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 April 29, 2006

or

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

For the transition period from _______ to _______

Commission file number: 0-14678

Ross Stores, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**94-1390387**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4440 Rosewood Drive, Pleasanton, California	**94588-3050**
(Address of principal executive offices)	**(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**

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

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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 May 18, 2006 was 142,872,573.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statements of Earnings

($000, except per share data, unaudited)	Three Months Ended April 29, 2006	Three Months Ended April 30, 2005
Sales	**$ 1,291,676**	$ 1,123,937
Costs and expenses		
Cost of goods sold	**988,836**	864,999
Selling, general and administrative	**207,167**	177,053
Interest (income) expense, net	**(1,884)**	(298)
Total costs and expenses	**1,194,119**	1,041,754
Earnings before taxes	**97,557**	82,183
Provision for taxes on earnings	**38,340**	32,133
Net earnings	**$ 59,217**	$ 50,050
Earnings per share		
Basic	**$ .42**	$ .34
Diluted	**$ .41**	$ .34
Weighted average shares outstanding (000)		
Basic	**141,710**	146,007
Diluted	**144,193**	148,464
Dividends per share		
Cash dividends declared per share	**$ .00**	$ .00
Stores open at end of period	**746**	673

See notes to condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

($000, unaudited)	April 29, 2006	January 28, 2006	April 30, 2005
		(Note A)	
Assets			
Current assets			
Cash and cash equivalents	**$ 145,230**	$ 191,767	$ 144,381
Short-term investments	**43,072**	12,763	84,350
Accounts receivable	**36,035**	29,122	35,277
Merchandise inventory	**979,995**	938,091	964,694
Prepaid expenses and other	**43,064**	37,090	38,098
Deferred income taxes	**20,014**	20,014	8,968
Total current assets	**1,267,410**	1,228,847	1,275,768
Property and equipment			
Land and buildings	**75,408**	74,298	28,593
Fixtures and equipment	**756,054**	740,540	653,048
Leasehold improvements	**376,315**	376,411	348,140
Construction-in-progress	**19,631**	21,266	28,812
	1,227,408	1,212,515	1,058,593
Less accumulated depreciation and amortization	**594,183**	572,663	508,012
Property and equipment, net	**633,225**	639,852	550,581
Other long-term assets	**58,902**	58,837	54,080
Long-term investments	**14,100**	11,202	—
Total assets	**$ 1,973,637**	$ 1,938,738	$ 1,880,429
Liabilities and stockholders' equity			
Current liabilities			
Accounts payable	**$ 546,329**	$ 474,614	$ 554,934
Accrued expenses and other	**183,950**	200,723	157,800
Accrued payroll and benefits	**121,985**	128,060	96,629
Income taxes payable	**38,223**	25,586	4,773
Short-term debt	**—**	50,000	—
Total current liabilities	**890,487**	878,983	814,136
Long-term debt	**—**	—	50,000
Other long-term liabilities	**123,600**	122,926	114,381
Deferred income taxes	**98,828**	100,657	94,510
Commitments and contingencies			
Stockholders' equity			
Common stock	**1,437**	1,448	1,481
Additional paid-in capital	**505,372**	522,566	503,122
Treasury stock	**(20,434)**	(18,244)	(17,451)
Deferred compensation	**—**	(29,375)	(42,147)
Accumulated other comprehensive income	**(181)**	20	—
Retained earnings	**374,528**	359,757	362,397
Total stockholders' equity	**860,722**	836,172	807,402
Total liabilities and stockholders' equity	**$ 1,973,637**	$ 1,938,738	$ 1,880,429

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

($000, unaudited)	Three Months Ended April 29, 2006	Three Months Ended April 30, 2005
Cash Flows from Operating Activities		
Net earnings	**$ 59,217**	$ 50,050
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	**24,261**	22,092
Deferred income taxes	**(1,270)**	2,309
Stock-based compensation	**6,905**	3,961
Tax benefit from equity issuance	**5,088**	13,708
Excess tax benefits from stock-based compensation	**(2,547)**	—
Change in assets and liabilities:		
Merchandise inventory	**(41,904)**	(111,582)
Other current assets, net	**(12,887)**	4,535
Accounts payable	**80,355**	110,408
Other current liabilities	**(12,754)**	(498)
Other long-term, net	**1,001**	263
Net cash provided by operating activities	**105,465**	95,246
Cash Flows Used in Investing Activities		
Additions to property and equipment	**(18,024)**	(16,025)
Purchase of investments, net	**(33,408)**	(16,950)
Net cash used in investing activities	**(51,432)**	(32,975)
Cash Flows Used in Financing Activities		
Repayment of term debt	**(50,000)**	—
Issuance of common stock related to stock plans	**6,577**	22,630
Excess tax benefits from stock-based compensation	**2,547**	—
Treasury stock purchased	**(2,190)**	(5,833)
Repurchase of common stock	**(48,882)**	(42,637)
Dividends paid	**(8,622)**	(7,381)
Net cash used in financing activities	**(100,570)**	(33,221)
Net (decrease) increase in cash and cash equivalents	**(46,537)**	29,050
Cash and cash equivalents:		
Beginning of period	**191,767**	115,331
End of period	**$ 145,230**	$ 144,381
Non-Cash Investing Activities		
Straight-line rent capitalization in build-out period	**$ —**	$ 611
Change in fair value of investment securities	**$ (201)**	$ —

See notes to condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements

Three Months Ended April 29, 2006 and April 30, 2005
(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 except as described below) necessary to present fairly the Company's financial position as of April 29, 2006 and April 30, 2005; and the results of operations and cash flows for the three months ended April 29, 2006 and April 30, 2005. The Condensed Consolidated Balance Sheet as of January 28, 2006, presented herein, has been derived from the Company's audited consolidated financial statements for the fiscal year then ended.

Accounting policies followed by the Company are described in Note A to the audited consolidated financial statements for the fiscal year ended January 28, 2006. 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 have been condensed or omitted for purposes of the interim condensed consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including notes thereto, contained in the Company's Annual Report on Form 10-K for the year ended January 28, 2006.

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

Stock-based compensation. Effective in fiscal year 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment," and elected to adopt the standard using the modified prospective transition method. SFAS No. 123(R) replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." This new accounting standard requires recognition of compensation expense based upon the grant date fair value of all stock-based awards, typically over the vesting period. Prior periods were not revised for comparative purposes.

