



# **FORM 10-K**

## **ROSS STORES INC - ROST**

**Filed: March 31, 2009 (period: January 31, 2009)**

Annual report which provides a comprehensive overview of the company for the past year

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**FORM 10-K**

(Mark one)

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

For the fiscal year ended **January 31, 2009**

or

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

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

Commission file number 0-14678

**Ross Stores, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**94-1390387**

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

**4440 Rosewood Drive, Pleasanton, California**

(Address of principal executive offices)

**94588-3050**

(Zip Code)

Registrant's telephone number, including area code

**(925) 965-4400**

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

Title of each class

Name of each exchange on which registered

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

**Nasdaq Global Select Market**

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

Title of each class

**None**

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

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

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

Yes  No

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

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

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

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of August 2, 2008 was \$4,855,008,701, based on the closing price on that date as reported by the NASDAQ Global Select Market<sup>®</sup>. Shares of voting stock held by each director and executive officer have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of Common Stock, with \$.01 par value, outstanding on March 13, 2009 was 126,748,087.

Documents incorporated by reference:

Portions of the Proxy Statement for Registrant's 2009 Annual Meeting of Stockholders, which will be filed on or before June 2, 2009, are incorporated herein by reference into Part III.

## PART I

### Item 1. Business.

Ross Stores, Inc. and its subsidiaries (“we” or the “Company”) operate two chains of off-price retail apparel and home accessories stores. At January 31, 2009, we operated a total of 956 stores, of which 904 were Ross Dress for Less<sup>®</sup> (“Ross”) locations in 27 states and Guam and 52 were dd’s DISCOUNTS<sup>®</sup> stores in four states. Both chains target value-conscious women and men between the ages of 18 and 54. Ross target customers are primarily from middle income households, while the dd’s DISCOUNTS target customer is typically from more moderate income households. The decisions we make, from merchandising, purchasing and pricing, to the locations of our stores, are aimed at these customer bases.

Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear and home fashions for the entire family at everyday savings of 20% to 60% off department and specialty store regular prices. dd’s DISCOUNTS features more moderately-priced assortments of first-quality, in-season, name brand and fashion apparel, accessories, footwear and home fashions for the entire family at everyday savings of 20% to 70% off moderate department and discount store regular prices. We believe that both Ross and dd’s DISCOUNTS derive a competitive advantage by offering a wide assortment of product within each of our merchandise categories in organized and easy-to-shop store environments.

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

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

We refer to our fiscal years ended January 31, 2009, February 2, 2008, and February 3, 2007 as fiscal 2008, fiscal 2007, and fiscal 2006, respectively.

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

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

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

We have established merchandise assortments that we believe are attractive to our target customers. Although we offer fewer classifications of merchandise than most department stores, we generally offer a large selection of brand names within each classification with a wide assortment of vendors, labels, prices, colors, styles and fabrics within each size or item. The mix of comparable store sales by department in fiscal 2008 was approximately as follows: Ladies 32%, Home Accents and Bed and Bath 23%, Men's 14%, Accessories, Lingerie, Fine Jewelry, and Fragrances 12%, Shoes 10%, and Children's 9%. Our merchandise offerings also include product categories such as small furniture and furniture accents, educational toys and games, luggage, gourmet food and cookware, watches, sporting goods and, in select Ross stores, fine jewelry.

**Purchasing.** We have a combined network of approximately 7,200 merchandise vendors and manufacturers for both Ross and dd's DISCOUNTS and believe we have adequate sources of first-quality merchandise to meet our requirements. We purchase the vast majority of our merchandise directly from manufacturers, and we have not experienced any difficulty in obtaining sufficient merchandise inventory.

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

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

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

In fiscal 2008, we continued our emphasis on this important sourcing strategy in response to compelling opportunities available in the marketplace. Packaway accounted for approximately 38% of total inventories as of January 31, 2009 and February 2, 2008. We believe the strong discounts we are able to offer on packaway merchandise are one of the key drivers of our business results.

We continue to roll out additional information system enhancements and process changes to improve our merchandising capabilities. These new tools are designed to strengthen our ability to plan, buy and allocate at a more local versus regional level. We expect to complete the chain-wide rollout to all merchandise categories in fiscal 2010. The long-term objective of these investments is to fine tune our merchandise offerings to address more localized customer preferences and thereby gradually increase sales productivity and gross profit margins in both newer and existing regions and markets.

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

At the end of fiscal 2008, we had a total of approximately 360 merchants for Ross and dd's DISCOUNTS combined, although the two buying organizations are separate and distinct. These buying resources include merchandise management, buyers and assistant buyers. Ross and dd's DISCOUNTS buyers have an average of about 12 years of experience, including merchandising positions with other retailers such as Ann Taylor, Bloomingdale's, Burlington Coat Factory, Foot Locker, Kohl's, Loehmann's, Lord & Taylor, Macy's, Marshalls, Nordstrom, Saks, T.J. Maxx and Value City. We continue to make strategic investments in our merchandise organization to further develop our relationships with an expanding number of manufacturers and vendors. Our ongoing objective is to enhance our ability to procure the most desirable brands and fashions at competitive discounts.

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

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

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

### **Stores**

At January 31, 2009, we operated a total of 956 stores comprised of 904 Ross stores and 52 dd's DISCOUNTS stores. Our stores are conveniently located in predominantly community and neighborhood shopping centers in heavily populated urban and suburban areas. Where the size of the market permits, we cluster stores to benefit from economies of scale in advertising, distribution and field management.

We believe a key element of our success is our organized, attractive, easy-to-shop, in-store environments at both Ross and dd's DISCOUNTS, which allow customers to shop at their own pace. Our stores are designed for customer convenience in their merchandise presentation, dressing rooms, checkout and merchandise return areas. Each store's sales area is based on a prototype single floor design with a racetrack aisle layout. A customer can locate desired departments by signs displayed just below the ceiling of each department. We encourage our customers to select among sizes and prices through prominent category and sizing markers, promoting a self-service atmosphere. At most stores, shopping carts are available at the entrance for customer convenience. All cash registers are centrally located at store exits for customer ease and efficient staffing.

We use point-of-sale ("POS") hardware and software systems in all stores, which minimizes transaction time for the customer at the checkout counter by electronically scanning each ticket at the point of sale and authorizing credit for personal checks and credit cards in a matter of seconds. In addition, the POS systems allow us to accept PIN-based debit cards and electronic gift cards from customers. For Ross and dd's DISCOUNTS combined, approximately 58% of payments in fiscal 2008 and 56% of payments in fiscal 2007 were made with credit cards and debit cards. We provide cash or credit card refunds on all merchandise returned with a receipt within 30 days. Merchandise returns having a receipt older than 30 days are exchanged or credited with a credit voucher at the price on the receipt.

## Operating Costs

Consistent with the other aspects of our business strategy, we strive to keep operating costs as low as possible. Among the factors which have enabled us to keep operating costs low are:

- Labor costs that generally are lower than full-price department and specialty stores due to (i) a store design that creates a self-service retail format and (ii) the utilization of labor saving technologies.
- Economies of scale with respect to general and administrative costs as a result of centralized merchandising, marketing and purchasing decisions.
- Flexible store layout criteria which facilitates conversion of existing buildings to our format.

## Information Systems

In fiscal 2008, we continued to invest in new information systems and technology to provide a platform for growth over the next several years. Recent initiatives include the following:

- We completed development and began the rollout of demand forecasting software and related process changes designed to strengthen our merchandise planning effectiveness. We expect this initiative to drive gradual increases in store sales productivity and profitability by improving our ability to plan, buy and allocate product at a more local level. We plan to complete this rollout in fiscal 2010.
- We implemented additional supply chain enhancements to support expansion of processing and storage facilities and to increase operating efficiency. These improvements included the expansion of a distribution center and enhanced warehouse management functionality.
- We completed the rollout of new tools to better support the continued growth of our import business. These new tools provide our merchants with greater visibility into item cost components and inbound movement of import products.
- We completed a project to implement new labor standards across our entire store base. As part of this project, we developed tools to more effectively generate store schedules by optimizing in-store tasks, available resources, and planned payroll budgets.
- We completed a project to implement new online tools to assist our stores in their recruiting and hiring efforts. These new tools are designed to help our store managers expedite the hiring process and increase the quality of hiring decisions.
- We implemented additional enhancements to our POS systems to reduce customer transaction and wait times.
- We upgraded our loss prevention software to allow for greater in-depth analysis and reporting, and completed the rollout of additional store video surveillance systems to provide corporate and centralized remote monitoring.
- We completed a project to integrate our systems with a third party payment services network to streamline our invoice processing and payment process. This project provides us with new capabilities which we are using to help lower our invoice processing costs and to increase our cash management efficiency.

## Distribution

We have a total of four distribution processing facilities. We lease a 1.3 million square foot distribution center in Perris, California. We own a 1.3 million square foot distribution center in Fort Mill, South Carolina, a 685,000 square foot distribution center in Moreno Valley, California, and a 426,000 square foot distribution center located in Carlisle, Pennsylvania. We currently have under construction a 610,000 square foot expansion of our Moreno Valley, California distribution center scheduled for completion in 2009. See additional discussion in Management's Discussion and Analysis.

In addition, we own one facility and lease three other warehouse facilities for packaway storage, two of which are located in Carlisle, Pennsylvania, totaling approximately 239,000 and 246,000 square feet, and two of which are located in Fort Mill, South Carolina, totaling 253,000 and 423,000 (owned facility) square feet, respectively. We utilize other third-party facilities as needed for storage of packaway inventory. We also lease a 10-acre parcel of land that has been developed for trailer parking adjacent to our Perris, California distribution center.

In October 2008 we purchased 160 acres of land in South Carolina with the intention of building a new distribution center in the future.

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

We believe that our existing distribution centers with their current expansion capabilities will provide adequate processing capacity to support store growth over the next few years.

### **Advertising**

We rely primarily on television advertising to communicate the Ross value proposition -- brand-name merchandise at low everyday prices. This strategy reflects our belief that television is the most efficient and cost-effective medium for communicating everyday savings on a wide selection of brand-name bargains for both the family and home. Advertising for dd's DISCOUNTS is primarily focused on new store grand openings and local community initiatives.

### **Trademarks**

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

### **Employees**

As of January 31, 2009, we had approximately 40,000 total employees, including an estimated 26,500 part-time employees. Additionally, we hire temporary employees -- especially during the peak seasons. Our employees are non-union. Management considers the relationship between the Company and our employees to be good.

### **Competition**

We believe the principal competitive factors in the off-price retail apparel and home accessories industry are offering significant discounts on brand-name merchandise, offering a well-balanced assortment appealing to our target customer, and consistently providing store environments that are convenient and easy to shop. To execute this concept, we continue to make strategic investments in our buying organization. As discussed under Information Systems, we are also in the process of completing the rollout in fiscal 2010 of additional enhancements to our merchandise planning system to strengthen our ability to plan, buy, and allocate product based on more local versus regional trends. We believe that we are well positioned to compete on the basis of each of these factors.

Nevertheless, the retail apparel market is highly fragmented and competitive. We face a challenging macro-economic environment that creates intense competition for business from department stores, specialty stores, discount stores, warehouse stores, other off-price retailers and manufacturer-owned outlet stores, many of which are units of large national or regional chains that have substantially greater resources than we do. We also compete to some degree with retailers that sell apparel and home accessories through catalogs or over the internet. The retail apparel business may become even more competitive in the future.

### **dd's DISCOUNTS**

We began the dd's DISCOUNTS concept in 2004 with ten initial locations in California and, as of January 31, 2009, operated 52 dd's DISCOUNTS stores in four states. This smaller off-price concept targets the needs of households with more moderate incomes than Ross customers. We believe this is one of the fastest growing demographic markets in the country. dd's DISCOUNTS features a moderately-priced assortment of first-quality, in-season, name brand and fashion apparel, accessories, footwear and home merchandise at everyday savings of 20% to 70% off moderate department and discount store regular prices.

The dd's DISCOUNTS business generally has similar merchandise departments and categories to those of Ross, but features a different mix of brands at lower average price points. The typical dd's DISCOUNTS store is located in an established shopping center in a densely populated urban or suburban neighborhood. The merchant, store and distribution organizations for dd's DISCOUNTS and Ross are separate and distinct; however, dd's DISCOUNTS shares certain other corporate and support services with Ross.

#### **Available Information**

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

#### **Item 1A. Risk Factors.**

Our Annual Report on Form 10-K for fiscal 2008, and information we provide in our Annual Report to Stockholders, press releases, telephonic reports and other investor communications, including those on our corporate website, may contain 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 retailers operating in the United States.**

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

- 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, including the potential impact from uncertainty in financial and credit markets and the severity and duration of the current recession.
- Potential changes in geopolitical and/or general economic conditions that could affect the availability of product and/or the level of consumer spending.
- 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 merchandise at competitive prices.
- Potential disruptions in the 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 26% of our stores are located in California.

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

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

- Our ability to attract and retain personnel with the retail talent necessary to execute our strategies.
- Our ability to effectively operate our various supply chain, core merchandising and other information systems.
- Our ability to improve our merchandising capabilities through the development and implementation of new processes and systems enhancements.
- 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 lease or acquire acceptable new store sites with favorable demographics and long term financial returns.
- Our ability to identify and to successfully enter new geographic markets.
- Our ability to achieve planned gross margins, by effectively managing inventories, markdowns, and shrink.
- Our ability to effectively manage all operating costs of the business, the largest of which are payroll and benefit costs for store and distribution center employees.

**Item 1B. Unresolved Staff Comments.**

Not applicable.

**Item 2. Properties.**

**Stores**

At January 31, 2009, we operated a total of 956 stores, of which 904 were Ross Dress for Less<sup>®</sup> (“Ross”) locations in 27 states and Guam and 52 were dd’s DISCOUNTS<sup>®</sup> stores in four states. All stores are leased, with the exception of two locations which we own.

During fiscal 2008, we opened 72 new Ross stores and closed six existing stores. The average new Ross store in fiscal 2008 was approximately 29,500 gross square feet, yielding about 24,500 square feet of selling space. As of January 31, 2009, our 904 Ross stores generally ranged in size from about 25,000 to 35,000 gross square feet and had an average of 29,900 gross square feet and 23,800 selling square feet.

During fiscal 2008, we opened five new dd’s DISCOUNTS stores and closed five existing stores. The average new dd’s DISCOUNTS store in fiscal 2008 was approximately 23,600 gross square feet, yielding about 18,600 square feet of selling space. As of January 31, 2009, our 52 dd’s DISCOUNTS stores had an average of 25,000 gross square feet and 20,300 selling square feet. Our dd’s DISCOUNTS stores are currently located in California, Florida, Texas, and Arizona.

During fiscal 2008, no one store accounted for more than 1% of our sales.

We carry earthquake insurance for business interruption, inventory and personal property to mitigate our risk on our corporate headquarters, distribution centers, buying offices, and all of our stores.

Our real estate strategy in 2009 and 2010 is to open stores in states where we currently operate to increase our market penetration and to reduce overhead and advertising expenses as a percentage of sales in each market. Important considerations in evaluating a new store location are the availability and quality of potential sites, demographic characteristics, competition, and population density of the local trade area. In addition, we continue to consider opportunistic real estate acquisitions.

The following table summarizes the locations of our stores by state as of January 31, 2009 and February 2, 2008. At January 31, 2009, we had 39 dd's DISCOUNTS stores in California, 6 in Florida, 5 in Texas, and 2 in Arizona. At February 2, 2008, we had 36 dd's DISCOUNTS stores in California, 9 in Florida, 5 in Texas, and 2 in Arizona.

