything herein to the contrary, effective June 1, 2021, if this Agreement is terminated prior to the Termination Date for any reason by either party (except as provided in Section 8.4 [Death] below), the Contractor shall continue to be paid the annual fee specified in Section 2.1 through the 90th day following delivery of the notice of such termination to the other party."

5. Section 2 of the Benefit Agreement is hereby amended to read as follows:

"Secretary. Ross agrees to provide Ferber with a full-time secretary while he is retained by Ross as Consultant through May 31, 2022, including the services of his present secretary for so long as he requests her services and she is able and willing to serve."

6. Except as so amended, the Consultancy Agreement and Benefit Agreement remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment to the Agreements as of the first date first written above.

Company:

Contractor:

ROSS STORES, INC.

NORMAN A. FERBER

By: /s/George P. Orban

By: /s/Norman A. Ferber

George P. Orban
Chairman, Compensation Committee

EIGHTH AMENDMENT TO THE EMPLOYMENT AGREEMENT

The EIGHTH AMENDMENT TO THE EMPLOYMENT AGREEMENT (the "Amendment") is made, effective as of September 24, 2020, by Ross Stores, Inc. (the "Company") and Michael Balmuth (the "Executive"). The Executive and the Company previously entered into an Employment Agreement, effective June 1, 2012 (attached hereto) and amended effective March 15, 2015, January 1, 2016, May 18, 2016, April 15, 2017, July 3, 2018, November 23, 2018, July 13, 2019 and April 1, 2020 and it is now the intention of the Executive and the Company to amend the Employment Agreement as set forth below. Accordingly, the Company and the Executive hereby agree as follows:

1. Paragraph 1 of the Employment Agreement is hereby amended by deleting "May 31, 2021" and inserting "May 31, 2022" in place thereof.

2. Paragraph 2 of the Employment Agreement is hereby amended to read as follows:

"Position and Duties. The Executive shall continue to serve as the Chairman of the Board and as an employee of the Company, with the title of Chairman of the Board through the date of the Company's 2021 annual shareholders meeting and Senior Advisor through May 31, 2021. From June 1, 2021 through May 31, 2022, the Executive shall serve as an employee of the Company, with the title of Strategic Advisor. In his role as Senior Advisor, the Executive will: (i) be heavily involved in succession planning at senior levels in all aspects of merchandising and operations; (ii) advise on formulating and implementing long-term strategy; and (iii) be available for consultation on other matters, as needed. In his role as Strategic Advisor, the Executive shall (a) assist in identifying strategic issues for the Company and developing plans to address such issues; (b) assist in the development and monitoring of organization processes, assist in adjusting such processes where necessary, assist in the review of organizational plans in merchandising and operations, and work with high potential senior executives on their development and succession plans; (c) assist in CEO and COO level succession planning, including evaluation and strategy to develop levels below CEO/COO; (d) interview candidates at EVP level and above; (e) attend Board meetings; (f) advise the CEO, COO and Board of Directors; and (g) continue to be involved in COVID-19 recovery planning. During the term of his employment, the Executive may engage in outside activities provided those activities do not conflict with his duties and responsibilities hereunder, and provided further that the Executive gives written notice to the Board of any significant outside business activity in which he plans to become involved, whether or not such activity is pursued for profit."

3. Paragraph 3 of the Employment Agreement is hereby amending by deleting the phrase "Executive shall be employed primarily" and inserting the phrase "Executive's employment shall be based" in place thereof.

4. The first sentence in paragraph 4(a) of the Employment Agreement is hereby deleted and the following sentence is inserted in place thereof:

"During the Executive's employment, the Company shall pay the Executive (i) a base salary of not less than One Million One Hundred Ninety Thousand Dollars (\$1,190,000) per annum through May 31, 2021 and (ii) a salary at the annual rate of One Million Two Hundred Thousand Dollars (\$1,200,000) from June 1, 2021 thru May 31, 2022."