Reclassifications. Certain reclassifications have been made in the 2005 condensed consolidated financial statements to conform to the current presentation. In prior periods, stock-based compensation expense and incentive compensation expense were included in Selling, general and administrative expenses. In accordance with SEC Staff Accounting Bulletin ("SAB") No. 107, which provides guidance on implementation of SFAS No. 123(R), all compensation-related expenses should be recorded in a manner similar to other employee payroll costs. Therefore, for prior periods, the Company has reclassified the portion of stock-based compensation and incentive compensation that relates to personnel in the merchandising and distribution organizations from Selling, general and administrative expense to Cost of goods sold. Beginning in fiscal year 2006, the portion of stock option and employee stock purchase plan ("ESPP") expenses included in stock-based compensation expense for personnel in the merchandising and distribution organizations is included in Cost of goods sold.

Under the provisions of SFAS No. 123(R), deferred compensation previously reported as a contra-equity amount and representing the amount of unamortized restricted stock is no longer reported separately. Accordingly, Deferred compensation in the Condensed Consolidated Balance Sheet as of April 29, 2006 was reclassified to Additional paid-in capital. In addition, amortization of deferred compensation related to restricted stock is now reported as Stock-based compensation in the Condensed Consolidated Statements of Cash Flows, rather than as Depreciation and amortization.

See Note B for more information on the Company's stock-based compensation plans and implementation of SFAS No. 123(R).

Lease accounting. The Company has adopted FASB Staff Position ("FSP") 13-1, "Accounting for Rental Costs Incurred During a Construction Period," which requires that rental costs incurred during a construction period be expensed, not capitalized, beginning in the first quarter of 2006. Implementation of this new standard did not have a significant impact on the Company's financial results for the quarter ended April 29, 2006. When a lease contains "rent holidays" or requires fixed escalations of the minimum lease payments, the Company records rental expense on a straight-line basis and the difference between the average rental amount charged to expense and the amount payable under the lease is recorded as deferred rent. The Company amortizes deferred rent on a straight-line basis over the lease term commencing on the date the leased space is ready for its intended use. Tenant improvement allowances are included in Other long-term liabilities and are amortized over the lease term. Changes in tenant improvement allowances are included as a component of Operating activities in the Condensed Consolidated Statements of Cash Flows.

Provision for litigation expense and other legal proceedings. The Company is party to various legal proceedings arising in the normal course of business. Actions filed against the Company include commercial, customer, and labor and employment-related claims, including lawsuits in which plaintiffs allege that the Company violated state and/or federal wage and hour and related 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, resolution of these matters is not expected to have a material adverse effect on the Company's financial condition or results of operations.

Like many California retailers, the Company has been named in class action lawsuits regarding employee payroll and wage claims. The Orange County Superior Court has certified a class in a case involving whether the Company's assistant store managers in California are correctly classified as exempt managers under California Wage Orders. This is a procedural ruling and does not address the merits of the case. In the opinion of management, resolution of this matter is not expected to have a material adverse effect on the Company's financial condition or results of operations.

Note B: Stock-Based Compensation

Stock options and restricted stock. The Company has one equity incentive compensation plan, the 2004 Equity Incentive Plan (the "2004 Plan"). The 2004 Plan provides for various types of incentive awards, which may potentially include the grant of non-qualified and incentive stock options, stock appreciation rights, restricted stock purchase rights, restricted stock shares, restricted stock units, performance shares, performance units and deferred stock units. The 2004 Plan also provides for the automatic grant of stock options to each non-employee director at pre-established times and at a predetermined value. To date, the Company has granted stock options and restricted stock shares under the 2004 Plan. Under the 2004 Plan, stock options are granted at exercise prices not less than the fair market value on the date the option is granted, expire not more than ten years from the date of grant, and normally vest over a period not exceeding four years from the date of grant. The Company grants restricted shares to officers and key employees. The fair value of these shares at the date of grant is amortized as an expense on a straight-line basis over the vesting period of generally two to four years.

Employee Stock Purchase Plan. Under the ESPP, eligible full-time employees participating in the offering period can choose to have up to the lesser of 10% or $21,250 of their annual base earnings withheld to purchase the Company's common stock. The purchase price of the stock is the lower of 85% of the market price at the beginning of the offering period, or end of the offering period.

Stock-based compensation. The Company adopted the provisions of SFAS No. 123(R) on January 29, 2006, the beginning of its 2006 fiscal year using the modified prospective method. Under SFAS No. 123(R), compensation expense is recognized based on the grant date fair value of stock-based compensation awards granted in fiscal 2006 and later, and based on the unvested portion of awards that were outstanding as of January 28, 2006 from prior year grants. Stock-based awards are valued using the Black-Scholes option pricing model, consistent with the Company's prior pro forma disclosures under SFAS No. 123. Compensation expense for unvested awards outstanding at the effective date is recognized over the remaining vesting period using the compensation cost calculated for the previously reported pro forma disclosure purposes. For awards granted after the adoption date, the Company recognizes expense based on the fair value of the award on a straight-line basis over the applicable vesting term.

For the quarter ended April 29, 2006, the Company recognized approximately $6.9 million in total stock-based compensation expense, including approximately $3.5 million of stock option and ESPP related expenses and approximately $3.4 million for restricted stock. For the quarter ended April 30, 2005, the Company recognized approximately $4.0 million of expense related to restricted stock. Capitalized stock-based compensation cost was not significant.

The determination of the fair value of stock options and ESPP shares, using the Black-Scholes model, is affected by the Company's stock price as well as assumptions as to the Company's expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behavior, the risk-free interest rate, and expected dividends.

The Company estimates the expected term of options granted taking into account historical and expected future exercise, cancellation and forfeiture behavior. The Company estimates the volatility of the common stock by using historical volatility results over a period equal to the award's expected term. The risk-free interest rates that are used in the valuation models are based upon yields of U.S. Treasury issues with remaining terms similar to the expected term on the options. Dividend yield has been estimated based on the Company's expectation of future dividend payouts.

SFAS No. 123(R) requires companies to estimate future expected forfeitures at the date of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. Previously, the Company had recognized the impact of forfeitures as they occurred. Now, the Company uses historical data to estimate pre-vesting forfeitures to recognize stock-based compensation expense. All stock-based payment awards are amortized on a straight-line basis over the requisite service periods of the awards.