State/Territory	January 31, 2009	February 2, 2008
Alabama	17	15
Arizona	52	48
California	247	235
Colorado	27	29
Delaware	1	1
Florida	114	105
Georgia	44	43
Guam	1	1
Hawaii	11	11
Idaho	9	8
Louisiana	10	10
Maryland	17	17
Mississippi	5	4
Montana	6	6
Nevada	19	18
New Jersey	9	9
New Mexico	5	5
North Carolina	32	29
Oklahoma	16	15
Oregon	25	22
Pennsylvania	29	29
South Carolina	20	19
Tennessee	24	18
Texas	143	126
Utah	12	11
Virginia	30	26
Washington	29	28
Wyoming	2	2
<b>Total</b>	<b>956</b>	<b>890</b>

Where possible, we have obtained sites in buildings requiring minimal alterations. This has allowed us to establish stores in new locations in a relatively short period of time at reasonable costs in a given market. To date, we have been able to secure leases in suitable locations for our stores. At January 31, 2009, the majority of our stores had unexpired original lease terms ranging from three to ten years with three to four renewal options of five years each. The average unexpired original lease term of our leased stores is six years, or 22 years if renewal options are included. See Note E of Notes to Consolidated Financial Statements.

See additional discussion under “Stores” in Item 1.

### **Distribution Centers**

We operate four distribution facilities. We have two 1.3 million square foot distribution centers -- one in Fort Mill, South Carolina, and the other in Perris, California. Our Fort Mill, South Carolina facility, which we own, opened in July 2002. The Perris, California facility opened in September 2003 and is financed with a ten-year synthetic lease facility that expires in July 2013. We own a 685,000 square foot distribution center in Moreno Valley, California that we acquired to increase our distribution and packaway storage capacity. We are in the process of expanding our Moreno Valley, California distribution center to 1.3 million square feet. We also own a 426,000 square foot distribution center located in Carlisle, Pennsylvania. See additional discussion in Management’s Discussion and Analysis.

In November 2001 we entered into a nine-year lease for a 239,000 square foot warehouse and a ten-year lease for a 246,000 square foot warehouse in Carlisle, Pennsylvania. In January 2009, we exercised a three-year option for a 253,000 square foot warehouse in Fort Mill, South Carolina, extending the term to February 2013. In June 2008, we purchased a 423,000 square foot warehouse also in Fort Mill, South Carolina. All four of these properties are used to store our packaway inventory. We also lease a 10-acre parcel of land that has been developed for trailer parking adjacent to our Perris distribution center.

In October 2008 we purchased 160 acres of land in South Carolina with the intention of building a new distribution center in the future.

See additional discussion under “Distribution” in Item 1.

### **Other Leased Facilities**

We lease approximately 181,000 square feet of office space for our corporate headquarters in Pleasanton, California, under several leases. The terms for these leases expire between 2010 and 2014 with various renewal provisions.

We lease approximately 161,000 and 15,000 square feet of office space for our New York and Los Angeles buying offices, respectively. The terms for these leases expire in 2015 and 2011, respectively. The lease term for the New York office contains a renewal provision.

### **Item 3. Legal Proceedings.**

We are party to various litigation matters related to customers, vendors, and employees, including class action lawsuits alleging misclassification of assistant store managers and missed meal and rest break periods, and other litigation incident to our business. We believe that none of these legal proceedings will have a material adverse effect on our financial condition or results of operations. See Note J of Notes to Consolidated Financial Statements.

### **Item 4. Submission of Matters to a Vote of Security Holders.**

Not applicable.

## Executive Officers of the Registrant

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

<b>Name</b>	<b>Age</b>	<b>Position</b>
Michael Balmuth	58	Vice Chairman, President and Chief Executive Officer
Gary L. Cribb	44	Executive Vice President and Chief Operations Officer
James S. Fassio	54	Executive Vice President, Property Development, Construction and Store Design
Michael B. O'Sullivan	45	Executive Vice President and Chief Administrative Officer
Lisa Panattoni	46	Executive Vice President, Merchandising
Barbara Rentler	51	Executive Vice President, Merchandising
John G. Call	50	Senior Vice President and Chief Financial Officer

Mr. Balmuth joined the Board of Directors as Vice Chairman and became Chief Executive Officer in September 1996. In February 2005, he also assumed responsibilities as President. Prior to 1996, he served as the Company's Executive Vice President, Merchandising since July 1993, and Senior Vice President and General Merchandise Manager since November 1989. Before joining the Company, he was Senior Vice President and General Merchandising Manager at Bon Marché in Seattle from September 1988 through November 1989. From April 1986 to September 1988, he served as Executive Vice President and General Merchandising Manager for Karen Austin Petites.

Mr. Cribb has served as Executive Vice President and Chief Operations Officer since February 2005. He joined the Company in August 2002 as Senior Vice President of Store Operations. From December 1998 to August 2002, Mr. Cribb was Senior Vice President of Sales and Operations for Staples. Prior to joining Staples, he held various management positions with Office Depot from 1991 to 1998, most recently as Regional Vice President. His prior experience also includes various positions with Marshalls and The May Department Stores Company.

Mr. Fassio has served as Executive Vice President, Property Development, Construction and Store Design since February 2005. From March 1991 to February 2005, Mr. Fassio served as Senior Vice President, Property Development, Construction and Store Design. He joined the Company in June 1988 as Vice President of Real Estate. Prior to joining the Company, Mr. Fassio was Vice President, Real Estate and Construction at Craftmart, and Property Director of Safeway Stores.

Mr. O'Sullivan has served as Executive Vice President and Chief Administrative Officer since February 2005. He joined the Company in September 2003 as Senior Vice President, Strategic Planning and Marketing. From 1991 to 2003, Mr. O'Sullivan was with Bain & Company, most recently as a partner, providing consulting advice to retail, consumer goods, financial services and private equity clients.

Ms. Panattoni has served as Executive Vice President, Merchandising since October 2005. She joined the Company as Senior Vice President and General Merchandise Manager, Home in January 2005. In December 2006, she was given additional responsibility for the Home business at both Ross and dd's DISCOUNTS. Prior to joining the Company, Ms. Panattoni was with The TJX Companies, most recently serving as Senior Vice President of Merchandising and Marketing for HomeGoods from 1998 to 2004, and as Divisional Merchandise Manager at Marmaxx Home Store from 1994 to 1998.

Ms. Rentler has served as Executive Vice President, Merchandising since December 2006. She joined the Company in February 1986 and served as Executive Vice President and Chief Merchandising Officer of dd's DISCOUNTS from February 2005 to December 2006. Previously, she was Senior Vice President and Chief Merchandising Officer of dd's DISCOUNTS from January 2004 to February 2005 and Senior Vice President and General Merchandise Manager of Ross from February 2001 to January 2004. She also served as Vice President and Group Divisional Merchandise Manager from March 1999 to February 2001. Prior to that, she held various merchandising positions with the Company.

Mr. Call has served as Senior Vice President and Chief Financial Officer since June 1997. From June 1993 until joining the Company in 1997, Mr. Call was Senior Vice President, Chief Financial Officer, Secretary and Treasurer of Friedman's Inc. For five years prior to joining Friedman's in June 1993, Mr. Call held various positions with Ernst & Young LLP.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

**General information.** See the information set forth under the caption "Quarterly Financial Data (Unaudited)" under Note K of Notes to Consolidated Financial Statements in Item 8 of this Annual Report, which is incorporated herein by reference. Our stock is traded on The NASDAQ Global Select Market<sup>®</sup> under the symbol ROST. There were 757 stockholders of record as of March 13, 2009 and the closing stock price on that date was \$33.01 per share.

**Cash dividends.** In January 2009, our Board of Directors declared a quarterly cash dividend payment of \$.11 per common share, payable on March 31, 2009. Our Board of Directors declared quarterly cash dividends of \$.095 per common share in January, May, August, and November 2008, and cash dividends of \$.075 per common share in January, May, August, and November 2007.

**Issuer purchases of equity securities.** Information regarding shares of common stock we repurchased during the fourth quarter of fiscal 2008 is as follows:

Period	Total number of shares (or units) purchased <sup>1</sup>	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) <sup>2</sup>
November 11/02/2008-11/29/2008)	467,127	\$26.70	466,677	\$ 356,142
December 11/30/2008-01/03/2009)	1,093,372	\$28.88	1,093,372	\$ 324,563
January 01/04/2009-01/31/2009)	851,463	\$30.41	806,263	\$ 300,000
Total	2,411,962	\$29.00	2,366,312	\$ 300,000

<sup>1</sup> We acquired 45,650 shares of treasury stock during the quarter ended January 31, 2009 related to income tax withholdings for restricted stock. All remaining shares were repurchased under our publicly announced stock repurchase program.

<sup>2</sup> In January 2008 our Board of Directors approved a two-year \$600 million stock repurchase program for fiscal 2008 and 2009.

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

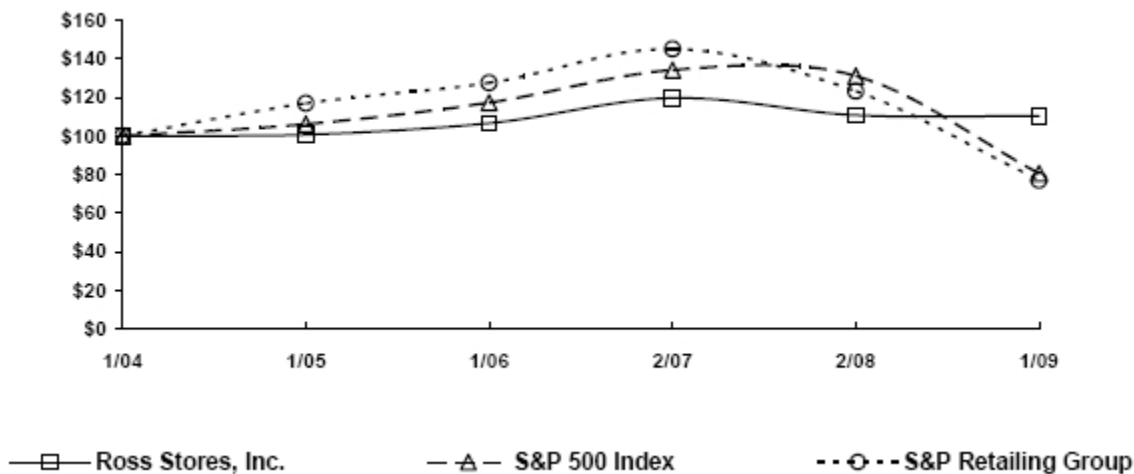
**Stockholder Return Performance Graph**

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

Set forth below is a line graph comparing the cumulative total stockholder returns for our common stock with the Standard & Poors ("S&P") 500 Index and the S&P Retailing Group over the last five years. The five year period comparison graph assumes that the value of the investment in our common stock at each fiscal year end and the comparative indexes was \$100 on January 30, 2004 and measures the performance of this investment as of the last trading day in the month of January for each of the following five years. These measurement dates are based on the historical month-end data available and may vary slightly from our actual fiscal year-end date for each period. Data with respect to returns for the S&P indexes is not readily available for periods shorter than one month. The total return assumes the reinvestment of dividends at the frequency with which dividends are paid. The graph is a historical representation of past performance only and is not necessarily indicative of future returns to stockholders.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***

Among Ross Stores, Inc., The S&P 500 Index  
And S&P Retailing Group



\*\$100 invested on 1/30/04 in stock or index, including reinvestment of dividends. Fiscal year ending January 31. Indexes calculated on month-end basis.

Company / Index	Indexed Returns for Years Ending					
	Base Period	2004	2005	2006	2007	2008
Ross Stores, Inc.	100	101	107	120	111	110
S&P 500 Index	100	106	117	134	131	81
S&P Retailing Group	100	117	128	145	123	77

**Item 6. Selected Financial Data.**

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

(\$000, except per share data)	2008	2007	2006 <sup>1</sup>	2005	2004
<b>Operations</b>					
Sales	<b>\$ 6,486,139</b>	\$ 5,975,212	\$ 5,570,210	\$ 4,944,179	\$ 4,239,990
Cost of goods sold	<b>4,956,576</b>	4,618,220	4,317,527	3,852,591	3,286,604
<b>Percent of sales</b>	<b>76.4%</b>	77.3%	77.5%	77.9%	77.5%
Selling, general and administrative	<b>1,034,357</b>	935,901	863,033	766,144	657,668
<b>Percent of sales</b>	<b>16.0%</b>	15.7%	15.5%	15.5%	15.5%
Impairment of long-lived assets <sup>2</sup>	-	-	-	-	15,818
Interest (income) expense, net	<b>(157)</b>	(4,029)	(8,627)	(2,898)	915
Earnings before taxes	<b>495,363</b>	425,120	398,277	328,342	278,985
<b>Percent of sales</b>	<b>7.6%</b>	7.1%	7.2%	6.6%	6.6%
Provision for taxes on earnings	<b>189,922</b>	164,069	156,643	128,710	109,083
Net earnings	<b>305,441</b>	261,051	241,634	199,632	169,902
<b>Percent of sales</b>	<b>4.7%</b>	4.4%	4.3%	4.0%	4.0%
Basic earnings per share	<b>\$ 2.36</b>	\$ 1.93	\$ 1.73	\$ 1.38	\$ 1.15
Diluted earnings per share	<b>\$ 2.33</b>	\$ 1.90	\$ 1.70	\$ 1.36	\$ 1.13
Cash dividends declared per common share	<b>\$ .395</b>	\$ .320	\$ .255	\$ .220	\$ .178

<sup>1</sup> Fiscal 2006 was a 53-week year; all other fiscal years presented were 52 weeks.

<sup>2</sup> For the year ended January 29, 2005, the Company recognized a net impairment charge of \$15.8 million on its previously owned corporate headquarters in Newark, California.

**Selected Financial Data**

(\$000, except per share data)	2008	2007	2006 <sup>1</sup>	2005	2004
<b>Financial Position</b>					
Merchandise inventory	\$ 881,058	\$ 1,025,295	\$ 1,051,729	\$ 938,091	\$ 853,112
Property and equipment, net	951,656	868,315	748,233	639,852	556,178
Total assets	<b>2,355,511</b>	2,371,322	2,358,591	1,938,738	1,741,215
Return on average assets	<b>13%</b>	11%	11%	11%	10%
Working capital	<b>358,456</b>	387,396	431,699	349,864	416,376
Current ratio	<b>1.4:1</b>	1.4:1	1.4:1	1.4:1	1.6:1
Long-term debt	<b>150,000</b>	150,000	150,000	-	50,000
Long-term debt as a percent of total capitalization	<b>13%</b>	13%	14%	-	6%
Stockholders' equity	<b>996,369</b>	970,649	909,830	836,172	765,569
Return on average stockholders' equity	<b>31%</b>	28%	28%	25%	22%
Book value per common share outstanding at year-end	\$ 7.82	\$ 7.24	\$ 6.53	\$ 5.80	\$ 5.22
<b>Operating Statistics</b>					
Number of stores opened	77	97	66	86	84
Number of stores closed	11	4	3	1	3
Number of stores at year-end	<b>956</b>	890	797	734	649
Comparable store sales increase (decrease) <sup>2</sup> (52-week basis)	<b>2%</b>	1%	4%	6%	(1%)
Sales per square foot of selling space <sup>3</sup> (52-week basis)	\$ 298	\$ 301	\$ 305	\$ 304	\$ 297
Square feet of selling space at year-end (000)	<b>22,500</b>	21,100	18,600	17,300	15,300
Number of employees at year-end	<b>40,000</b>	39,100	35,800	33,200	30,100
Number of common stockholders of record at year-end	<b>754</b>	760	749	756	753
<p><sup>1</sup> Fiscal 2006 was a 53-week year; all other fiscal years presented were 52 weeks.</p> <p><sup>2</sup> Comparable stores are stores open for more than 14 complete months.</p> <p><sup>3</sup> Based on average annual selling square footage.</p>					

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Overview

We are the second largest off-price apparel and home goods retailer in the United States. At the end of fiscal 2008, we operated 904 Ross Dress for Less ("Ross") locations in 27 states and Guam, and 52 dd's DISCOUNTS stores in four states. 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 objective is to pursue and refine our existing off-price strategies to drive gains in profitability and improved financial returns over the long term. In establishing appropriate growth targets for our business, we closely monitor market share trends for the off-price industry. Total aggregate sales for the five largest off-price retailers in the United States increased 3% during 2008 on top of a 6% increase in 2007. This compares to total national apparel sales which declined 4% during 2008 compared to a 4% increase in 2007, according to data published by the NPD Group, which provides global sales and marketing information on the retail industry.