5. The last sentence of paragraph 4(c) of the Employment Agreement is hereby amended to read as follows:

“Notwithstanding the foregoing, the Executive’s target incentive annual bonus for the Company’s fiscal year beginning in 2021 (“FY 2021”) shall be 130% of his annualized base salary for such fiscal year (i.e., without proration) as in effect on May 31, 2021 and the Executive will not be entitled to an annual bonus for the fiscal year beginning in 2022.”
6. Paragraph 4(d) of the Employment Agreement is hereby amended by inserting the phrase “(including business travel arrangements comparable to those made available to the CEO of the Company)” immediately after the word “home.”
7. Paragraph 4 of the Employment Agreement is hereby amended by adding a new subsection (y) at the end thereof as follows:

“(y) Retention Bonus II. On or before June 1, 2021 the Board shall approve, or shall have approved, for the Executive, a cash bonus in the amount of Five Million Three Hundred Thousand Dollars (\$5,300,000) (the “Retention Bonus II”). The Executive will become vested in such bonus, prorated on a daily basis, from June 1, 2021 through May 31, 2022 based on his continued employment with the Company during such period. The vested portion of the Retention Bonus II shall be: (i) determined by taking into account the application of the 90-day notice requirement under paragraphs 8(b)(v) and (vi); and (ii) paid to the Executive on March 2, 2022. If the Executive is unable to perform his duties under paragraph 2 as a result of his death or becoming disabled on or after March 2, 2022, the Executive or the Executive’s estate, as the case may be, shall not be obligated to repay to the Company the portion of the Retention Bonus II attributable to the period after March 2, 2022.”
8. Paragraph 8(b) of the Employment Agreement is amended by adding the following new clauses (v) and (vi) immediately after clause (iv):

“(v) notwithstanding the foregoing, effective June 1, 2021, if the Executive’s employment is terminated for any reason by either party (except pursuant to clauses (b)(i) or (ii) hereof), the date of termination of employment shall be the 90th day following delivery of the notice of termination; and

(vi) notwithstanding the foregoing, effective June 1, 2021, if the Executive’s employment is terminated pursuant to clauses (b)(i) or (ii) [death or disability] prior to March 2, 2022, the date of termination shall be the date of such death or disability and if such termination occurs on or after March 2, 2022, the date of termination shall be deemed to be May 31, 2022.”
9. Paragraph 9(d) of the Employment Agreement is amended by adding the following phrase at the end of the first sentence:

“, except as otherwise provided in paragraphs 4(y) and 9(i).”
10. Paragraph 9 is hereby amended by adding new paragraph 9(i) at the end thereof as follows:

“(i) Termination of Employment on or after June 1, 2021. Notwithstanding any other provisions of the Agreement to the contrary, effective June 1, 2021, if the Executive’s employment is terminated for any reason on or after June 1, 2021, the Executive shall be

entitled to (i) his salary under paragraph 4(a) through his date of termination (determined in accordance with paragraph 8(b)) and (ii) a prorated portion of his Retention Bonus II determined and paid in accordance with paragraph 4(y) and the Executive shall not be entitled to any amount amounts otherwise payable under paragraphs 9(a)(i) and (ii) as a result of such termination.”

Except for the amendment as set forth above, the Employment Agreement and all of its terms remain in force and in effect.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year first written above.

ROSS STORES, INC.

/s/George P. Orban

George P. Orban

Chairman of the Compensation
Committee

Date: September 24, 2020

EXECUTIVE

/s/Michael Balmuth

Michael Balmuth

Date: September 23, 2020

EXHIBIT 15

December 9, 2020

Ross Stores, Inc.:

We are aware that our report dated December 9, 2020, on our review of the interim financial information of Ross Stores, Inc. appearing in this Quarterly Report on Form 10-Q for the quarter ended October 31, 2020, is incorporated by reference in Registration Statements No. 33-61373, 333-06119, 333-34988, 333-51478, 333-56831, 333-115836, 333-151116, 333-210465, and 333-218052 on Form S-8, and No. 333-198738 and 333-237546 on Form S-3.

Yours truly,

/s/Deloitte & Touche LLP

San Francisco, California

EXHIBIT 31.1

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

I, Barbara Rentler, certify that:

1. I have reviewed this 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2020

/s/Barbara Rentler

Barbara Rentler
Chief Executive Officer

EXHIBIT 31.2

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

I, Travis R. Marquette, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2020

/s/Travis R. Marquette

Travis R. Marquette
Group Senior Vice President and Chief Financial Officer,
and Principal Accounting Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended October 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barbara Rentler, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

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

Date: December 9, 2020

/s/Barbara Rentler

Barbara Rentler
Chief Executive Officer

EXHIBIT 32.2

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

In connection with the Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended October 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Travis R. Marquette, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), that, to the best of my knowledge:

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

Date: December 9, 2020

/s/Travis R. Marquette

Travis R. Marquette

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