The fair value of the stock options and ESPP rights were estimated using the Black-Scholes option pricing model and the following weighted average assumptions:

	Three Months Ended	
Stock Options	**April 29, 2006**	**April 30, 2005**
Expected life from grant date (years)	**4.3**	3.4
Expected volatility	**32.9%**	33.8%
Risk-free interest rate	**4.5%**	3.7%
Dividend yield	**0.8%**	0.7%

	Three Months Ended	
Employee Stock Purchase Plan	**April 29, 2006**	**April 30, 2005**
Expected life from grant date (years)	**1.0**	1.0
Expected volatility	**26.0%**	31.1%
Risk-free interest rate	**4.5%**	2.9%
Dividend yield	**0.8%**	0.7%

Total stock-based compensation recognized in the Company's Condensed Consolidated Statements of Earnings for the quarters ended April 29, 2006 and April 30, 2005 is as follows (in $000):

	Three Months Ended	
Statements of Earnings Classification	**April 29, 2006**	**April 30, 2005**
Cost of goods sold	**$ 2,953**	$ 1,897
Selling, general and administrative	**3,952**	2,064
Total	**$ 6,905**	$ 3,961

Prior to fiscal 2006, the Company had accounted for share-based compensation costs in accordance with APB No. 25, as permitted by SFAS No. 123. Had compensation costs for the Company's equity plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methods of SFAS No. 123, the Company's net earnings and earnings per share for the quarter ended April 30, 2005 would have been reduced to the pro forma amounts indicated below:

($000, except per share data)			April 30, 2005
Net earnings	As reported	$	50,050
Add: Stock-based employee compensation expense included in reported net earnings, net of tax			2,412
Deduct: Stock-based employee compensation expense determined under the fair value based method for all awards, net of tax			(5,491)
Net earnings	Pro forma	$	46,971
Basic earnings per share	As reported	$	.34
	Pro forma	$	.32
Diluted earnings per share	As reported	$	.34
	Pro forma	$	.32

The weighted average fair values per share of stock options granted for the three-month periods ended April 29, 2006 and April 30, 2005, were $8.70 and $7.84, respectively. The weighted average fair values per share of employee stock purchase awards for the three-month periods ended April 29, 2006 and April 30, 2005, were $8.50 and $7.68, respectively.

Stock option activity. The following table summarizes stock option activity for the three months ended April 29, 2006:

	Number of shares (in thousands)		Weighted average exercise price
Outstanding at January 28, 2006	8,665	$	20.51
Granted	628		27.92
Exercised	(426)		15.38
Forfeited	(114)		26.89
Outstanding at April 29, 2006	**8,753**	**$**	**21.20**

The following table summarizes information about the weighted average remaining contractual life (in years) and the weighted average exercise prices for stock options both outstanding and exercisable as of April 29, 2006 (number of shares in thousands):

	Options outstanding			Options exercisable	
Exercise price range	Number of shares	Remaining life	Exercise price	Number of shares	Exercise price
$ 4.27 to $ 11.03	2,162	3.19	$ 9.96	2,162	$ 9.96
11.06 to 19.98	1,766	6.23	18.04	1,241	17.55
20.05 to 27.81	2,224	8.54	25.76	701	24.37
27.84 to 28.69	1,937	8.73	28.51	320	28.39
$ 28.71 to $ 32.85	664	8.30	29.67	222	29.81
Totals	8,753	6.78	$ 21.20	4,646	$ 16.38

The aggregate intrinsic value of options outstanding and options exercisable as of April 29, 2006 was $71.1 million and $60.2 million, respectively.

Restricted stock activity. During the quarter ended April 29, 2006, restricted stock awards totaling 228,000 shares were issued and 16,000 shares were forfeited during the period. The unamortized compensation expense at April 29, 2006 was $31.8 million. During the period, shares withheld for tax withholding totaled 78,000 shares, and are considered treasury shares which are available for reissuance. As of April 29, 2006, total shares subject to repurchase related to unvested restricted stock were 2.2 million shares. A total of 3.6 million shares were available for new restricted stock awards under the 2004 Plan at the end of the period.

Note C: Earnings Per Share ("EPS")

SFAS No. 128, "Earnings Per Share," requires earnings per share to be computed and reported as both basic EPS and diluted EPS. Basic EPS is computed by dividing net earnings by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings by the sum of the weighted average number of common shares and dilutive common stock equivalents outstanding during the period. Dilutive EPS reflects the potential dilution that could occur if options to issue common stock were exercised into common stock.

For the three months ended April 29, 2006 and April 30, 2005, there were approximately 3,164,400 and 1,595,400 shares, respectively, that could potentially dilute basic EPS in the future that were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive in the periods presented.

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

Three months ended	Basic EPS	Effect of Dilutive Common Stock Equivalents	Diluted EPS
April 29, 2006			
Shares	**141,710**	**2,483**	**144,193**
Amount	**$ .42**	**$ (.01)**	**$ .41**
April 30, 2005			
Shares	146,007	2,457	148,464
Amount	$ .34	$ .00	$ .34

Note D: Debt

In March 2006, the Company repaid its $50.0 million term debt in full. The borrowing was made in 2002 to finance the equipment and information systems for the Perris, California distribution center.

Note E: Recently Issued Accounting Standards

Effective in fiscal 2006, as required, the Company adopted SFAS No. 154, "Accounting Changes and Error Corrections," which requires retrospective application to prior periods' financial statements of changes in an accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Adoption of SFAS No. 154 had no impact on the condensed consolidated financial statements as of April 29, 2006.

Note F: Subsequent Event

In May 2006 the Company exercised its option to purchase the Fort Mill, South Carolina distribution center and paid cash in the amount of $87.3 million to acquire the facility from the lessor.

Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and subsidiaries as of April 29, 2006 and April 30, 2005 and the related condensed consolidated statements of earnings and cash flows for the three-month periods ended April 29, 2006 and April 30, 2005.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Ross Stores, Inc. and subsidiaries as of January 28, 2006, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated April 4, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 28, 2006 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/Deloitte & Touche LLP

San Francisco, California
June 6, 2006

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 in Part II, Item 1A (Risk Factors) below. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Form 10-Q and the consolidated financial statements and notes thereto in our 2005 Form 10-K. All information is based on our fiscal calendar.

Overview

We are the second largest off-price apparel and home goods retailer in the United States, with 726 Ross Dress for Less ® ("Ross") stores in 27 states and Guam, and 20 dd's DISCOUNTS® store locations in California at April 29, 2006. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear and home fashions at everyday savings of 20% to 60% off department and specialty store regular prices. dd's DISCOUNTS features a more moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear and home fashions at everyday savings of 20% to 70% off moderate department and discount store regular prices.