The macro-economic and retail climate became more difficult as the year progressed in 2008. We believe that the stronger relative sales gains of the off-price retailers during the year reflected the increasing importance of value to consumers, especially as the recessionary headwinds accelerated. Our sales and earnings gains in 2008 benefited from efficient execution of our resilient and flexible off-price business model. Our merchandise and operational strategies are designed to take advantage of the expanding market share of our off-price industry as well as continued customer demand for name brand fashions for the family and home at compelling everyday discounts.

Looking ahead to 2009, we expect the macro-economic pressures to continue, and are planning to maintain tight controls of both inventory levels and operating expenses as part of our strategy to help us maximize our profitability.

We refer to our fiscal years ended January 31, 2009, February 2, 2008, and February 3, 2007 as fiscal 2008, fiscal 2007, and fiscal 2006, respectively. Fiscal 2006 was 53 weeks. Fiscal 2008 and 2007 were 52 weeks.

### Results of Operations

The following table summarizes the financial results for fiscal years ended January 31, 2009, February 2, 2008, and February 3, 2007.

	2008	2007	2006
<b>Sales</b>			
Sales (millions)	\$ 6,486	\$ 5,975	\$ 5,570
Sales growth	8.6%	7.3%	12.7%
Comparable store sales growth (52-week basis)	2%	1%	4%
<b>Costs and expenses (as a percent of sales)</b>			
Cost of goods sold	76.4%	77.3%	77.5%
Selling, general and administrative	16.0%	15.7%	15.5%
Interest income, net	0.0%	(0.1%)	(0.2%)
<b>Earnings before taxes (as a percent of sales)</b>	7.6%	7.1%	7.2%
<b>Net earnings (as a percent of sales)</b>	4.7%	4.4%	4.3%

**Stores.** Total stores open at the end of 2008, 2007 and 2006 were 956, 890 and 797, respectively. The number of stores at the end of fiscal 2008, 2007 and 2006 increased by 7%, 12% and 9% from the respective prior years. Our expansion strategy is to open additional stores based on market penetration, local demographic characteristics, competition, expected store profitability, and the ability to leverage overhead expenses. We continually evaluate opportunistic real estate acquisitions and opportunities for potential new store locations. We also evaluate our current store locations and determine store closures based on similar criteria.

	2008	2007	2006
Stores at the beginning of the period	890	797	734
Stores opened in the period	77	97	66
Stores closed in the period	(11)	(4)	(3)
Stores at the end of the period	956	890	797
Selling square footage at the end of the period (000)	22,500	21,100	18,600

**Sales.** Sales for fiscal 2008 increased \$510.9 million, or 8.6%, compared to the prior year due to the opening of 66 net new stores during 2008, and a 2% increase in sales from “comparable” stores (defined as stores that have been open for more than 14 complete months). Sales for fiscal 2007 increased \$405.0 million, or 7.3%, compared to the same period in the prior year due to the opening of 93 net new stores during 2007, and a 1% increase in sales from comparable stores.

Our sales mix is shown below for fiscal 2008, 2007 and 2006:

	2008	2007	2006
Ladies	32%	32%	33%
Home accents and bed and bath	23%	23%	22%
Men’s	14%	15%	15%
Accessories, lingerie, fine jewelry, and fragrances	12%	11%	11%
Shoes	10%	10%	10%
Children’s	9%	9%	9%
Total	100%	100%	100%

We expect to address the competitive climate for off-price apparel and home goods by pursuing and refining our existing strategies and by continuing to strengthen our organization, to diversify our merchandise mix, and to more fully develop our organization and systems to improve regional and local merchandise offerings. Although our strategies and store expansion program contributed to sales gains in fiscal 2008, 2007 and 2006, we cannot be sure that they will result in a continuation of sales growth or an increase in net earnings.

**Cost of goods sold.** Cost of goods sold in fiscal 2008 increased \$338.4 million compared to the prior year mainly due to increased sales from the opening of 66 net new stores during the year, and a 2% increase in sales from comparable stores.

Cost of goods sold as a percentage of sales for fiscal 2008 decreased approximately 90 basis points from the prior year. This improvement was mainly the result of a 100 basis point increase in merchandise gross margin as a percent of sales. In addition, distribution costs for the year improved by about 20 basis points. As a percent of sales, these favorable trends were partially offset by a 10 basis point increase in occupancy expense and a 20 basis point increase in incentive costs.

Cost of goods sold in fiscal 2007 increased \$300.7 million compared to the prior year mainly due to increased sales from the opening of 93 net new stores during the year, and a 1% increase in sales from comparable stores.

Cost of goods sold as a percentage of sales for fiscal 2007 decreased approximately 20 basis points from the prior year. This improvement was mainly the result of a 20 basis point improvement in merchandise gross margin primarily due to lower markdowns and shortage as a percent of sales.

We cannot be sure that the gross profit margins realized in fiscal 2008, 2007 and 2006 will continue in future years.

**Selling, general and administrative expenses.** For fiscal 2008, selling, general and administrative expenses (“SG&A”) increased \$98.5 million compared to the prior year, mainly due to increased store operating costs reflecting the opening of 66 net new stores during the year.

SG&A as a percentage of sales for fiscal 2008 grew by approximately 30 basis points over the prior year. This increase was mainly driven by a 20 basis point increase in store operating expenses and a 10 basis point increase in general and administrative costs as a percent of sales.

For fiscal 2007, SG&A increased \$72.9 million compared to the same period in the prior year, mainly due to increased store operating costs reflecting the opening of 93 net new stores during the year.

SG&A as a percentage of sales for fiscal 2007 grew by approximately 15 basis points over the prior year. This increase was mainly driven by a 40 basis point rise in store operating expenses. Store operating costs in 2007 were impacted by minimum wage increases and the de-leveraging effect of the 1% gain in comparable store sales. These cost pressures were partially offset by a 25 basis point decline in other general and administrative costs.

The largest component of SG&A is payroll. The total number of employees, including both full and part-time, as of fiscal year end 2008, 2007, and 2006 was approximately 40,000, 39,100, and 35,800, respectively.

**Interest.** In fiscal 2008, interest expense decreased by \$1.5 million primarily due to higher capitalization of construction interest. In fiscal 2008, interest income decreased by \$5.3 million primarily due to lower investment yields as compared to the prior year. As a percentage of sales, the reduction in net interest income in fiscal 2008 decreased pre-tax earnings by approximately 10 basis points compared to the same period in the prior year. The table below shows interest expense and income for fiscal 2008, 2007 and 2006:

(\$ millions)	2008	2007	2006
Interest expense	\$ 8.3	\$ 9.8	\$ 2.9
Interest income	(8.5)	(13.8)	(11.5)
Total interest income, net	\$ (0.2)	\$ (4.0)	\$ (8.6)

**Taxes on earnings.** Our effective tax rate for fiscal 2008, 2007, and 2006 was approximately 38%, 39%, and 39%, respectively, which represents the applicable combined federal and state statutory rates reduced by the federal benefit of state taxes deductible on federal returns. The effective rate is affected by changes in law, location of new stores, level of earnings, and the resolution of tax positions with various taxing authorities. We anticipate that our effective tax rate for fiscal 2009 will be in the range of 38% to 40%.

**Net earnings.** Net earnings as a percentage of sales for fiscal 2008 were higher compared to fiscal 2007 primarily due to lower cost of goods sold as a percentage of sales, partially offset by higher SG&A expenses as a percentage of sales. Net earnings as a percentage of sales for fiscal 2007 were higher compared to fiscal 2006 primarily due to lower cost of goods sold as a percentage of sales, partially offset by higher SG&A expenses as a percentage of sales.

**Earnings per share.** Diluted earnings per share in fiscal 2008 were \$2.33, compared to \$1.90 in fiscal 2007. This 23% increase in diluted earnings per share is attributable to an approximate 17% increase in net earnings and a 4% reduction in weighted average diluted shares outstanding, largely due to the repurchase of common stock under our stock repurchase program. Diluted earnings per share in fiscal 2007 were \$1.90, compared to \$1.70 in fiscal 2006 on a 53-week basis. This 12% increase in diluted earnings per share is attributable to an approximate 8% increase in net earnings and a 3% reduction in weighted average diluted shares outstanding, largely due to the repurchase of common stock under our stock repurchase program.

## Financial Condition

### Liquidity and Capital Resources

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

(\$000)	2008	2007	2006
Cash flows from operating activities	\$ 583,439	\$ 353,559	\$ 506,867
Cash flows used in investing activities	(218,763)	(244,743)	(235,941)
Cash flows used in financing activities	(300,901)	(218,624)	(95,305)
Net increase (decrease) in cash and cash equivalents	<u>\$ 63,775</u>	<u>\$(109,808)</u>	<u>\$ 175,621</u>

### Operating Activities

Net cash provided by operating activities was \$583.4 million, \$353.6 million and \$506.9 million in fiscal 2008, 2007 and 2006, respectively. The primary source of cash provided by operating activities in fiscal 2008, 2007 and 2006 was net earnings plus non-cash expenses for depreciation and amortization.

Working capital (defined as current assets less current liabilities) was \$358.5 million at the end of fiscal 2008, compared to \$387.4 million at the end of fiscal 2007. The decrease in working capital in fiscal 2008 compared to fiscal 2007 is primarily due to lower average in-store inventories.

Our primary source of liquidity is the sale of our merchandise inventory. We regularly review the age and condition of our merchandise and are able to maintain current merchandise inventory in our stores through replenishment processes and liquidation of slower-moving merchandise through clearance markdowns.

### Investing Activities

In fiscal 2008, 2007 and 2006, our capital expenditures were \$224.4 million, \$236.1 million and \$223.9 million, respectively. Our capital expenditures included fixtures and leasehold improvements to open new stores, implement information technology systems, build or expand distribution centers and install material handling equipment and related distribution center systems, and various other expenditures related to our stores, buying and corporate offices. In fiscal 2008 we also purchased land in South Carolina with the intention of building a new distribution center in the future. We opened 77, 97, and 66 new stores in fiscal 2008, 2007 and 2006, respectively, and relocated one store in 2007 and two stores in 2006. In addition, in 2006, we exercised our option to purchase our Fort Mill, South Carolina distribution center from the lessor.

In fiscal 2008 we had purchases of investments of \$37.0 million and sales of investments of \$42.5 million. In fiscal 2007 we had purchases of investments of \$146.1 million and sales of investments of \$137.1 million. In fiscal 2006 we had purchases of investments of \$71.9 million and sales of investments of \$59.3 million.

We are forecasting approximately \$190 million in capital requirements in 2009 to fund expenditures for fixtures and leasehold improvements to open both new Ross and dd's DISCOUNTS stores, for the relocation, or upgrade of existing stores, for investments in store and merchandising systems, buildings, equipment and systems, and for various buying and corporate office expenditures. We expect to fund these expenditures with cash flows from operations.

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

(\$ millions)	2008	2007	2006
New stores	\$ 52.0	\$ 110.1	\$ 49.5
Store renovations and improvements	47.3	32.3	42.4
Information systems	13.2	21.4	13.4
Distribution centers, corporate office, and other	111.9	72.3	118.6
<b>Total capital expenditures</b>	<b>\$ 224.4</b>	<b>\$ 236.1</b>	<b>\$ 223.9</b>

### Financing Activities

During fiscal 2008, 2007 and 2006, our liquidity and capital requirements were provided by available cash and investment balances, cash flows from operations, trade credit, and issuance of senior notes. Our buying offices, our corporate headquarters, one distribution center, one trailer parking lot, three warehouse facilities, and all but two of our store locations are leased and, except for certain leasehold improvements and equipment, do not represent capital investments. We own three distribution centers in Carlisle, Pennsylvania, Moreno Valley, California, and Fort Mill, South Carolina.

In January 2008, our Board of Directors approved a two-year \$600 million stock repurchase program for fiscal 2008 and 2009. We repurchased 9.3 million shares of common stock for an aggregate purchase price of approximately \$300 million in 2008 and expect to complete the remaining purchase of \$300 million in 2009. In November 2005, our Board of Directors authorized a stock repurchase program of up to \$400 million for 2006 and 2007. We repurchased 6.9 million and 7.1 million shares of common stock for aggregate purchase prices of approximately \$200 million in both 2007 and 2006. These repurchases were funded by cash flows from operations.

In January 2009, our Board of Directors declared a quarterly cash dividend payment of \$.11 per common share, payable on March 31, 2009. Our Board of Directors declared quarterly cash dividends of \$.095 per common share in January, May, August and November 2008, and cash dividends of \$.075 per common share in January, May, August, and November 2007.

In March 2006, we repaid our \$50 million term debt in full. In October 2006, we entered into a Note Purchase Agreement with various institutional investors for \$150 million of unsecured, senior notes. See "Senior Notes" below for more information.

Short-term trade credit represents a significant source of financing for merchandise inventory. Trade credit arises from customary payment terms and trade practices with our vendors. We regularly review the adequacy of credit available to us from all sources and expect to be able to maintain adequate trade, bank and other credit lines to meet our capital and liquidity requirements, including lease payment obligations in 2009.

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.

## Contractual Obligations

The table below presents our significant contractual obligations as of January 31, 2009:

Contractual Obligations	(\$000)				Total
	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	
Senior Notes	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000
Interest payment obligations	9,667	19,335	19,335	59,863	108,200
Capital leases	389	325	-	-	714
Operating leases:					
Rent obligations	335,280	613,313	473,209	478,253	1,900,055
Synthetic leases	6,542	9,046	6,136	-	21,724
Other synthetic lease obligations	2,379	1,528	56,000	-	59,907
Purchase obligations	620,774	280	-	-	621,054
<b>Total contractual obligations</b>	<b>\$ 975,031</b>	<b>\$ 643,827</b>	<b>\$ 554,680</b>	<b>\$ 688,116</b>	<b>\$ 2,861,654</b>

1 Pursuant to the guidelines of FIN 48, a \$26.0 million reserve for unrecognized tax benefits is included in other long-term liabilities on the Company's consolidated balance sheet. These obligations are excluded from the schedule above as the timing of payments cannot be reasonably estimated.

**Senior Notes.** We have a Note Purchase Agreement with various institutional investors for \$150 million of unsecured, senior notes. The notes were issued in two series and funding occurred in December 2006. The Series A notes, issued for an aggregate of \$85 million, are due in December 2018, and bear interest at a rate of 6.38%. The Series B notes, issued for an aggregate of \$65 million, are due in December 2021, and bear interest at a rate of 6.53%. Interest on these notes is included in Interest payment obligations in the table above.