Our primary strategy is to pursue and refine our existing off-price business, and steadily expand our store base. In establishing growth objectives for our business, we closely monitor market share trends for the off-price industry. Sales for the off-price sector grew by 11.3% during 2005, which is significantly faster than total national apparel sales, which grew by 3.6%, according to data from the NPD Group, which provides global sales and marketing information on the retail industry. This reflects the ongoing importance of value to consumers. Our strategies are designed to take advantage of these growth trends and continued customer demand for name-brand fashions for the family and the home at competitive everyday discounts.

Results of Operations

Reclassifications. In prior periods, stock-based compensation expense related to restricted stock grants and incentive compensation expense were included in Selling, general and administrative expenses. In accordance with SEC Staff Accounting Bulletin ("SAB") No. 107, which provides guidance on implementation of Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment," all compensation-related expenses should be recorded in a manner similar to other employee payroll costs. Therefore, for prior periods, we have reclassified the portion of stock-based compensation and incentive compensation that relates to personnel in the merchandising and distribution organizations from Selling, general and administrative expense to Cost of goods sold. Beginning in fiscal year 2006, the portion of stock option and employee stock purchase plan ("ESPP") expenses included in stock-based compensation expense for personnel in the merchandising and distribution organizations is also included in Cost of goods sold.

	Three Months Ended	
	April 29, 2006	**April 30, 2005**
Sales		
Sales (millions)	**$ 1,292**	$ 1,124
Sales growth	**15%**	13%
Comparable store sales growth	**6%**	3%
Costs and expenses (as a percent of sales)		
Cost of goods sold	**76.6%**	77.0%
Selling, general and administrative	**16.0%**	15.8%
Interest (income) expense	**(0.2)%**	0.0%
Earnings before taxes	**7.6%**	7.3%
Net earnings	**4.6%**	4.5%

Stores. Our operating strategy is to open additional stores based on local market penetration, the ability to leverage overhead expenses, local demographic characteristics including population, and competition. 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.

	Three Months Ended	
	April 29, 2006	April 30, 2005
Stores at the beginning of the period	**734**	649
Stores opened in the period	**12**	24
Stores closed in the period	—	—
Stores at the end of the period	**746**	673

Sales. Sales for the quarter ended April 29, 2006 increased $167.7 million, or 15%, compared to the same period in the prior year due to the impact of the 73 stores opened between April 30, 2005 and April 29, 2006, and a 6% increase in sales from "comparable" stores (defined as stores that have been open for more than 14 complete months).

Our sales mix is shown below for the three-month periods ended April 29, 2006 and April 30, 2005:

	Three Months Ended	
	April 29, 2006	April 30, 2005
Ladies	**35%**	36%
Home accents and bed and bath	**20%**	20%
Men's	**15%**	15%
Fine jewelry, accessories, lingerie and fragrances	**11%**	11%
Children's	**9%**	9%
Shoes	**10%**	9%
Total	**100%**	100%

We expect to address the competitive climate for apparel and home goods off-price retailers by pursuing and refining our existing strategies and by continuing to strengthen our organization, to diversify the merchandise mix, and to more fully develop the organization and systems to strengthen regional and local merchandise offerings. Although our strategies and store expansion program contributed to sales gains for the three-month period ended April 29, 2006, we cannot be sure that they will result in a continuation of revenue or profit growth.

Stock-based compensation. Effective in fiscal year 2006, we adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment," and elected to adopt the standard using the modified prospective transition method. This new accounting standard requires recognition of compensation expense based on the grant date fair value of all stock-based awards, typically over the vesting period. The impact on first quarter results was to decrease earnings before taxes by approximately $3.5 million, and net income by approximately $2.1 million. Prior periods were not revised for comparative purposes.

See Notes A and B to the Notes to the Condensed Consolidated Financial Statements for more information on our implementation of SFAS No. 123(R) and stock-based compensation plans.

Cost of goods sold. Cost of goods sold for the quarter ended April 29, 2006 increased $123.8 million compared to the same period in the prior year mainly due to increased sales from the opening of 73 net new stores between April 30, 2005 and April 29, 2006, the impact of the stores opened in 2005, additional stock compensation expenses related to the adoption of SFAS No. 123(R), and increased incentive plan costs.

Cost of goods sold as a percentage of sales for the quarter ended April 29, 2006 decreased approximately 40 basis points compared with the same period in the prior year. This decrease was mainly driven by an approximate 85 basis point improvement in distribution and logistics costs as a percent of sales, along with 15 basis points in improved buying expenses and 5 basis points of leverage on occupancy costs. These favorable trends were partially offset by a 40 basis point decline in merchandise margin primarily due to higher shortage provision and about 25 basis points in higher compensation expenses related to adoption of SFAS No. 123(R), and increases in incentive compensation costs.

We cannot be sure that the gross profit margins realized for the three-month period ended April 29, 2006 will continue in the future.

Selling, general and administrative expenses. For the quarter ended April 29, 2006, Selling, general and administrative expenses increased $30.1 million compared to the same period in the prior year, mainly due to increased store operating costs reflecting the opening of 73 net new stores between April 30, 2005 and April 29, 2006, in addition to higher incentive plan costs.

Selling, general and administrative expenses as a percentage of sales for the quarter ended April 29, 2006 increased approximately 30 basis points compared to the same period in the prior year. This increase is primarily due to an approximate 30 basis point increase in compensation expenses related to adoption of SFAS No. 123(R), and increases in incentive compensation costs.

Taxes on earnings. Our effective tax rate for the three-month periods ended April 29, 2006 and April 30, 2005 was approximately 39%, which represents the applicable combined federal and state statutory rates reduced by the federal benefit received for state taxes. The effective rate is affected by changes in law, location of new stores, level of earnings and the result of tax audits. We anticipate that our effective tax rate for fiscal 2006 will be approximately 38% to 40%.

Net earnings. The increase in net earnings as a percentage of sales for the three months ended April 29, 2006, compared to the same period in the prior year, is primarily due to lower Cost of goods sold and higher interest income, which is partially offset by higher Selling, general and administrative expenses as a percentage of sales.

Earnings per share. Diluted earnings per share increased to $.41 for the quarter ended April 29, 2006 from $.34 in the prior year period as a result of an increase in net earnings and a decrease in weighted average diluted shares outstanding, which was largely attributable to the acquisition of common stock under the Company’s stock repurchase program.

Financial Condition

Liquidity and Capital Resources

Our primary sources of funds for our business activities are cash flows from operations and short-term trade credit. Our primary ongoing cash requirements are for seasonal and new store merchandise inventory purchases, capital expenditures in connection with opening new stores, and investments in information systems and infrastructure. We also use cash to repurchase stock under our stock repurchase program and to pay dividends.

	Three Months Ended	
($000)	**April 29, 2006**	**April 30, 2005**
Cash flows from operating activities	**$ 105,465**	$ 95,246
Cash flows used in investing activities	**(51,432)**	(32,975)
Cash flows used in financing activities	**(100,570)**	(33,221)
Net (decrease) increase in cash and cash equivalents	**$ (46,537)**	$ 29,050

Operating Activities

Net cash provided by operating activities was $105.5 million and $95.2 million for the three months ended April 29, 2006 and April 30, 2005, respectively. The primary source of cash from operations for the three months ended April 29, 2006 and April 30, 2005 was net earnings plus non-cash expenses for depreciation and amortization and increased trade credit, partially offset by cash used to finance merchandise inventory. The increase in cash flows from operations for the three months ended April 29, 2006 is primarily due to a net increase in trade credit financed merchandise inventory. Working capital (defined as current assets less current liabilities) was $376.9 million as of April 29, 2006, compared to $461.6 million as of April 30, 2005. Our primary source of liquidity is the sale of our merchandise inventory. We regularly review the age and condition of the merchandise and are able to maintain current merchandise inventory in our stores through replenishment processes and liquidation of slower-moving merchandise through clearance markdowns.

Investing Activities

During the three-month periods ended April 29, 2006 and April 30, 2005, we spent approximately $18.0 million and $16.0 million, respectively, for capital expenditures (excluding leased equipment) for fixtures and leasehold improvements to open new stores, implement information technology systems, install and implement materials handling equipment and related distribution center systems, and various other expenditures related to existing stores, buying offices and corporate offices. We opened 12 and 24 new stores during the three months ended April 29, 2006 and April 30, 2005, respectively. In addition, we made net investments of $33.4 million and $17.0 million during the three months ended April 29, 2006 and April 30, 2005, respectively.

We are forecasting approximately $265.0 million in capital expenditures for 2006 to fund fixtures and leasehold improvements to open both new Ross and dd's DISCOUNTS stores. In addition, these capital expenditures are expected to fund the relocation, or remodel of existing stores, and investments in store and merchandising systems, distribution center land, buildings, equipment and systems, and various central office expenditures. This $265.0 million forecast included $87.3 million related to our purchase in May 2006 of the leased assets at our Fort Mill, South Carolina distribution center. We funded this purchase of $87.3 million and expect to fund the other 2006 capital expenditures out of cash flows from operations, and existing and potential new bank and credit facilities.

Financing Activities

During the three-month periods ended April 29, 2006 and April 30, 2005, liquidity and capital requirements were provided by cash flows from operations, bank credit facilities and trade credit. Substantially all of our store locations, buying offices, our corporate headquarters, and certain distribution centers are leased and, except for certain leasehold improvements and equipment, do not represent long-term capital investments. We own a distribution center in Carlisle, Pennsylvania and our warehouse in Moreno Valley, California. In March 2006, we repaid the $50.0 million term debt outstanding as of January 28, 2006 in full. In May 2006, after the end of the first fiscal quarter of 2006, we exercised our option to purchase our Fort Mill, South Carolina distribution center for $87.3 million. We are evaluating alternative sources of financing for the $50.0 million term debt and $87.3 million Fort Mill, South Carolina distribution center and we expect to refinance these facilities in fiscal year 2006.

We repurchased 1.7 million and 1.5 million shares of common stock for an aggregate purchase price of approximately $48.9 million and $42.6 million during the three-month periods ended April 29, 2006 and April 30, 2005, respectively, under our previously announced stock repurchase programs. These repurchases were funded by cash flows from operations.

Short-term trade credit represents a significant source of financing for investments in merchandise inventory. Trade credit arises from customary payment terms and trade practices with our vendors. We regularly review the adequacy of credit available to us from all sources and expect to be able to maintain adequate trade, bank and credit lines to meet our capital and liquidity requirements, including lease obligations in 2006.

The table below presents our significant contractual payment obligations as of April 29, 2006:

($000) Contractual Obligations	Less than 1 year	2 – 3 years	4 – 5 years	After 5 years	Total
Term debt	$ —	$ —	$ —	$ —	$ —
Operating leases	246,641	439,543	344,338	431,135	1,461,657
Other financings:					
Synthetic leases	95,437	8,752	8,182	9,204	121,575
Other synthetic lease obligations	9,648	2,988	—	56,000	68,636
Purchase obligations	878,325	14,711	2,298	—	895,334
Total contractual obligations	$ 1,230,051	$ 465,994	$ 354,818	$ 496,339	$ 2,547,202

Term debt. In March 2006, we repaid the $50.0 million term debt outstanding as of January 28, 2006 in full.

Off-Balance Sheet Arrangements

Operating leases. Substantially all of our store sites, certain distribution centers, and our buying offices and corporate headquarters are leased and, except for certain leasehold improvements and equipment, do not represent long-term capital investments. We own our distribution center in Carlisle, Pennsylvania and our warehouse in Moreno Valley, California. In May 2006, after the end of the first fiscal quarter, we exercised our option to purchase our Fort Mill, South Carolina distribution center.

We have lease arrangements for certain equipment in our stores for our point-of-sale ("POS") hardware and software systems. These leases are accounted for as operating leases for financial reporting purposes. The initial terms of these leases are two years, and we typically have options to renew the leases for two to three one-year periods. Alternatively, we may purchase or return the equipment at the end of the initial or each renewal term. We have guaranteed the value of the equipment at the end of the respective initial lease terms of $12.6 million, which is included in Other synthetic lease obligations in the table above.

Other financings. As of April 29, 2006, we leased a 1.3 million square foot distribution center in Fort Mill, South Carolina. This distribution center, including equipment and systems, was being financed under an $87.3 million five-year synthetic lease facility that expired in May 2006. Rent expense on this center was payable monthly at 90 basis points over LIBOR on the lease balance of $87.3 million. We had estimated rent expense on the lease based upon prevailing interest rates (LIBOR plus 90 basis points, which resulted in an effective interest rate of 5.5% at April 29, 2006). At the end of the lease term, we had the option to either refinance the $87.3 million synthetic lease facility, purchase the distribution center at the amount of the then-outstanding lease balance, or arrange a sale of the distribution center to a third party. In May 2006, we exercised our option to purchase this facility. Our purchase of the distribution center for $87.3 million is included in Synthetic lease obligations in the contractual obligations table above.