Borrowings under these notes are subject to certain operating and financial covenants, including maintaining certain interest coverage and other financial ratios. As of January 31, 2009, we were in compliance with these covenants.

**Capital leases.** The obligations under capital leases relate to distribution center equipment and have a term of two years.

### Off-Balance Sheet Arrangements

**Operating leases.** We lease our two buying offices, our corporate headquarters, one distribution center, one trailer parking lot, three warehouse facilities, and all but two of our store locations. Except for certain leasehold improvements and equipment, these leased locations do not represent long-term capital investments.

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 either two or three 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 of \$3.9 million, at the end of the respective initial lease terms, which is included in Other synthetic lease obligations in the table above.

We lease approximately 181,000 square feet of office space for our corporate headquarters in Pleasanton, California, under several facility leases. The terms for these leases expire between 2010 and 2014 and contain renewal provisions.

We lease approximately 161,000 and 15,000 square feet of office space for our New York City and Los Angeles buying offices, respectively. The lease terms for these facilities expire in 2015 and 2011, respectively. The lease term for the New York office contains a renewal provision.

We lease a 1.3 million square foot distribution center in Perris, California. The land and building for this distribution center are financed under a \$70 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 million. At the end of the lease term, we have the option to either refinance the \$70 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 million, we have agreed under a residual value guarantee to pay the lessor any shortfall amount up to \$56 million. Our contractual obligation of \$56 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 \$1.2 million for the POS leases. 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 accrued expenses, 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 consolidated balance sheets.

In November 2001 we entered into a nine-year lease for a 239,000 square foot warehouse and a ten-year lease for a 246,000 square foot warehouse both in Carlisle, Pennsylvania. In January 2009, we exercised a three-year option for a 253,000 square foot warehouse in Fort Mill, South Carolina, extending the term to February 2013. In June 2008, we purchased a 423,000 square foot warehouse also in Fort Mill, South Carolina. All four of these properties are used to store our packaway inventory. We also lease a 10-acre parcel of land that has been developed for trailer parking adjacent to our Perris distribution center.

The synthetic lease facilities described above, as well as our revolving credit facility and senior notes, have covenant restrictions requiring us to maintain certain interest coverage and other financial ratios. In addition, the interest rates under these agreements may vary depending on actual interest coverage ratios achieved. As of January 31, 2009, we were in compliance with these covenants.

**Purchase obligations.** As of January 31, 2009 we had purchase obligations of \$621.1 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 \$574.0 million represent purchase obligations of less than one year as of January 31, 2009.

#### Commercial Credit Facilities

The table below presents our significant available commercial credit facilities at January 31, 2009:

(\$000)	Amount of commitment expiration per period				Total Amount Committed
	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	
<b>Commercial Credit Commitments</b>					
Revolving credit facility	\$ -	\$ 600,000	\$ -	\$ -	\$ 600,000
Total commercial commitments	\$ -	\$ 600,000	\$ -	\$ -	\$ 600,000

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

**Revolving credit facility.** We have available a \$600.0 million revolving credit facility with our banks, which contains a \$300.0 million sublimit for issuance of standby letters of credit, of which \$239.6 million was available at January 31, 2009. This credit facility expires in July 2011, has a LIBOR-based interest rate plus an applicable margin (currently 45 basis points) and is payable upon maturity but not less than quarterly. Our borrowing ability under this credit facility is subject to our maintaining certain interest coverage and other financial ratios. As of January 31, 2009 we had no borrowings outstanding under this facility and were in compliance with the covenants.

**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 \$60.4 million and \$61.1 million in standby letters of credit outstanding at January 31, 2009 and February 2, 2008, respectively.

**Trade letters of credit.** We had \$16.7 million and \$20.8 million in trade letters of credit outstanding at January 31, 2009 and February 2, 2008, respectively.

## **Other**

**2008 Equity Incentive Plan.** In May 2008, our stockholders approved the adoption of the Ross Stores, Inc. 2008 Equity Incentive Plan (the "2008 Plan") with an initial share reserve of 8.3 million shares of our common stock, of which 6.0 million shares can be issued as full value awards. The 2008 Plan replaced the 2004 Equity Incentive Plan. The 2008 Plan provides for various types of incentive awards, which may potentially include the grant of stock options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, performance shares, performance units, and deferred compensation awards.

## **Critical Accounting Policies**

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

**Merchandise inventory.** Our merchandise inventory is stated at the lower of cost or market, with cost determined on a weighted average cost basis. 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 shortage. The shortage reserve is based on historical shortage rates as evaluated through our periodic physical merchandise inventory counts and cycle counts. If actual market conditions, markdowns, or shortage are less favorable than those projected by us, or if sales of the merchandise inventory are more difficult than anticipated, additional merchandise inventory write-downs may be required.

**Long-lived assets.** We 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 our annual analysis, we determined that no long-lived asset impairment charge was required for fiscal 2008, 2007, or 2006.

**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 lesser of the useful life of the asset or the applicable lease term.

**Lease accounting.** When a lease contains "rent holidays" or requires fixed escalations of the minimum lease payments, we record rental expense on a straight-line basis over the term of the lease and the difference between the average rental amount charged to expense and the amount payable under the lease is recorded as deferred rent. We amortize deferred rent on a straight-line basis over the lease term commencing on the possession date. Tenant improvement allowances are included in other long-term liabilities and are amortized over the lease term. Tenant improvement allowances are included as a component of operating cash flows in the consolidated Statements of Cash Flows.

**Self-insurance.** We self insure certain of our workers' compensation and general liability risks as well as certain coverages under 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 increase beyond what was anticipated, our recorded reserves may not be sufficient and additional charges could be required.

**Stock-based compensation.** We account for stock-based compensation under the provisions of SFAS No. 123(R). The determination of the fair value of stock options 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. We use historical data to estimate pre-vesting forfeitures and to recognize stock-based compensation expense. All stock-based compensation awards are expensed over the service or performance periods of the awards.

**Income Taxes.** We adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which supplements SFAS No. 109 "Accounting for Income Taxes" (SFAS No. 109) effective February 4, 2007. FIN 48 clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company's consolidated financial statements. FIN 48 prescribes a recognition threshold of more-likely-than-not, and a measurement standard for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the consolidated financial statements.

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

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

#### **New Accounting Pronouncements**

SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), is effective for financial assets and liabilities for fiscal years beginning after November 15, 2007, except for nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis, for which application was deferred for one year. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands required disclosures about fair value measurements.

SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159") is effective for fiscal years beginning after November 15, 2007. SFAS No. 159 establishes a fair value option under which entities can elect to report certain financial assets and liabilities at fair value, with changes in fair value recognized in earnings.

We adopted SFAS No. 157 and SFAS No. 159 effective February 3, 2008. Adoption of the deferred provisions of SFAS 157 will not have a material impact on our operating results or financial position.

## Forward-Looking Statements

Our Annual Report on Form 10-K for fiscal 2008, and information we provide in our Annual Report to Stockholders, press releases, telephonic reports and other investor communications including on our corporate website, may contain a number of forward-looking statements regarding, without limitation, planned store growth, new markets, expected sales, projected earnings levels, capital expenditures and other matters. These forward-looking statements reflect our then current beliefs, projections and estimates with respect to future events and our projected financial performance, operations and competitive position. The words “plan,” “expect,” “target,” “anticipate,” “estimate,” “believe,” “forecast,” “projected,” “guidance,” “looking ahead” and similar expressions identify forward-looking statements.

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

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

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

We occasionally use forward contracts to hedge against fluctuations in foreign currency prices. We had no outstanding forward contracts as of January 31, 2009.

Interest payable on our revolving credit facilities is based on variable interest rates and is, therefore, affected by changes in market interest rates. As of January 31, 2009, we had no borrowings outstanding under our revolving credit facilities. 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.

In addition, we issued notes to institutional investors in two series: Series A for \$85 million accrues interest at 6.38% and Series B for \$65 million accrues interest at 6.53%. The amount outstanding under these notes as of January 31, 2009 is \$150 million.

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 materially impacted our consolidated financial position, results of operations, cash flows, or the fair values of our short and long-term investments as of and for the year ended January 31, 2009. We do not consider the potential losses in future earnings and cash flows from reasonably possible, near term changes in interest rates to be material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

CONSOLIDATED STATEMENTS OF EARNINGS

(\$000, except per share data)	Year ended January 31, 2009	Year ended February 2, 2008	Year ended February 3, 2007
<b>SALES</b>	<b>\$ 6,486,139</b>	<b>\$ 5,975,212</b>	<b>\$ 5,570,210</b>
<b>COSTS AND EXPENSES</b>			
Cost of goods sold	4,956,576	4,618,220	4,317,527
Selling, general and administrative	1,034,357	935,901	863,033
Interest income, net	(157)	(4,029)	(8,627)
Total costs and expenses	<u>5,990,776</u>	<u>5,550,092</u>	<u>5,171,933</u>
Earnings before taxes	495,363	425,120	398,277
Provision for taxes on earnings	189,922	164,069	156,643
Net earnings	<u>\$ 305,441</u>	<u>\$ 261,051</u>	<u>\$ 241,634</u>
<b>EARNINGS PER SHARE</b>			
Basic	\$ 2.36	\$ 1.93	\$ 1.73
Diluted	\$ 2.33	\$ 1.90	\$ 1.70
<b>WEIGHTED AVERAGE SHARES OUTSTANDING (000)</b>			
Basic	129,235	135,093	139,488
Diluted	131,315	137,142	141,883
<b>DIVIDENDS</b>			
Cash dividends declared per share	\$.395	\$.320	\$.255
The accompanying notes are an integral part of these consolidated financial statements.			

**CONSOLIDATED BALANCE SHEETS**

(\$000, except share data)	January 31, 2009	February 2, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 321,355	\$ 257,580
Short-term investments	798	6,098
Accounts receivable	41,170	37,468
Merchandise inventory	881,058	1,025,295
Prepaid expenses and other	55,241	51,921
Deferred income taxes	14,093	19,639
Total current assets	1,313,715	1,398,001
<b>PROPERTY AND EQUIPMENT</b>		
Land and buildings	201,385	140,725
Fixtures and equipment	1,073,990	941,795
Leasehold improvements	509,971	482,904
Construction-in-progress	72,839	88,900
	1,858,185	1,654,324
Less accumulated depreciation and amortization	906,529	786,009
Property and equipment, net	951,656	868,315
Long-term investments	38,014	40,766
Other long-term assets	52,126	64,240
Total assets	\$ 2,355,511	\$ 2,371,322
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 536,745	\$ 637,158
Accrued expenses and other	238,516	217,923
Accrued payroll and benefits	170,878	133,706
Income taxes payable	9,120	21,818
Total current liabilities	955,259	1,010,605
Long-term debt	150,000	150,000
Other long-term liabilities	156,726	161,169
Deferred income taxes	97,157	78,899
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value \$.01 per share		
Authorized 600,000,000 shares		
Issued and outstanding 127,346,000 and		
134,096,000 shares, respectively	1,273	1,341
Additional paid-in capital	626,117	577,787
Treasury stock	(30,819)	(25,910)
Accumulated other comprehensive income (loss)	(1,174)	1,340
Retained earnings	400,972	416,091
Total stockholders' equity	996,369	970,649
Total liabilities and stockholders' equity	\$ 2,355,511	\$ 2,371,322
The accompanying notes are an integral part of these consolidated financial statements.		

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(000)	Common stock		Additional paid-in capital	Treasury stock	Deferred compensation	Accumulated other comprehensive income (loss)	Retained earnings	Total
	Shares	Amount						
<b>Balance at January 28, 2006</b>	144,112	\$1,448	\$522,566	\$(18,244)	\$(29,375)	\$ 20	\$359,757	\$836,172
Reclassification of deferred compensation	-	-	(29,375)	-	29,375	-	-	-
<b>Comprehensive income:</b>								
Net earnings	-	-	-	-	-	-	241,634	241,634
Unrealized investment loss	-	-	-	-	-	(183)	-	(183)
<b>Total comprehensive income</b>								<b>241,451</b>
Common stock issued under stock plans, net of shares used for tax withholding	2,343	25	32,492	(3,787)	-	-	-	28,730
Tax benefit from equity issuance	-	-	12,090	-	-	-	-	12,090
Stock based compensation	-	-	26,680	-	-	-	-	26,680
Common stock repurchased	(7,099)	(71)	(18,751)	-	-	-	(181,178)	(200,000)
Dividends declared	-	-	-	-	-	-	(35,293)	(35,293)
<b>Balance at February 3, 2007</b>	139,356	\$1,402	\$545,702	\$(22,031)	\$ -	\$ (163)	\$384,920	\$909,830
<b>Comprehensive income:</b>								
Net earnings	-	-	-	-	-	-	261,051	261,051
Unrealized investment gain	-	-	-	-	-	1,503	-	1,503
<b>Total comprehensive income</b>								<b>262,554</b>
Cumulative effect of FIN 48 adoption	-	-	-	-	-	-	(7,417)	(7,417)
Common stock issued under stock plans, net of shares used for tax withholding	1,612	8	20,745	(3,879)	-	-	-	16,874
Tax benefit from equity issuance	-	-	6,535	-	-	-	-	6,535
Stock based compensation	-	-	25,165	-	-	-	-	25,165
Common stock repurchased	(6,872)	(69)	(20,360)	-	-	-	(179,571)	(200,000)
Dividends declared	-	-	-	-	-	-	(42,892)	(42,892)
<b>Balance at February 2, 2008</b>	134,096	\$1,341	\$577,787	\$(25,910)	\$ -	\$ 1,340	\$416,091	\$970,649
<b>Comprehensive income:</b>								
Net earnings	-	-	-	-	-	-	305,441	305,441
Unrealized investment loss	-	-	-	-	-	(2,514)	-	(2,514)
<b>Total comprehensive income</b>								<b>302,927</b>
Common stock issued under stock plans, net of shares used for tax withholding	2,598	25	47,848	(4,909)	-	-	-	42,964
Tax benefit from equity issuance	-	-	8,532	-	-	-	-	8,532
Stock based compensation	-	-	22,575	-	-	-	-	22,575
Common stock repurchased	(9,348)	(93)	(30,625)	-	-	-	(269,282)	(300,000)
Dividends declared	-	-	-	-	-	-	(51,278)	(51,278)
<b>Balance at January 31, 2009</b>	127,346	\$1,273	\$626,117	\$(30,819)	\$ -	\$(1,174)	\$400,972	\$996,369

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$000)	Year ended January 31, 2009	Year ended February 2, 2008	Year ended February 3, 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net earnings	\$ 305,441	\$ 261,051	\$ 241,634
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	141,802	122,801	111,855
Stock-based compensation	22,575	25,165	26,680
Deferred income taxes	23,804	(10,699)	(10,684)
Tax benefit from equity issuance	8,532	6,535	12,090
Excess tax benefit from stock-based compensation	(5,973)	(5,140)	(9,599)
Change in assets and liabilities:			
Merchandise inventory	144,237	26,434	(113,638)
Other current assets, net	(6,089)	(15,039)	(8,138)
Accounts payable	(101,682)	(63,199)	221,644
Other current liabilities	43,249	(18,716)	34,417
Other long-term, net	7,543	24,366	606
Net cash provided by operating activities	<u>583,439</u>	<u>353,559</u>	<u>506,867</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of assets under lease	-	-	(87,329)
Additions to property and equipment	(224,418)	(236,121)	(136,626)
Proceeds from sale of property and equipment	117	356	615
Purchases of investments	(36,984)	(146,082)	(71,938)
Proceeds from investments	42,522	137,104	59,337
Net cash used in investing activities	<u>(218,763)</u>	<u>(244,743)</u>	<u>(235,941)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of term debt	-	-	(50,000)
Proceeds from issuance of long-term debt	-	-	150,000
Excess tax benefit from stock-based compensation	5,973	5,140	9,599
Issuance of common stock related to stock plans	47,873	20,753	32,517
Treasury stock purchased	(4,909)	(3,879)	(3,787)
Repurchase of common stock	(300,000)	(200,000)	(200,000)
Dividends paid	(49,838)	(40,638)	(33,634)
Net cash used in financing activities	<u>(300,901)</u>	<u>(218,624)</u>	<u>(95,305)</u>
Net increase (decrease) in cash and cash equivalents	63,775	(109,808)	175,621
Cash and cash equivalents:			
Beginning of year	257,580	367,388	191,767
End of year	<u>\$ 321,355</u>	<u>\$ 257,580</u>	<u>\$ 367,388</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>			
Interest paid	\$ 9,676	\$ 9,668	\$ 759
Income taxes paid	\$ 167,478	\$ 164,223	\$ 147,122
<b>NON-CASH INVESTING ACTIVITIES</b>			
Change in fair value of investment securities – unrealized gain (loss)	\$ (2,514)	\$ 1,503	\$ (183)

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note A: Summary of Significant Accounting Policies

**Business.** Ross Stores, Inc. and its subsidiaries (the "Company") is an off-price retailer of first-quality, name brand apparel, shoes and accessories for the entire family, as well as gift items, linens and other home-related merchandise. At the end of fiscal 2008, the Company operated 904 Ross Dress for Less<sup>®</sup> ("Ross") locations in 27 states and Guam and 52 dd's DISCOUNTS<sup>®</sup> stores in four states, which are supported by four distribution centers. The Company's headquarters, two distribution centers and 26% of its stores are located in California.