We also lease a 1.3 million square foot distribution center in Perris, California. The land and building for this distribution center is being financed under a $70.0 million ten-year synthetic lease that expires in July 2013. Rent expense on this center is payable monthly at a fixed annual rate of 5.8% on the lease balance of $70.0 million. At the end of the lease term, we have the option to either refinance the $70.0 million synthetic lease facility, purchase the distribution center at the amount of the then-outstanding lease obligation, or arrange a sale of the distribution center to a third party. If the distribution center is sold to a third party for less than $70.0 million, we have agreed under a residual value guarantee to pay the lessor the shortfall below $70.0 million not to exceed $56.0 million. Our contractual obligation of $56.0 million is included in Other synthetic lease obligations in the above table.

In accordance with Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," we have recognized a liability and corresponding asset for the fair value of the residual value guarantee in the amount of $8.3 million for the Perris, California distribution center and $1.8 million for the POS lease. These residual value guarantees are being amortized on a straight-line basis over the original terms of the leases. The current portion of the related asset and liability is recorded in Prepaid expenses and other and Accrued expenses and other, respectively, and the long-term portion of the related assets and liabilities is recorded in Other long-term assets and Other long-term liabilities, respectively, in the accompanying Condensed Consolidated Balance Sheets.

In addition, we lease two separate warehouse facilities for packaway storage in Carlisle, Pennsylvania with operating leases expiring through 2011. In January 2004, we entered into a two-year lease with two one-year options for a warehouse facility in Fort Mill, South Carolina, the first option of which has been exercised extending the term to February 1, 2007. These three leased facilities are being used primarily to store packaway merchandise.

The synthetic lease facilities described above, as well as our revolving credit facility, have covenant restrictions requiring us to maintain certain interest coverage and leverage ratios. In addition, the interest rates under these agreements may vary depending on our actual interest coverage ratios. As of April 29, 2006, we were in compliance with these covenants.

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

Purchase obligations. As of April 29, 2006 we had purchase obligations of $895.3 million. These purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to store fixtures and supplies, and information technology service and maintenance contracts. Merchandise inventory purchase orders of $878.3 million represent purchase obligations of less than one year as of April 29, 2006.

Commercial Credit Facilities

The table below presents our significant available commercial credit facilities at April 29, 2006:

($000)	Amount of Commitment Expiration Per Period				
Commercial Credit Commitments	Less than 1 year	2 - 3 years	4 - 5 years	After 5 years	Total amount comitted
Revolving credit facility[1]	$ —	$ 600,000	$ —	$ —	$ 600,000
Total commercial commitments	$ —	$ 600,000	$ —	$ —	$ 600,000

[1] Contains a $200.0 million sublimit for issuances of letters of credit, of which $62.8 million is outstanding and $137.2 million is available as of April 29, 2006.

Revolving credit facility. We have available a $600.0 million revolving credit facility with our banks, which contains a $200.0 million sublimit for issuances of standby letters of credit, of which $137.2 million was available at April 29, 2006. Interest is LIBOR-based plus an applicable margin (currently 75 basis points) and is payable upon borrowing maturity but no less than quarterly. Our borrowing ability under this credit facility is subject to our maintaining certain interest coverage and leverage ratios. We have had no borrowings under this facility, which expires in March 2009.

Standby letters of credit. We use standby letters of credit to collateralize certain obligations related to our self-insured workers' compensation and general liability claims. We had $62.8 million and $64.0 million in standby letters of credit outstanding at April 29, 2006 and April 30, 2005, respectively.

Trade letters of credit. We had $21.5 million and $15.5 million in trade letters of credit outstanding at April 29, 2006 and April 30, 2005, respectively.

Dividends. In May 2006, our Board of Directors declared a cash dividend payment of $.06 per common share, payable on or about June 30, 2006. Our Board of Directors declared quarterly cash dividends of $.06 per common share in January 2006 and November 2005, and $.05 per common share in January, May and August 2005.

Stock repurchase programs. In November 2005, we announced that our Board of Directors authorized a new two-year stock repurchase program of up to $400.0 million for 2006 and 2007. We repurchased 1.7 million and 1.5 million shares of common stock for aggregate purchase prices of approximately $48.9 million and $42.6 million for the three months ended April 29, 2006 and April 30, 2005, respectively.

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

Critical Accounting Policies

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

Merchandise inventory. Our merchandise inventory is stated at the lower of cost or market, with cost determined on a weighted average cost method. We purchase manufacturer overruns and canceled orders both during and at the end of a season which are referred to as "packaway" inventory. Packaway inventory is purchased with the intent that it will be stored in our warehouses until a later date, which may even be the beginning of the same selling season in the following year. Included in the carrying value of our merchandise inventory is a provision for shrinkage. The shrinkage reserve is based on historical shrinkage rates as evaluated through our periodic physical merchandise inventory counts and cycle counts. If actual market conditions, markdowns, or shrinkage are less favorable than those projected by us, or if sales of the merchandise inventory are more difficult than anticipated, additional merchandise inventory write-downs may be required.

Long-lived assets. We record a long-lived asset impairment charge when events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable based on estimated future cash flows. An impairment loss would be recognized if analysis of the undiscounted cash flow of an asset group was less than the carrying value of the asset group. If our actual results differ materially from projected results, an impairment charge may be required in the future. In the course of performing this analysis, we determined that no long-lived asset impairment charge was required for the three months ended April 29, 2006 and April 30, 2005.

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

Lease accounting. We have adopted FASB Staff Position ("FSP") 13-1, "Accounting for Rental Costs Incurred During a Construction Period," which requires that rental costs incurred during a construction period be expensed, not capitalized, beginning in the first quarter of 2006. When a lease contains "rent holidays" or requires fixed escalations of the minimum lease payments, we record rental expense on a straight-line basis and the difference between the average rental amount charged to expense and the amount payable under the lease is recorded as deferred rent. We amortize deferred rent on a straight-line basis over the lease term commencing on the date the leased space is ready for its intended use. Tenant improvement allowances are included in Other long-term liabilities and are amortized over the lease term. Changes in tenant improvement allowances are included as a component of Operating activities in the Condensed Consolidated Statements of Cash Flows.

Self-insurance. We self insure certain of our workers' compensation and general liability risks as well as certain of our health plans. Our self-insurance liability is determined actuarially, based on claims filed and an estimate of claims incurred but not reported. Should a greater amount of claims occur compared to what is estimated or the costs of medical care and state statutory requirements increase beyond what was anticipated, our recorded reserves may not be sufficient and additional charges could be required.