**Basis of presentation and fiscal year.** The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Intercompany transactions and accounts have been eliminated. The Company follows the National Retail Federation fiscal calendar and utilizes a 52-53 week fiscal year whereby the fiscal year ends on the Saturday nearest to January 31. The fiscal years ended January 31, 2009, February 2, 2008 and February 3, 2007 are referred to as fiscal 2008, fiscal 2007 and fiscal 2006, respectively. Fiscal 2006 was 53 weeks. Fiscal 2008 and 2007 were 52 weeks.

**Use of accounting estimates.** The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles in the United States of America ("GAAP") requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company's significant accounting estimates include valuation of merchandise inventory and long-lived assets, and accruals for self-insurance.

**Purchase obligations.** As of January 31, 2009, the Company had purchase obligations of approximately \$621.1 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 \$574.0 million represent purchase obligations of less than one year as of January 31, 2009.

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

**Investments.** The Company's investments are comprised of various debt securities. At January 31, 2009 and February 2, 2008, these investments were classified as available-for-sale and are stated at fair value. Investments are classified as either short-term or long-term based on their original maturities. Investments with an original maturity of less than one year are classified as short-term. See Note B for additional information.

**Merchandise inventory.** Merchandise inventory is stated at the lower of cost (determined using a weighted average basis) or net realizable value. The Company purchases manufacturer overruns and canceled orders both during and at the end of a season which are referred to as "packaway" inventory. Packaway inventory is purchased with the intent that it will be stored in the Company's warehouses until a later date, which may even be the beginning of the same selling season in the following year. Packaway inventory accounted for approximately 38% of total inventories as of January 31, 2009 and February 2, 2008. The cost of the Company's merchandise inventory is reduced by valuation reserves for shortage based on historical shortage experience from the Company's physical merchandise inventory counts and cycle counts.

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

**Property and equipment.** Property and equipment, which include amounts recorded under capital leases, 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. Depreciation and amortization expense on property and equipment was \$134.0 million, \$120.7 million and \$107.8 million for fiscal 2008, 2007 and 2006, respectively. The cost of leasehold improvements is amortized over the useful life of the asset or the applicable lease term, whichever is less. Computer hardware and software costs, net of amortization, of \$125.8 million and \$136.4 million at January 31, 2009 and February 2, 2008, respectively, are included in fixtures and equipment and are amortized over their estimated useful life generally ranging from five to seven years. Property under capital leases, net of depreciation, of \$0.6 million at January 31, 2009 relates to distribution center equipment and has a term of two years. The Company capitalizes interest during the construction period. Interest capitalized was \$3.2 million and \$0.9 million in fiscal 2008 and fiscal 2007, respectively.

**Other long-term assets.** Other long-term assets as of January 31, 2009 and February 2, 2008 consist of the following:

(\$000)	2008	2007
Deferred compensation assets	\$37,304	\$48,174
Goodwill	2,889	2,889
Deposits	3,851	3,270
Intangibles and other	8,082	9,907
Total	\$52,126	\$64,240

Intangible assets are principally comprised of lease rights, which are payments made to acquire store leases. An impairment loss would be recognized if the undiscounted cash flow of an asset group was less than the carrying value of the asset group. Lease rights are amortized over the remaining life of the lease. Amortization expense related to these intangible assets was \$0.1 million, \$0.2 million and \$0.3 million for fiscal 2008, 2007 and 2006, respectively.

Other long-term assets and certain identifiable intangibles that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Intangible assets that are not subject to amortization, including goodwill, are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset may be impaired. Based on the Company's evaluation as of January 31, 2009 and February 2, 2008, no adjustments were required to reduce the carrying value of intangible assets to fair value.

**Store closures.** The Company continually reviews the operating performance of individual stores. For stores that are to be closed, the Company records a liability for future minimum lease payments and related ancillary costs at the time the liability is incurred. In 2008, the Company closed six Ross Dress for Less and five dd's DISCOUNTS locations. In connection with the dd's store closures, the Company recognized a lease loss liability of approximately \$1.0 million. Operating costs, including depreciation, of stores to be closed are expensed during the period they remain in use.

**Accounts payable.** Accounts payable represents amounts owed to third parties at the end of the period. Accounts payable includes book cash overdrafts (checks issued under zero balance accounts not yet presented for payment) in excess of cash balances in such accounts of approximately \$97.2 million and \$102.0 million at January 31, 2009 and February 2, 2008, respectively. The Company includes the change in book cash overdrafts in operating cash flows.

**Self-insurance.** The Company is self-insured for workers' compensation, general liability insurance costs and costs of certain medical plans. The self-insurance liability is determined actuarially, based on claims filed and an estimate of claims incurred but not yet reported. Self-insurance reserves as of January 31, 2009 and February 2, 2008 consist of the following:

(\$ millions)	2008	2007
Workers' Compensation	\$ 57.5	\$ 59.2
General Liability	18.3	16.3
Medical Plans	3.2	2.7
<b>Total</b>	<b>\$ 79.0</b>	<b>\$ 78.2</b>

Workers' compensation and self-insured medical plan liabilities are included in accrued payroll and benefits and accruals for general liability are included in accrued expenses and other in the accompanying consolidated balance sheets.

**Lease accounting.** When a lease contains "rent holidays" or requires fixed escalations of the minimum lease payments, the Company records rental expense on a straight-line basis over the term of the lease and the difference between the average rental amount charged to expense and the amount payable under the lease is recorded as deferred rent. The Company amortizes deferred rent on a straight-line basis over the lease term commencing on the possession date. As of January 31, 2009 and February 2, 2008, the balance of deferred rent was \$57.4 million and \$55.7 million, respectively, and is included in other long-term liabilities. Tenant improvement allowances are included in other long-term liabilities and are amortized over the lease term. Changes in tenant improvement allowances are included as a component of operating activities in the consolidated statements of cash flows.

**Other long-term liabilities.** Other long-term liabilities as of January 31, 2009 and February 2, 2008 consist of the following:

(\$000)	2008	2007
Deferred rent	\$ 57,428	\$ 55,655
Deferred compensation	37,304	48,174
Tenant improvement allowances	29,818	29,942
Income taxes (See Note F)	26,019	23,221
Other	6,157	4,177
<b>Total</b>	<b>\$ 156,726</b>	<b>\$ 161,169</b>

**Estimated fair value of financial instruments.** The carrying value of cash and cash equivalents, short-term and long-term investments, accounts receivable, and accounts payable approximates their estimated fair value.

**Revenue recognition.** The Company recognizes revenue at the point of sale and maintains an allowance for estimated future returns. Sales of gift cards are deferred until they are redeemed for the purchase of Company merchandise. Sales tax collected is not recognized as revenue and is included in accrued expenses and other.

**Allowance for sales returns.** An allowance for the gross margin loss on estimated sales returns is included in accrued expenses and other in the consolidated balance sheets. The allowance for sales returns consists of the following:

(\$000)	Beginning balance	Additions	Reductions	Ending balance
Year ended:				
<b>January 31, 2009</b>	<b>\$ 4,559</b>	<b>\$ 452,035</b>	<b>\$ 451,892</b>	<b>\$ 4,702</b>
February 2, 2008	\$ 4,320	\$ 408,434	\$ 408,195	\$ 4,559
February 3, 2007	\$ 6,101	\$ 376,173	\$ 377,954	\$ 4,320

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

**Advertising.** Advertising costs are expensed in the period incurred. Advertising costs for fiscal 2008, 2007 and 2006 were \$53.9 million, \$50.2 million and \$45.5 million, respectively.

**Stock-based compensation.** The Company accounts for stock-based compensation in accordance with SFAS 123(R), "Share-Based Payment," which requires recognition of compensation expense based upon the grant date fair value of all stock-based awards, typically over the vesting period. See Note C for more information on the Company's stock-based compensation plans.

**Taxes on earnings.** The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than changes in the tax law or tax rates.

The Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), which supplements SFAS No. 109 "Accounting for Income Taxes" (SFAS No. 109) effective February 4, 2007. FIN 48 clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company's consolidated financial statements. FIN 48 prescribes a recognition threshold of more-likely-than-not, and a measurement standard for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the consolidated financial statements.

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

**Earnings per share ("EPS").** 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. Diluted EPS reflects the total potential dilution that could occur from outstanding equity plan awards, including unexercised stock options and unvested shares of both performance and non-performance based awards of restricted stock.

In fiscal 2008, 2007 and 2006 there were 583,000, 1,277,000, and 3,114,000 weighted average 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 for those years.

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

Shares in (000s)	Effect of dilutive		Diluted EPS
	Basic EPS	common stock equivalents	
<b>2008</b>			
Shares	129,235	2,080	131,315
Amount	\$ 2.36	\$ (.03)	\$ 2.33
2007			
Shares	135,093	2,049	137,142
Amount	\$ 1.93	\$ (.03)	\$ 1.90
2006			
Shares	139,488	2,395	141,883
Amount	\$ 1.73	\$ (.03)	\$ 1.70

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

**Sales Mix.** The Company's sales mix is shown below for fiscal 2008, 2007 and 2006:

	2008	2007	2006
Ladies	32%	32%	33%
Home accents and bed and bath	23%	23%	22%
Men's	14%	15%	15%
Accessories, lingerie, fine jewelry, and fragrances	12%	11%	11%
Shoes	10%	10%	10%
Children's	9%	9%	9%
Total	100%	100%	100%

**Comprehensive income.** Comprehensive income consists of net earnings and other comprehensive income, principally unrealized investment gains or losses. Components of comprehensive income are presented in the consolidated statements of stockholders' equity.

**Derivative instruments and hedging activities.** SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, requires the Company to record all derivatives as either assets or liabilities on the balance sheet and to measure those instruments at fair value. The Company had no derivative instruments outstanding as of January 31, 2009 or February 2, 2008.

**Adoption of new accounting standards.**

SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"), is effective for financial assets and liabilities for fiscal years beginning after November 15, 2007, except for nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis, for which application was deferred for one year. SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands required disclosures about fair value measurements.

SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159") is effective for fiscal years beginning after November 15, 2007. SFAS No. 159 establishes a fair value option under which entities can elect to report certain financial assets and liabilities at fair value, with changes in fair value recognized in earnings.

The Company adopted SFAS No. 157, and SFAS No. 159 effective February 3, 2008. Adoption of the deferred provisions of SFAS No. 157 will not have a material impact on the Company's operating results or financial position.

**Note B: Investments**

The amortized cost and fair value of the Company's available-for-sale securities as of January 31, 2009 were:

(S000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short- term	Long- term
Auction-rate securities	\$ 1,100	\$ -	\$ -	\$ 1,100	\$ -	\$ 1,100
Asset-backed securities	984	5	200	789	389	400
Corporate securities	13,773	152	685	13,240	-	13,240
U.S. Government and agency securities	15,940	446	-	16,386	-	16,386
Mortgage-backed securities	8,189	119	1,011	7,297	409	6,888
<b>Total</b>	<b>\$ 39,986</b>	<b>\$ 722</b>	<b>\$ 1,896</b>	<b>\$ 38,812</b>	<b>\$ 798</b>	<b>\$ 38,014</b>

The amortized cost and fair value of the Company's available-for-sale securities as of February 2, 2008 were:

(S000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short- term	Long- term
Auction-rate securities	\$ 5,900	\$ -	\$ -	\$ 5,900	\$ 4,000	\$ 1,900
Asset-backed securities	1,446	17	35	1,428	862	566
Corporate securities	13,644	227	184	13,687	428	13,259
U.S. Government and agency securities	16,482	1,133	-	17,615	350	17,265
Mortgage-backed securities	8,052	217	35	8,234	458	7,776
<b>Total</b>	<b>\$ 45,524</b>	<b>\$ 1,594</b>	<b>\$ 254</b>	<b>\$ 46,864</b>	<b>\$ 6,098</b>	<b>\$ 40,766</b>

At January 31, 2009, the Company had investments of approximately \$40.0 million of which \$4.0 million had gross unrealized losses of \$1.0 million which had been in a continuous unrealized loss position for more than twelve months. Of the remaining \$36.0 million, \$6.9 million of investments had gross unrealized losses of \$0.9 million which had been in a continuous unrealized loss position for less than twelve months. These unrealized losses on investments were caused primarily by the downturn in the market values of mortgaged backed securities and in the financial sector during 2008. The Company does not consider these investments to be other than temporarily impaired at January 31, 2009.

In applying the valuation principles in SFAS No. 157 to financial assets and liabilities, a three-tier fair value hierarchy was used to prioritize the inputs used in the valuation methodologies as follows:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Include other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

This fair value hierarchy also requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Asset-backed, 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. The Company's investment in auction rate securities is classified within Level 3 because these are valued using valuation techniques for which some of the inputs to these models are unobservable in the market.

Assets measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at Reporting Date			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(\$000)	January 31, 2009			
Auction-rate securities	\$ 1,100	\$ -	\$ -	\$ 1,100
Asset-backed securities	789	-	789	-
Corporate securities	13,240	-	13,240	-
U.S. Government and agency securities	16,386	16,386	-	-
Mortgage-backed securities	7,297	-	7,297	-
Total assets measured at fair value	\$ 38,812	\$ 16,386	\$ 21,326	\$ 1,100

The underlying assets in the Company's non-qualified deferred compensation program totaling \$37.3 million as of January 31, 2009 (included in Other long term assets) primarily consist of money market, stable value, stock, and bond funds. The fair value measurement for funds that are quoted market prices in active markets (Level 1) totaled \$28.7 million as of January 31, 2009. The fair value measurement for funds without quoted market prices in active markets (Level 2) totaled \$8.6 million as of January 31, 2009. Fair market value for these funds is considered to be the sum of participant funds invested under the contract plus accrued interest.