Stock-based compensation. We now account for stock-based compensation under the provisions of SFAS No. 123(R). Under SFAS No. 123(R) compensation expense is recognized for the grant date fair value of new awards granted in fiscal 2006 and later, and for the unvested portion of awards that were outstanding as of January 28, 2006 from prior year grants. Stock-based awards are valued using the Black-Scholes option pricing model, consistent with our prior pro forma disclosures under SFAS No. 123. Compensation expense for awards outstanding at the effective date is recognized over the remaining vesting period using the compensation cost calculated for the previously reported pro forma disclosure purposes. For awards granted after the adoption date, we recognize expense for the fair value of the award on a straight-line basis over the applicable vesting term.

The determination of the fair value of stock options and ESPP shares, using the Black-Scholes model, is affected by our stock price as well as assumptions as to our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behavior, the risk-free interest rate and expected dividends.

SFAS No. 123(R) requires companies to estimate future expected forfeitures at the date of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. Previously, we had recognized the impact of forfeitures as they occurred. Now we will use historical data to estimate pre-vesting forfeitures and to recognize stock-based compensation expense. All stock-based compensation awards are amortized on a straight-line basis over the requisite service periods of the awards.

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

New Accounting Pronouncements

Effective in fiscal year 2006, as required, we adopted SFAS No. 154, "Accounting Changes and Error Corrections," which requires retrospective application to prior periods' financial statements of changes in an accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Adoption of SFAS No. 154, had no impact on our condensed consolidated financial statements as of April 29, 2006.

Forward-Looking Statements

This report may contain a number of forward-looking statements regarding, without limitation, planned store growth, new markets, expected sales, projected earnings levels, capital expenditures and other matters. These forward-looking statements reflect our then current beliefs, projections and estimates with respect to future events and our projected financial performance, operations and competitive position. The words "plan," "expect," "anticipate," "estimate," "believe," "forecast," "projected," "guidance," "looking ahead" and similar expressions identify forward-looking statements.

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

Other risk factors are detailed in the Company's Securities and Exchange Commission filings including, without limitation, our annual report on Form 10-K for fiscal 2005.

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 occasionally use forward contracts to hedge against fluctuations in foreign currency prices. We had no outstanding forward contracts at April 29, 2006.

Interest that is payable on our revolving credit facilities is based on variable interest rates and is, therefore, affected by changes in market interest rates. In addition, lease payments under certain of our synthetic lease agreements are determined based on variable interest rates and are, therefore, affected by changes in market interest rates. As of April 29, 2006, we had no borrowings outstanding under our revolving credit facilities.

A hypothetical 100 basis point increase in prevailing market interest rates would not have materially impacted our consolidated financial position, results of operations, or cash flows as of and for the three-month period ended April 29, 2006. 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. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective 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 first fiscal quarter of 2006 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 first fiscal quarter.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The two paragraphs under the caption "Provision for litigation expense and other legal proceedings" in Note A of Notes to Condensed Consolidated Financial Statements are incorporated herein by reference.

Item 1A. Risk Factors

Our quarterly report on Form 10-Q for our first fiscal quarter 2006, and information we provide in our press releases, telephonic reports and other investor communications, including those on our website, may contain a number of forward-looking statements with respect to anticipated future events and our projected financial performance, operations and competitive position that are subject to risk factors that could cause our actual results to differ materially from those forward-looking statements and our prior expectations and projections. Refer to Management's Discussion and Analysis for a more complete identification and discussion of "Forward-Looking Statements."

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

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

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

- An increase in the level of competitive pressures in the retail apparel or home-related merchandise industry.
- Potential changes in the level of consumer spending on or preferences for apparel or home-related merchandise.
- Potential changes in geopolitical and/or general economic conditions that could affect the availability of product and/or the level of consumer spending, including possible future increases in gas prices.
- Unseasonable weather trends that could affect consumer demand for seasonal apparel and apparel-related products.
- A change in the availability, quantity or quality of attractive brand-name merchandise at desirable discounts that could impact our ability to purchase product and continue to offer customers a wide assortment of competitive bargains.
- Potential disruptions in supply chain that could impact our ability to deliver product to our stores in a timely and cost-effective manner.
- A change in the availability, quality or cost of new store real estate locations.
- A downturn in the economy or a natural disaster in California or in another region where we have a concentration of stores, or a distribution center. Our corporate headquarters, two distribution centers and 28% of our stores are located in California. As a result, these risks could significantly affect the Company's operating results and financial condition.
- Potential pressure on freight costs from higher-than-expected fuel surcharges.

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

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

- Our ability to attract and retain personnel with the retail talent necessary to execute our strategies.
- Our ability to effectively implement and operate our various supply chain, core merchandising and other information systems, including generation of all necessary data and reports for merchants, allocators and other business users in a timely and cost-effective manner.
- Our ability in 2006 and 2007 to successfully implement new processes and systems enhancements that are expected to improve our micro-merchandising capabilities with the goal of being able to plan, buy and allocate product at a more local versus regional level.
- Our ability to improve new store sales and profitability, especially in newer regions and markets.

- Our ability to achieve and maintain targeted levels of productivity and efficiency in our distribution centers.
- Our ability to continue to obtain acceptable new store locations.
- Our ability to identify and to successfully enter new geographic markets.
- Lower than planned gross margin, including higher than planned markdowns, inventory shortage or freight costs.
- Greater than planned operating costs including, among other factors, increases in occupancy costs, advertising costs, and wage and benefit costs, including as a result of changes in labor laws or as a result of class action or other lawsuits relating to wage and hour claims and other labor-related matters.

Item 2. Changes in Securities and Use of Proceeds

Information regarding shares of common stock we repurchased during the first quarter of 2006 is as follows:

Period	Total number of shares purchased[1]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum approximate dollar value of shares that may yet be purchased under the plans or programs ($000)
February (1/29/2006-2/25/2006)	571,112	$ 27.46	569,700	$ 384,000
March (2/26/2006-4/1/2006)	662,723	$ 28.42	588,483	$ 368,000
April (4/2/2006-4/29/2006)	550,859	$ 30.06	548,275	$ 351,000
Total	1,784,694	$ 28.62	1,706,458	

[1] We acquired 78,236 shares during the quarter ended April 29, 2006 related to income tax withholdings for restricted stock. All remaining shares were repurchased under the two-year $400.0 million stock repurchase program publicly announced in November 2005.

Item 6. Exhibits

Incorporated herein by reference to the list of Exhibits contained in the Exhibit Index within this Report.