The maturities of investment securities at January 31, 2009 were:

	Cost basis	Estimated fair value
(\$000)		
Maturing in one year or less	\$ 886	\$ 798
Maturing after one year through five years	25,646	25,600
Maturing after five years through ten years	11,525	10,532
Maturing after ten years	1,929	1,882
Total	\$ 39,986	\$ 38,812

The maturities of investment securities at February 2, 2008 were as follows:

(\$000)	Cost basis	Estimated fair value
Maturing in one year or less	\$ 6,069	\$ 6,098
Maturing after one year through five years	21,789	22,367
Maturing after five years through ten years	16,249	16,959
Maturing after ten years	1,417	1,440
<b>Total</b>	<b>\$ 45,524</b>	<b>\$ 46,864</b>

**Note C: Stock-based compensation**

For fiscal 2008, 2007 and 2006 the Company recognized stock-based compensation expense as follows:

(\$000)	2008	2007	2006
Stock options and ESPP	\$ 5,359	\$ 9,083	\$ 13,221
Restricted stock and performance awards	17,216	16,082	13,459
<b>Total</b>	<b>\$ 22,575</b>	<b>\$ 25,165</b>	<b>\$ 26,680</b>

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

No stock options were granted during 2008. Beginning in 2008, the Company no longer offers a lookback option in determining the purchase price for shares purchased under the ESPP. The Company recognizes expense for ESPP purchase rights equal to the value of the 15% discount given on the purchase date.

At January 31, 2009, the Company had two stock-based compensation plans, which are further described in Note H. The fair value of stock options and ESPP rights granted during the respective periods under these plans were estimated using the following assumptions:

<b>Stock Options</b>	2008	2007	2006
Expected life from grant date (years)	--	3.9	4.2
Expected volatility	--	28.4%	32.5%
Risk-free interest rate	--	4.7%	4.6%
Dividend yield	--	0.9%	0.8%

<b>Employee Stock Purchase Plan</b>	2008	2007	2006
Expected life from grant date (years)	--	1.0	1.0
Expected volatility	--	26.4%	26.7%
Risk-free interest rate	--	5.0%	4.5%
Dividend yield	--	0.9%	0.8%

Total stock-based compensation recognized in the Company's consolidated Statements of Earnings for fiscal 2008, 2007 and 2006 is as follows:

Statements of Earnings Classification ((\$000))	2008	2007	2006
Cost of goods sold	\$ 10,021	\$ 10,736	\$ 11,475
Selling, general and administrative	12,554	14,429	15,205
Total	\$ 22,575	\$ 25,165	\$ 26,680

The weighted average fair values per share of stock options granted during 2007 and 2006 were \$9.12 and \$8.52, respectively. The weighted average fair values per share of employee stock purchase awards for fiscal 2007 and 2006 were \$8.02 and \$7.72, respectively.

#### Note D: Debt

**Bank credit facilities.** The Company has a \$600 million revolving credit facility with an expiration date of July 2011 and interest pricing at LIBOR plus 45 basis points. This facility contains a \$300 million sublimit for issuance of standby letters of credit, of which \$239.6 million was available at January 31, 2009. Interest is payable upon borrowing maturity but no less than quarterly. Borrowing under this credit facility is subject to the Company maintaining certain interest coverage and other financial ratios. The Company had no borrowings outstanding under this facility as of January 31, 2009 and was in compliance with the covenants.

**Senior Notes.** The Company has a Note Purchase Agreement with various institutional investors for \$150 million of unsecured senior notes. The notes were issued in two series and funding occurred in December 2006. The Series A notes, issued for an aggregate of \$85 million, are due in December 2018, and bear interest at a rate of 6.38%. The Series B notes, issued for an aggregate of \$65 million, are due in December 2021, and bear interest at a rate of 6.53%. The fair value of these notes as of January 31, 2009 of approximately \$156 million is estimated by obtaining comparable market quotes. Borrowings under these notes are subject to certain covenants including interest coverage and other financial ratios. As of January 31, 2009, the Company was in compliance with these covenants.

**Letters of credit.** The Company uses standby letters of credit to collateralize certain obligations related to its self-insured workers' compensation and general liability programs. The Company had \$60.4 million and \$61.1 million in standby letters of credit at January 31, 2009 and February 2, 2008, respectively.

The Company also had \$16.7 million and \$20.8 million in trade letters of credit outstanding at January 31, 2009 and February 2, 2008, respectively.

#### Note E: Leases

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

The Company has lease arrangements for certain equipment in its stores for its 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 either two or three years and the Company typically has options to renew the leases for two to three one-year periods. Alternatively, the Company may purchase or return the equipment at the end of the initial or each renewal term. The Company's obligation under the residual value guarantee at the end of the respective lease terms is \$3.9 million.

The Company also leases 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 million ten-year synthetic lease facility that expires in July 2013. Rent expense on this distribution center is payable monthly at a fixed annual rate of 5.8% on the lease balance of \$70 million. At the end of the lease term, the Company must either refinance the distribution facility, purchase it at the amount of the then-outstanding lease balance, or sell it to a third party. If the distribution center is sold to a third party for less than \$70 million, the Company has agreed under a residual value guarantee to pay the lessor any shortfall amount up to \$56 million.

In accordance with FIN No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," the Company has recognized a liability and corresponding asset for the fair value of the residual value guarantee in the amount of \$8.3 million for the Perris, California distribution center and \$1.2 million for the POS leases. 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 consolidated balance sheets.

In November 2001, the Company entered into a nine-year lease for a 239,000 square foot warehouse and a ten-year lease for a 246,000 square foot warehouse in Carlisle, Pennsylvania. In January 2009, the Company exercised a three-year option for a 253,000 square foot warehouse in Fort Mill, South Carolina, extending the term to February 2013. In June 2008, the Company purchased a 423,000 square foot warehouse also in Fort Mill, South Carolina. All four of these properties are used to store the Company's packaway inventory. The Company also leases a 10-acre parcel that has been developed for trailer parking adjacent to its Perris distribution center.

The synthetic lease facilities described above, as well as the Company's revolving credit facility and senior notes, have covenant restrictions requiring the Company to maintain certain interest coverage and other financial ratios. In addition, the interest rates under these agreements may vary depending on the Company's actual interest coverage ratios. As of January 31, 2009, the Company was in compliance with these covenants.

The Company leases approximately 181,000 square feet of office space for its corporate headquarters in Pleasanton, California, under several facility leases. The lease terms for these facilities expire between 2010 and 2014 and contain renewal provisions.

The Company leases approximately 161,000 square feet of office space for its New York buying office and approximately 15,000 square feet for its Los Angeles buying office. The lease terms for these facilities expire in 2015 and 2011, respectively. The lease term for the New York office contains a renewal provision.

The aggregate future minimum annual lease payments under leases in effect at January 31, 2009 are as follows:

(\$000)	Capital leases	Operating leases	Synthetic leases	Residual value guarantees	Total leases
2009	\$ 389	\$ 335,280	\$ 6,542	\$ 2,379	\$ 344,590
2010	325	323,612	4,580	814	329,331
2011	-	289,701	4,466	714	294,881
2012	-	254,554	4,091	-	258,645
2013	-	218,655	2,045	56,000	276,700
Thereafter	-	478,253	-	-	478,253
<b>Total minimum lease payments</b>	<b>\$ 714</b>	<b>\$ 1,900,055</b>	<b>\$ 21,724</b>	<b>\$ 59,907</b>	<b>\$ 1,982,400</b>

Total rent expense for all leases was \$325.9 million in 2008, \$301.6 million in 2007, and \$274.2 million in 2006.

**Note F: Taxes on Earnings**

The provision for taxes consisted of the following:

(\$000)	2008	2007	2006
<b>Current</b>			
Federal	\$ 152,833	\$ 160,155	\$ 153,263
State	13,285	14,613	14,064
	<b>166,118</b>	174,768	167,327
<b>Deferred</b>			
Federal	23,621	(9,263)	(10,268)
State	183	(1,436)	(416)
	<b>23,804</b>	(10,699)	(10,684)
<b>Total</b>	<b>\$ 189,922</b>	\$ 164,069	\$ 156,643

In fiscal 2008, 2007 and 2006, the Company realized tax benefits of \$8.5 million, \$6.5 million and \$12.1 million, respectively, related to employee equity programs that were credited to additional paid-in capital.

The provision for taxes for financial reporting purposes is different from the tax provision computed by applying the statutory federal income tax rate. Differences are as follows:

	2008	2007	2006
Federal income taxes at the statutory rate	35%	35%	35%
State income taxes (net of federal benefit) and other, net	3%	4%	4%
	<b>38%</b>	39%	39%

The components of deferred income taxes at January 31, 2009 and February 2, 2008 are as follows:

(\$000)	2008	2007
<b>Deferred Tax Assets</b>		
Deferred compensation	\$ 25,015	\$ 29,163
Deferred rent	10,490	9,755
Employee benefits	7,861	7,474
Accrued liabilities	18,776	20,999
California franchise taxes	3,701	3,976
Stock-based compensation	7,771	7,991
Other	5,761	3,950
	<u>79,375</u>	<u>83,308</u>
<b>Deferred Tax Liabilities</b>		
Depreciation	(121,952)	(105,174)
Merchandise inventory	(30,627)	(27,544)
Supplies	(7,015)	(6,281)
Prepaid expenses	(5,657)	(5,538)
Other	2,812	1,969
	<u>(162,439)</u>	<u>(142,568)</u>
<b>Net Deferred Tax Liabilities</b>	<b>\$ (83,064)</b>	<b>\$ (59,260)</b>
<b>Classified as:</b>		
Current net deferred tax asset	\$ 14,093	\$ 19,639
Long-term net deferred tax liability	(97,157)	(78,899)
<b>Net Deferred Tax Liabilities</b>	<b>\$ (83,064)</b>	<b>\$ (59,260)</b>

Effective February 4, 2007, the Company adopted the provisions of FIN 48. As a result, the Company established a \$26.3 million reserve for unrecognized tax benefits, inclusive of \$6.0 million of related interest. The reserve is classified as a long-term liability and included in other long-term liabilities in the Company's consolidated balance sheets. Upon adoption of FIN 48, the Company also recognized a reduction in retained earnings of \$7.4 million and certain other deferred income tax assets and liabilities were reclassified.

The changes in amounts of unrecognized tax benefits (gross of federal tax benefits and excluding interest) since adoption of FIN 48 at January 31, 2009 and February 2, 2008 are as follows:

(\$000)	2008	2007
Unrecognized tax benefits - beginning of year	\$ 23,218	\$ 25,680
Gross increases:		
Tax positions in current period	4,695	5,451
Tax positions in prior period	3,658	1,486
Gross decreases:		
Tax positions in prior periods	(1,115)	(6,352)
Lapse of statute limitations	(1,783)	(3,004)
Settlements	(2,335)	(43)
Unrecognized tax benefit - at year end	\$ 26,338	\$ 23,218

In fiscal 2008 and 2007, the reserves for unrecognized tax benefits (net of federal tax benefits) were \$26.0 million and \$23.2 million inclusive of \$6.5 million and \$5.6 million of related interest, respectively. The Company adopted a new tax method of accounting which reduced its reserve during fiscal 2007. The Company accounts for interest and penalties related to unrecognized tax benefits as a part of its provision for taxes on earnings. If recognized, \$19.2 million would impact the Company's effective tax rate. The difference between the total amount of unrecognized tax benefits and the amounts that would impact the effective tax rate relates to amounts attributable to deferred income tax assets and liabilities. These amounts are net of federal and state income taxes.

During the next twelve months, it is reasonably possible that the statute of limitations may lapse pertaining to positions taken by the Company in prior year tax returns. As a result, the total amount of unrecognized tax benefits may decrease, which would reduce the provision for taxes on earnings by up to \$1.5 million, net of federal tax benefits.

The Company is generally open to audit by the Internal Revenue Service under the statute of limitations for fiscal years 2005 through 2008. The Company's state income tax returns are generally open to audit under the various statutes of limitations for fiscal years 2004 through 2008. Certain state tax returns are currently under audit by state tax authorities. The Company does not expect the result of these audits to have a material impact on the consolidated financial statements.

#### **Note G: Employee Benefit Plans**

The Company has a defined contribution plan that is available to certain employees. Under the plan, employee and Company contributions and accumulated plan earnings qualify for favorable tax treatment under Section 401(k) of the Internal Revenue Code. This plan permits employees to make contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches up to 4% of the employee's salary up to the plan limits. Company matching contributions to the 401(k) plan were \$7.3 million, \$6.8 million and \$6.1 million in fiscal 2008, 2007 and 2006, respectively.

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

The Company also makes available to management a Non-qualified Deferred Compensation Plan which allows management to make payroll contributions on a pre-tax basis in addition to the 401(k) plan. Other long-term assets include \$37.3 million and \$48.2 million at January 31, 2009 and February 2, 2008, respectively, of long-term investments, at market value, set aside or designated for the Non-qualified Deferred Compensation Plan. Plan investments are designated by the participants, and investment returns are not guaranteed by the Company. The Company has a corresponding liability to participants of \$37.3 million and \$48.2 million at January 31, 2009 and February 2, 2008, respectively, included in other long-term liabilities in the consolidated balance sheets.

In addition, the Company has certain individuals who receive or will receive post-employment benefits. The estimated liability for these benefits of \$4.3 million and \$3.2 million is included in accrued liabilities and other in the accompanying consolidated balance sheets as of January 31, 2009 and February 2, 2008, respectively.

**Note H: Stockholders' Equity**

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

**Common stock.** In January 2008 the Company's Board of Directors approved a two-year stock repurchase program of up to \$600 million for fiscal 2008 and 2009. In November 2005, the Company's Board of Directors authorized a two-year stock repurchase program of up to \$400 million for fiscal 2006 and 2007. The following table summarizes the Company's stock repurchase activity in fiscal 2008, 2007 and 2006:

Fiscal Year	Shares repurchased (in millions)	Average repurchase price	Repurchased (in millions)
2008	9.3	\$ 32.09	\$ 300.0
2007	6.9	\$ 29.10	\$ 200.0
2006	7.1	\$ 28.17	\$ 200.0

**Dividends.** In January 2009, the Company's Board of Directors declared a quarterly cash dividend of \$.11 per common share, payable on March 31, 2009. The Company's Board of Directors declared quarterly cash dividends of \$.095 per common share in January, May, August and November 2008, a cash dividend of \$.075 per common share in January, May, August and November 2007, and a cash dividend of \$.06 per common share in January, May, August and November 2006.

**2008 Equity Incentive Plan.** On May 22, 2008, the Company's stockholders approved the adoption of the Ross Stores, Inc. 2008 Equity Incentive Plan (the "2008 Plan") with an initial share reserve of 8.3 million shares of the Company's common stock, of which 6.0 million shares can be issued as full value awards. The 2008 Plan replaced the 2004 Equity Incentive Plan (the "2004 Plan"). The 2008 Plan provides for various types of incentive awards, which may potentially include the grant of stock options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, performance shares, performance units, and deferred compensation awards.

As of January 31, 2009, there were 5.8 million shares that remained available for grant under the 2008 Plan. A summary of the stock option activity for fiscal 2008, 2007 and 2006 is presented below.