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: June 7, 2006

By: /s/ J. Call

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

INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Amendment of Certificate of Incorporation dated May 21, 2004 and Amendment of Certificate of Incorporation dated June 5, 2002 and Corrected First Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores for its quarter ended July 31, 2004.
3.2	Amended By-laws, dated August 25, 1994, incorporated by reference to Exhibit 3.2 to the Form 10-Q filed by Ross Stores for its quarter ended July 30, 1994.
10.1	Sixth Amendment to the Independent Contractor Consultancy Agreement between Norman A. Ferber and Ross Stores, Inc. effective February 1, 2006.
15	Letter re: Unaudited Interim Financial Information from Deloitte & Touche LLP dated June 6, 2006.
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.

EXHIBIT 10.1

SIXTH AMENDMENT TO THE INDEPENDENT CONTRACTOR CONSULTANCY AGREEMENT

This Sixth Amendment to the Independent Contractor Consultancy Agreement (the "Sixth Amendment") is made and entered into by and between Ross Stores, Inc. (the "Company") and Norman A. Ferber (the "Contractor"). For the purposes of this agreement, the "Company" includes subsidiaries, parents and affiliates of Ross Stores, Inc. The Company and Contractor previously entered into an Independent Contractor Consultancy Agreement that originally became effective February 1, 2000 and continued in effect until January 31, 2001. The original Consultancy Agreement was extended from February 1, 2001 until January 31, 2006 through five successive Amendments to the Consultancy Agreement (together, the "Consulting Agreement"). It is now the intention of the Company and the Contractor to further amend the Consulting Agreement as set forth below. Accordingly, the Company and the Contractor now agree as follows:

A. <u>Amendments.</u>

Paragraph 2.3, will be added as follows:

2.3 <u>Life Insurance</u>. Within 30 days of the execution of this Sixth Amendment, Company will pay to Contractor the sum of $12,840 (the "Life Insurance Premium Benefit"), which is an amount the parties hereby agree is the sum of the estimated annual premiums for the three-year term of this Sixth Amendment for a policy of life insurance on the life of Contractor (the policy will be issued for the benefit of the Norman A. Ferber and Rosine Ferber 2001 Insurance Trust or as otherwise designated by Contractor), with a death benefit in the amount of $2,000,000. In addition to such sum, Company shall pay to Contractor at the same time as its payment of the Life Insurance Premium Benefit an amount necessary to enable Contractor to realize the Life Insurance Premium Benefit net of any federal, state and local income tax liability attributable to such payments by the Company. For such purpose, Contractor shall be deemed to pay federal, state and local income taxes at the highest applicable marginal rates. Contractor will designate the beneficiaries of such life insurance.

Paragraph 8.1, will be amended in its entirety to read as follows:

8.1 <u>Term</u>. This Sixth Amendment is effective as of February 1, 2006 ("Effective Date") and will continue until January 31, 2009 ("Consultancy Termination Date"). This Consulting Agreement is renewable upon the mutual consent of both parties. The terms of such renewal must be in writing and signed by both Company and Contractor.

Paragraph 8.2 will be amended in its entirety to read as follows:

8.2 Termination of Agreement Prior To The Consultancy Termination Date. Other than as provided in subsection 8.4 below ("Termination Due to Death"), Contractor shall receive the full annual fees specified in subsection 2.1 for the duration of this Agreement or any renewal term, regardless of whether this Agreement terminates prior to the Consultancy Termination Date, unless the Agreement is terminated by Company for Cause or by Contractor without Good Reason. For purposes of this Agreement, "Cause" shall mean Contractor's breach of sections 5 ("Confidentiality") and 7 ("No Conflict of Interest") and "Good Reason" shall mean Company's material breach of this Agreement.

Paragraph 8.4, will be added as follows:

8.4 Termination Due to Death. In the event of Contractor's death, this Consulting Agreement will immediately terminate and no further fees will be owed.

Paragraph 9.5, will be amended in its entirety to read as follows:

9.5 Entire Agreement. This Sixth Amendment to the Consultancy Agreement, along with the Fifth, Fourth, Third, Second and First Amendments to the Consultancy Agreement and the original Consultancy Agreement that became effective February 1, 2000, constitute the entire agreement between the parties relating to this subject matter and all prior or contemporaneous oral or written agreements concerning such subject matter, including relevant terms from the parties' prior Amended and Restated Employment Agreement and subsequent amendments. The terms of the Sixth Amendment, and the surviving terms of the prior amendments and the original Consultancy Agreement, will govern all services undertaken by Contractor for Company beginning February 1, 2006 and continuing until January 31, 2009, unless otherwise agreed in writing by the parties.

B. No Other Modifications.

Except as modified by this Sixth Amendment, the original Consultancy Agreement that became effective February 1, 2000 and the First, Second, Third, Fourth and Fifth Amendments thereto shall remain in force and effect during the term of this Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment, effective February 1, 2006.

Company:		Contractor:	
Ross Stores, Inc.		Norman A. Ferber	
By:	/s/ Michael Balmuth	By:	/s/ Norman A Ferber
Name:	Michael Balmuth	Title:	Chairman of the Board
Title:	Vice Chairman, CEO, Pres	Date:	2/14/06
Date:	2/14/06		

EXHIBIT 15

June 6, 2006

Ross Stores, Inc.
Pleasanton, California

We have made a review, in accordance with standards of the Public Company Accounting Oversight Board (United States), of the unaudited interim financial information of Ross Stores, Inc. and subsidiaries for the three month periods ended April 29, 2006 and April 30, 2005, as indicated in our report dated June 6, 2006; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended April 29, 2006, is incorporated by reference in Registration Statements Nos. 33-61373, 33-51916, 33-51896, 33-51898, 33-41415, 33-41413, 33-29600, 333-56831, 333-06119, 333-34988, 333-51478, and 333-115836 of Ross Stores, Inc. on Form S-8.

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

/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, Michael Balmuth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ross Stores, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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: June 7, 2006

/s/Michael Balmuth

Michael Balmuth
Vice Chairman, President and
Chief Executive Officer

EXHIBIT 31.2

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

I, John G. Call, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ross Stores, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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: June 7, 2006

/s/J. Call

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

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 April 29, 2006 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Balmuth, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. 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: June 7, 2006

/s/Michael Balmuth

Michael Balmuth
Vice Chairman, President and Chief Executive Officer

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

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 April 29, 2006 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John G. Call, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. 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: June 7, 2006

/s/J. Call

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

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