(000, except per share data)	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 28, 2006	8,665	\$ 20.51		
Granted	796	\$ 27.70		
Exercised	(1,887)	\$ 14.80		
Forfeited	(347)	\$ 27.16		
Outstanding at February 3, 2007	7,227	\$ 22.47		
Granted	593	\$ 34.04		
Exercised	(985)	\$ 16.35		
Forfeited	(216)	\$ 27.61		
Outstanding at February 2, 2008	6,619	\$ 24.25		
Granted	--	--		
Exercised	(1,984)	\$ 21.50		
Forfeited	(101)	\$ 26.93		
<b>Outstanding at January 31, 2009</b>	<b>4,534</b>	<b>\$ 25.39</b>	<b>5.38</b>	<b>\$ 27,304</b>
<b>Vested or Expected to Vest at January 31, 2009</b>	<b>4,467</b>	<b>\$ 25.27</b>	<b>5.34</b>	<b>\$ 27,258</b>
<b>Exercisable at January 31, 2009</b>	<b>3,772</b>	<b>\$ 23.97</b>	<b>4.90</b>	<b>\$ 26,565</b>

The following table summarizes information about the weighted average remaining contractual life (in years) and the weighted average exercise prices for stock options both outstanding and exercisable as of January 31, 2009 (number of shares in thousands):

Exercise price range	Options outstanding			Options exercisable	
	Number of shares	Remaining life	Exercise price	Number of shares	Exercise price
\$ 7.19 to \$ 19.02	913	2.10	\$ 13.62	913	\$ 13.62
\$ 19.13 to \$ 27.54	928	5.21	\$ 24.36	867	\$ 24.29
\$ 27.55 to \$ 28.61	1,435	6.25	\$ 28.21	1,305	\$ 28.20
\$ 28.62 to \$ 32.85	734	5.99	\$ 29.40	687	\$ 29.30
\$ 34.37 to \$ 34.37	524	8.14	\$ 34.37	-	\$ -
\$ 7.19 to \$ 34.37	4,534	5.38	\$ 25.39	3,772	\$ 23.97

During fiscal 2008 restricted stock awards totaling 618,000 were issued and 33,000 shares were forfeited under the 2008 and 2004 Plans. During fiscal 2007 and 2006, restricted stock awards totaling 568,000 and 569,000, respectively, were issued under the 2004 Plan, and 43,000 and 149,000 shares were forfeited during each respective year. The market value of these shares at the date of grant is amortized to expense ratably over the vesting period of generally three to five years. The unamortized compensation expense at January 31, 2009 and February 2, 2008 was \$31.0 million and \$29.6 million, respectively. During fiscal 2008, 2007 and 2006, shares purchased by the Company for tax withholding totaled 163,000, 125,000 and 133,400 shares, respectively, and are considered treasury shares which are available for reissuance. As of January 31, 2009 and February 2, 2008, the Company held 1,128,000 and 965,000 shares of treasury stock, respectively. As of January 31, 2009 and February 2, 2008, shares of unvested restricted stock subject to repurchase totaled 1.9 million and 2.0 million shares respectively. A total of 5,840,000, 2,709,000 and 3,278,000 shares were available for new restricted stock awards at the end of fiscal 2008, 2007 and 2006, respectively.

**Performance share awards.** Beginning in fiscal 2007, the Company initiated a performance share award program for senior executives. A performance share award represents a right to receive shares of common stock on a specified settlement date based on the Company's attainment of a profitability-based performance goal during a performance period. If attained, the common stock then granted vests over a specified remaining service period, generally two years. The Company recognized \$1.5 million and \$0.6 million of expense related to performance share awards in fiscal 2008 and 2007, respectively.

**Employee Stock Purchase Plan.** Under the Employee Stock Purchase Plan, eligible full-time employees participating in the annual 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. Starting in 2008, the purchase price of the stock is 85% of the market price on the date of purchase. In addition, purchases occur on a calendar quarterly basis (on the last trading day of each quarter). Prior to 2008, the purchase price of the stock was the lower of 85% of the market price at the beginning of the offering period, or end of the offering period. During fiscal 2008, 2007 and 2006, employees purchased approximately 188,000, 214,000 and 183,000 shares, respectively, of the Company's common stock under the plan at weighted average per share prices of \$27.89, \$21.73 and \$24.86, respectively. Through January 31, 2009, approximately 8,927,000 shares had been issued under this plan and 1,073,000 shares remained available for future issuance.

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

The Company has an agreement with its Chairman of the Board of Directors under which the Company pays an annual consulting fee of \$1.1 million in monthly installments through January 2012. In addition, the agreement provides for administrative support and health and other benefits for the individual and his dependents which totaled approximately \$0.2 million in fiscal 2008, 2007, and 2006, along with amounts to cover premiums through January 2012 on a life insurance policy with a death benefit of \$2 million.

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

Like many California retailers, the Company has been named in class action lawsuits regarding wage and hour claims. Class action litigation involving allegations that hourly associates have missed meal and/or rest break periods, as well as allegations of unpaid overtime wages to assistant store managers at all Company stores under federal and state law, remains pending as of January 31, 2009.

The Company is also party to various other 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 the class action litigation and other currently pending legal proceedings is not expected to have a material adverse effect on the Company's financial condition or results of operations.

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

Summarized quarterly financial information for fiscal 2008 and 2007 is presented in the tables below.

Year ended January 31, 2009:

	Quarter ended May 3, 2008	Quarter ended August 2, 2008	Quarter ended November 1, 2008	Quarter ended January 31, 2009
(\$000, except per share data)				
Sales	\$ 1,556,328	\$ 1,640,412	\$ 1,555,287	\$ 1,734,112
Cost of goods sold	1,181,557	1,255,222	1,198,451	1,321,346
Selling, general and administrative	247,672	268,839	262,534	255,312
Interest (income) expense, net	(1,621)	(1,052)	(15)	2,531
Total costs and expenses	1,427,608	1,523,009	1,460,970	1,579,189
Earnings before taxes	128,720	117,403	94,317	154,923
Provision for taxes on earnings	49,235	46,104	37,047	57,536
Net earnings	\$ 79,485	\$ 71,299	\$ 57,270	\$ 97,387
Earnings per share – basic <sup>2</sup>	\$ .61	\$ .55	\$ .44	\$ .77
Earnings per share – diluted <sup>2</sup>	\$ .60	\$ .54	\$ .44	\$ .76
Dividends declared per share on common stock	\$ -	\$ .095	\$ .095	\$ .205 <sup>1</sup>
Stock price <sup>3</sup>				
High	\$ 34.39	\$ 39.69	\$ 41.31	\$ 31.64
Low	\$ 27.09	\$ 33.61	\$ 27.10	\$ 22.10

<sup>1</sup> Includes \$.095 per share dividend declared in November 2008 and \$.11 dividend declared in January 2009.

<sup>2</sup> Quarterly EPS results may not equal full year amounts due to rounding.

<sup>3</sup> Ross Stores, Inc. common stock trades on The NASDAQ Global Select Market<sup>®</sup> under the symbol ROST.

Year ended February 2, 2008:

	Quarter ended May 5, 2007	Quarter ended August 4, 2007	Quarter ended November 3, 2007	Quarter ended February 2, 2008
(\$000, except per share data)				
Sales	\$ 1,410,541	\$ 1,444,632	\$ 1,468,337	\$ 1,651,702
Cost of goods sold	1,071,278	1,131,286	1,150,754	1,264,902
Selling, general and administrative	230,203	229,326	238,847	237,525
Interest (income) expense, net	(1,391)	65	(12)	(2,691)
Total costs and expenses	1,300,090	1,360,677	1,389,589	1,499,736
Earnings before taxes	110,451	83,955	78,748	151,966
Provision for taxes on earnings	43,407	33,092	30,066	57,504
Net earnings	\$ 67,044	\$ 50,863	\$ 48,682	\$ 94,462
Earnings per share – basic <sup>2</sup>	\$ .49	\$ .37	\$ .36	\$ .71
Earnings per share – diluted <sup>2</sup>	\$ .48	\$ .37	\$ .36	\$ .70
Dividends declared per share on common stock	\$ -	\$ .075	\$ .075	\$ .170 <sup>1</sup>
Stock price <sup>3</sup>				
High	\$ 34.86	\$ 34.52	\$ 30.02	\$ 29.89
Low	\$ 31.46	\$ 27.58	\$ 25.61	\$ 21.48

<sup>1</sup> Includes \$.075 per share dividend declared in November 2007 and \$.095 dividend declared in January 2008.

<sup>2</sup> Quarterly EPS results may not equal full year amounts due to rounding.

<sup>3</sup> Ross Stores, Inc. common stock trades on The NASDAQ Global Select Market<sup>®</sup> under the symbol ROST.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of January 31, 2009 and February 2, 2008, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2009. We also have audited the Company's internal control over financial reporting as of January 31, 2009, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

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

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ross Stores, Inc. and subsidiaries as of January 31, 2009 and February 2, 2008, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2009, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As discussed in Note F to the consolidated financial statements, the Company adopted Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No.109*, effective February 4, 2007.

/s/DELOITTE & TOUCHE LLP

San Francisco, California  
March 26, 2009

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

None

**ITEM 9A. CONTROLS AND PROCEDURES.**

**Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our “disclosure controls and procedures” (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. 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.

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

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as set forth in *Internal Control — Integrated Framework*. Based on our evaluation under the framework in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of January 31, 2009.

Our internal control over financial reporting as of January 31, 2009 has also been audited by Deloitte & Touche LLP, an independent registered public accounting firm, and their opinion as to the effectiveness of our internal control over financial reporting is stated in their report, dated March 26, 2009, which is included in Item 8 in this Annual Report on Form 10-K.

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

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the fourth fiscal quarter of 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our management concluded that there was no such change during the fourth fiscal quarter.

**ITEM 9B. OTHER INFORMATION.**

None

**PART III**

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

Information required by item 401 of Regulation S-K is incorporated herein by reference to the sections entitled "Executive Officers of the Registrant" at the end of Part I of this report; and to the sections of the Ross Stores, Inc. Proxy Statement for the Annual Meeting of Stockholders to be held on Wednesday, May 20, 2009 (the "Proxy Statement") entitled "Information Regarding Nominees and Incumbent Directors." Information required by Item 405 of Regulation S-K is incorporated by reference to the Proxy Statement under the section titled "Section 16(a) Beneficial Ownership Reporting Compliance." We have not made any material changes to the procedures by which our stockholders may recommend nominees to the Board of Directors. Information required by Item 407(d)(4) and (d)(5) of Regulation S-K is incorporated by reference to the Proxy Statement under the section entitled "Information Regarding Nominees and Incumbent Directors" under the caption "Audit Committee."

Our Board of Directors has adopted a Code of Ethics for Senior Financial Officers that applies to the Company's Chief Executive Officer, Chief Administrative Officer, Chief Operations Officer, Chief Financial Officer, Vice President Controller, Vice President Accounting and Assistant Controller, Vice President Finance and Treasurer, Vice President Investor and Media Relations, and other positions that may be designated by the Company. This Code of Ethics is posted on our corporate website ([www.rossstores.com](http://www.rossstores.com)). We intend to satisfy the disclosure requirements of Item 10 of Form 8-K regarding any future amendments to, or waivers from, our Code of Ethics for Senior Financial Officers by posting any changed version on the same corporate website.

**ITEM 11. EXECUTIVE COMPENSATION.**

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

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

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

**Equity compensation plan information.** The following table summarizes the equity compensation plans under which the Company's common stock may be issued as of January 31, 2009:

Shares in (000s)	(a) Number of securities to be issued upon exercise of outstanding options and rights	(b) Weighted average exercise price per share of outstanding options and rights	(c) Number of securities remaining available for future issuance (excluding securities reflected in column (a)) <sup>1</sup>
Equity compensation plans approved by security holders	3,5612	\$ 26.93	6,9133
Equity compensation plans not approved by security holders <sup>4</sup>	973	\$ 19.75	-
<b>Total</b>	<b>4,534</b>	<b>\$ 25.39</b>	<b>6,913</b>

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

<sup>2</sup> Represents shares reserved for options granted under the prior 1992 Stock Option Plan, the prior 1991 Outside Directors Stock Option Plan, the 2004 Equity Incentive Plan, and the 2008 Equity Incentive Plan.

<sup>3</sup> Includes 1,073,000 shares reserved for issuance under the Employee Stock Purchase Plan and 5,840,000 shares reserved for issuance under the 2008 Equity Incentive Plan.

<sup>4</sup> Represents shares reserved for options granted under the prior 2000 Equity Incentive Plan, which was approved by the Company's Board of Directors in March 2000.

The information required by Item 403 of Regulation S-K is incorporated herein by reference to the section of the Proxy Statement entitled "Stock Ownership of Certain Beneficial Owners and Management."

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

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

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

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

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.**

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

1. List of Consolidated Financial Statements.

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

Consolidated Statements of Earnings for the years ended January 31, 2009, February 2, 2008, and February 3, 2007.

Consolidated Balance Sheets at January 31, 2009 and February 2, 2008.

Consolidated Statements of Stockholders' Equity for the years ended January 31, 2009, February 2, 2008 and February 3, 2007.

Consolidated Statements of Cash Flows for the years ended January 31, 2009, February 2, 2008 and February 3, 2007.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

2. List of Consolidated Financial Statement Schedules.

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

3. List of Exhibits (in accordance with Item 601 of Regulation S-K).

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

## SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

### ROSS STORES, INC.

(Registrant)

Date: March 31, 2009

By: /s/Michael Balmuth  
Michael Balmuth  
Vice Chairman, President and  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/Michael Balmuth Michael Balmuth	Vice Chairman, President and Chief Executive Officer, Director	March 31, 2009
/s/J. Call John G. Call	Senior Vice President, Chief Financial Officer and Principal Accounting Officer	March 31, 2009
/s/Norman A. Ferber Norman A. Ferber	Chairman of the Board, Director	March 31, 2009
/s/K. Gunnar Bjorklund K. Gunnar Bjorklund	Director	March 31, 2009
/s/Michael J. Bush Michael J. Bush	Director	March 31, 2009
/s/Sharon D. Garrett Sharon D. Garrett	Director	March 31, 2009
/s/G. Orban George P. Orban	Director	March 31, 2009
/s/Donald H. Seiler Donald H. Seiler	Director	March 31, 2009

## INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Amendment of Certificate of Incorporation dated May 21, 2004 and Amendment of Certificate of Incorporation dated June 5, 2002 and Corrected First Restated Certificate of Incorporation incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 31, 2004.
3.2	Amended By-laws, dated August 25, 1994, incorporated by reference to Exhibit 3.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 1994.
4.1	Note Purchase Agreement dated October 17, 2006 incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended October 28, 2006.
10.1	Lease dated July 23, 2003 of Certain Property located in Perris, California, incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 2, 2003.
MANAGEMENT CONTRACTS AND COMPENSATORY PLANS (EXHIBITS 10.2 - 10.60)	
10.2	Third Amended and Restated Ross Stores, Inc. 1992 Stock Option Plan, incorporated by reference to Exhibit 10.5 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 29, 2000.
10.3	Amendment to Third Amended and Restated Ross Stores, Inc. 1992 Stock Option Plan, incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 4, 2001.
10.4	Ross Stores, Inc. 2000 Equity Incentive Plan, incorporated by reference to Exhibit 10.7 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 29, 2000.
10.5	Fourth Amended and Restated Ross Stores, Inc. Employee Stock Purchase Plan, incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 29, 2000.
10.6	Amended and Restated Ross Stores, Inc. Employee Stock Purchase Plan dated November 20, 2007 incorporated by reference to Exhibit 10.6 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended February 2, 2008.
10.7	Fourth Amended and Restated Ross Stores, Inc. 1988 Restricted Stock Plan, incorporated by reference to Exhibit 10.9 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 29, 2000.
10.8	Amended and Restated Ross Stores, Inc. 1991 Outside Directors Stock Option Plan, as amended through January 30, 2003, incorporated by reference to Exhibit 10.9 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended February 1, 2003.
10.9	Ross Stores Executive Medical Plan, incorporated by reference to Exhibit 10.9 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 30, 1999.
10.10	Ross Stores Executive Dental Plan, incorporated by reference to Exhibit 10.10 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 30, 1999.

- 10.11 Ross Stores Second Amended and Restated Ross Stores, Inc. Non-Qualified Deferred Compensation Plan, incorporated by reference to Exhibit 10.12 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 30, 1999.
- 10.12 Amended and Restated Ross Stores, Inc. Incentive Compensation Plan, incorporated by reference to Exhibit 10.18 to the Form 10-K filed by Ross Stores, Inc. for its year ended January 29, 2000.
- 10.13 Ross Stores, Inc. Second Amended and Restated Incentive Compensation Plan, incorporated by reference to the appendix to the Definitive Proxy Statement on Schedule 14A filed by Ross Stores, Inc. on April 12, 2006.
- 10.14 Ross Stores, Inc. 2004 Equity Incentive Plan, incorporated by reference to Exhibit 99 to the Definitive Proxy Statement on Schedule 14A filed by Ross Stores, Inc. on April 15, 2004.
- 10.15 Second Amendment to the Ross Stores, Inc. 2004 Equity Incentive Plan effective March 22, 2007 incorporated by reference to Exhibit 10.7 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 5, 2007.
- 10.16 First Amendment to the Ross Stores, Inc. 2004 Equity Incentive Plan, effective May 17, 2005, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2005.
- 10.17 Form of Stock Option Agreement for options granted pursuant to Ross Stores, Inc. 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.32 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 31, 2004.
- 10.18 Form of Restricted Stock Agreement for stock awards granted pursuant to the Ross Stores, Inc. 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.33 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 31, 2004.
- 10.19 Form of Stock Option Agreement for Non-Employee Directors for options granted pursuant to Ross Stores, Inc. 2004 Equity Incentive Plan, incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2005.
- 10.20 Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to the appendix to the Definitive Proxy Statement on Schedule 14A filed by Ross Stores, Inc. on April 14, 2008.
- 10.21 Form of Nonemployee Director Equity Notice of Grant of Restricted Stock and Restricted Stock Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.2 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.
- 10.22 Form of Nonemployee Director Equity Notice of Grant of Restricted Stock Units and Restricted Stock Units Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.3 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.
- 10.23 Form of Notice of Grant of Restricted Stock and Restricted Stock Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.4 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.

- 10.24 Form of Notice of Grant of Restricted Stock Units and Restricted Stock Units Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.5 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.
- 10.25 Form of Notice of Grant of Performance Shares and Performance Share Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.6 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.
- 10.26 Form of Notice of Grant of Stock Option and Stock Option Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan, incorporated by reference to Exhibit 99.7 to the Form 8-K filed by Ross Stores, Inc. on May 23, 2008.
- 10.27 Form of Indemnity Agreement between Ross Stores, Inc. for Directors and Executive Officers, incorporated by reference to Exhibit 10.27 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended February 2, 2002.
- 10.28 Independent Contractor Consultancy Agreement effective February 1, 2000 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.41 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended April 29, 2000.
- 10.29 Retirement Benefit Package Agreement effective February 1, 2000 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.42 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended April 29, 2000.
- 10.30 Amendment to Independent Contractor Consultancy Agreement dated January 10, 2001 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.16 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended February 3, 2001.
- 10.31 Amendment #2 to the Independent Contractor Consultancy Agreement dated January 7, 2002 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.16 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended February 2, 2002.
- 10.32 Third Amendment to the Independent Contractor Consultancy Agreement effective February 1, 2003 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.19 of the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended February 1, 2003.
- 10.33 Fourth Amendment to the Independent Contractor Consultancy Agreement effective February 1, 2004 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.19 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 29, 2005.
- 10.34 Fifth Amendment to the Independent Contractor Consultancy Agreement effective February 1, 2005 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.20 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 29, 2005.
- 10.35 Sixth Amendment to the Independent Contractor Consultancy Agreement between Norman A. Ferber and Ross Stores, Inc. effective February 1, 2006, incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended April 29, 2006.
- 10.36 Revised and Restated Sixth Amendment to the Independent Contractor Consultancy Agreement executed June 2007 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 4, 2007.

- 10.37 Seventh Amendment to the Independent Contractor Consultancy Agreement executed March 2008 between Norman A. Ferber and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 3, 2008.
- 10.38 Employment Agreement effective May 31, 2001 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 4, 2001.
- 10.39 First Amendment to the Employment Agreement effective January 30, 2003 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 3, 2003.
- 10.40 Second Amendment to the Employment Agreement effective May 18, 2005 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended July 30, 2005.
- 10.41 Third Amendment to the Employment Agreement executed April 2007 between Michael Balmuth and Ross Stores, Inc. incorporated by reference to Exhibit 10.8 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 5, 2007.
- 10.42 Restated Third Amendment to the Employment Agreement executed December 29, 2008 between Michael Balmuth and Ross Stores, Inc.
- 10.43 Consulting Agreement between Ross Stores, Inc. and Stuart G. Moldaw effective April 1, 2002, incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 4, 2002.
- 10.44 Amendment to 2002 Independent Contractor Consultancy Agreement between Ross Stores, Inc. and Stuart G. Moldaw effective August 21, 2003, incorporated by reference to Exhibit 10.31 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended November 1, 2003.
- 10.45 Second Amendment to Independent Contractor Consultancy Agreement between Ross Stores, Inc. and Stuart G. Moldaw effective April 1, 2005, incorporated by reference to Exhibit 10.38 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 29, 2005.
- 10.46 Third Amendment to Independent Contractor Consultancy Agreement between Ross Stores, Inc. and Stuart G. Moldaw executed September 2007, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended November 3, 2007.
- 10.47 Form of Executive Employment Agreement between Ross Stores, Inc. and Executive Vice Presidents or Senior Vice Presidents, incorporated by reference to Exhibit 10.35 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 29, 2005.
- 10.48 Form of Executive Employment Agreement between Ross Stores, Inc. and Executive Vice Presidents or Senior Vice Presidents.
- 10.49 Employment Agreement effective January 3, 2005 between Lisa Panattoni and Ross Stores, Inc., incorporated by reference to Exhibit 10.36 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 29, 2005.
- 10.50 First Amendment to the Employment Agreement effective October 1, 2005 between Lisa Panattoni and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended October 29, 2005.

- 10.51 Employment Agreement executed April 2007 between Lisa Panattoni and Ross Stores, Inc. incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 5, 2007.
- 10.52 First Amendment to the Employment Agreement effective December 31, 2008 between Lisa Panattoni and Ross Stores, Inc.
- 10.53 Employment Agreement executed April 2007 between Barbara Rentler and Ross Stores, Inc., incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 5, 2007.
- 10.54 First Amendment to the Employment Agreement executed April 2007 between Barbara Rentler and Ross Stores, Inc., incorporated by reference to Exhibit 10.5 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 5, 2007.
- 10.55 Second Amendment to the Employment Agreement effective December 31, 2008 between Barbara Rentler and Ross Stores, Inc.
- 10.56 Form of Performance Share Award Agreement incorporated by reference to Exhibit 10.6 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended May 5, 2007.
- 10.57 Employment Agreement executed October 2007 between John G. Call and Ross Stores, Inc., incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended November 3, 2007.
- 10.58 First Amendment to the Employment Agreement effective December 31, 2008 between John G. Call and Ross Stores, Inc.
- 10.59 Employment Agreement executed March 22, 2007 between Michael O'Sullivan and Ross Stores, Inc.
- 10.60 First Amendment to the Employment Agreement effective December 31, 2008 between Michael O'Sullivan and Ross Stores, Inc.
- 21 Subsidiaries.
- 23 Consent of Independent Registered Public Accounting Firm.
- 31.1 Certification of Chief Executive Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
- 31.2 Certification of Chief Financial Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.

## THIRD AMENDMENT TO THE EMPLOYMENT AGREEMENT

**THE THIRD AMENDMENT TO THE EMPLOYMENT AGREEMENT** (the “Third Amendment”) is made and entered effective the 6<sup>th</sup> day of April 2007, by Ross Stores, Inc. (the “Company”) and Michael Balmuth (the “Executive”). The Executive and the Company previously entered into an Employment Agreement effective May 31, 2001; a First Amendment to the Employment Agreement effective January 30, 2003; and a Second Amendment to the Employment Agreement effective May 18, 2005 (the original Agreement, First Amendment to the Employment Agreement and Second Amendment to the Employment Agreement are attached and collectively referred to herein as “the Agreement”), and it is now the intention of the Executive and the Company to further amend the Agreement as set forth below. Accordingly, the Executive and the Company now enter into this Third Amendment.

- I. The Executive and the Company amend the Agreement by deleting Paragraph 1 of the Agreement in its entirety and replacing it with the following new Paragraph 1:
1. **Term.** The employment of the Executive by the Company will continue as of the date hereof and end on January 29, 2011, unless extended or terminated in accordance with this Agreement, including the extensions contemplated both in paragraphs 1 and 4(b). During March 2009, and during March every other year thereafter (every two years) for so long as the Executive is employed by the Company, upon the written request of the Executive, the Board shall consider extending the Executive’s employment with the Company. Such request must be delivered to the Chairman of the Compensation Committee no later than the last day in February which precedes the March in which the requested extension will be considered. The Board shall advise the Executive, in writing, on or before the April 1<sup>st</sup> following its consideration of the Executive’s written request, whether it approves of such extension. The failure of the Board to provide such written advice shall constitute approval of the Executive’s request for the extension. If the Executive’s request for an extension is approved, this Agreement shall be extended two additional years.
- II. The Executive and the Company further amend the Agreement by deleting the first sentence of Paragraph 4(a) of the Agreement in its entirety and replacing it with the following new sentence:
- 4(a). **Salary.** During his employment, the Company shall pay the Executive a base salary of not less than Nine Hundred and Eighty Eight Thousand Dollars (\$988,000) per annum.
- III. The Executive and the Company further amend the Agreement by deleting the third sentence of Paragraph 7(f) of the Agreement in its entirety and replacing it with the following new sentence:
- A “**Change in Control**” shall be deemed to have occurred if: (1) any person or group (within the meaning of Rule 13d-3 of the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended) shall acquire during the twelve-month period ending on the date of the most recent acquisition by such person or group, in one or a series of transactions, whether through sale of stock or merger, ownership of stock of the Company that constitutes 35% or more of the total voting power of the stock of the Company or any successor to the Company; (2) a merger in which the Company is a party pursuant to which any person or such group acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company, or (3) the sale, exchange, or transfer of all or substantially all of the Company’s assets (other than a sale, exchange, or transfer to one or more corporations where the stockholders of the Company before and after such sale, exchange, or transfer, directly or indirectly, are the beneficial owners of at least a majority of the voting stock of the corporation(s) to which the assets were transferred).
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IV. The Executive and the Company further amend the Agreement by revising the last sentence in Paragraph 9(c)(ii) to read as follows:

Executive shall have two (2) years from the date of such termination of employment to exercise any vested options, provided, however, that to the extent required to comply with Section 409A of the Internal Revenue Code, in no event shall the Executive be permitted to exercise any such stock options on a date later than the earlier of the latest date upon which such stock options could have expired by their original terms under any circumstances or the tenth anniversary of the original date of grant of such stock options.

V. The Executive and the Company further amend the Agreement by adding the following new Paragraph 9(c)(iv):

Notwithstanding the foregoing, in no event shall the Executive be entitled to any payments or benefits under paragraph 9(a) of the Agreement if he is entitled to payments under this paragraph 9(c).

VI. The Executive and the Company further amend the Agreement by deleting the second sentence of Paragraph 9(d) of the Agreement in its entirety and replacing it with the following new sentence:

Any stock options granted to the Executive by the Company shall continue to vest only through the date on which the Executive's employment terminates, and unless otherwise provided by their terms, any restricted stock, performance share awards or other equity awards that were granted to the Executive by the Company that remain unvested as of the date on which the Executive's employment terminates shall automatically be forfeited and the Executive shall have no further rights with respect to such awards.

VII. The Executive and the Company further amend the Agreement by adding the following new sentence as the last sentence of Paragraph 9(e) of the Agreement:

In addition, the Company shall pay the Executive an annual bonus for the Company's fiscal year ending January 29, 2011. Such bonus shall not be paid until due under the applicable Company bonus plan.

VIII. The Executive and the Company amend the Agreement by deleting Paragraph 10 of the Agreement in its entirety and replacing it with the following new Paragraph 10:

**10. Certain Employee Acknowledgements**

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

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

For purposes of this Agreement, a Competing Business shall mean any of the following: (1) any business that is in whole or in substantial part competitive with the business of the Company then being conducted or under consideration, (2) any off-price retailer or retailer of discount merchandise, including without limitation, Burlington Coat Factory Warehouse Corporation, Federated Department Stores, Inc., TJX Companies Inc., Retail Ventures Inc., Kohl's Corporation, Stein Mart, Inc., Foot Locker, Inc., Payless ShoeSource, Inc., Bed, Bath & Beyond Inc., Linens 'n Things, Inc., Tuesday Morning Corporation, and (3) any affiliates, subsidiaries or successors of businesses identified above.

- (ii) The foregoing restrictions in paragraph 10(b)(i) shall have no force or effect in the event that: (i) the Executive's employment with the Company is terminated either by the Company pursuant to paragraph 7(d)[Without Cause] or by the Executive pursuant to paragraph 7(e) [Termination by the Executive for Good Reason]; or (ii) the Company fails to approve or grant an extension of this Agreement in accordance with paragraph 1 hereof.
- (iii) Paragraph 10(b)(i) shall not prohibit the Executive from making any investment of 1% or less of the equity securities of any publicly-traded corporation which is considered to be a Competing Business.
- (c) **Non-Solicitation of Employees.** During the Term of Employment and for a period of 24 months following the Executive's termination of that employment with the Company, the Executive shall not, without the written permission of the Company or an affected affiliate, directly or indirectly (i) solicit, employ or retain, or have or cause any other person or entity to solicit, employ or retain, any person who is employed by the Company or was employed by the Company during the 6-month period prior to such solicitation, employment, or retention, (ii) encourage any such person not to devote his or her full business time to the Company, or (iii) agree to hire or employ any such person.
- (d) **Non-Solicitation of Third Parties.** During the Term of Employment and for a period of 24 months following the Executive's termination of employment with the Company, the Executive shall not directly or indirectly solicit or otherwise influence any entity with a business arrangement with the Company, including, without limitation, customers, suppliers, sales representatives, lenders, lessors, and lessees, to discontinue, reduce, or otherwise materially or adversely affect such relationship.
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- (e) **Non-Disparagement.** The Executive acknowledges and agrees that the Executive will not defame or criticize the services, business, integrity, veracity, or personal or professional reputation of the Company or any of its directors, officers, employees, affiliates, or agents of any of the foregoing in either a professional or personal manner either during the term of the Executive's employment or thereafter.

IX. The Executive and the Company amend the Agreement by deleting Paragraph 22 of the Agreement in its entirety and replacing it with the following new Paragraph 22:

22. **Compliance with Section 409A.** Notwithstanding any other provision of this Agreement to the contrary, the provision, time and manner of payment or distribution of all compensation and benefits provided by this Agreement that constitute nonqualified deferred compensation subject to and not exempted from the requirements of Code Section 409A ("Section 409A Deferred Compensation") shall be subject to, limited by and construed in accordance with the requirements of Code Section 409A and all regulations and other guidance promulgated by the Secretary of the Treasury pursuant to such Section (such Section, regulations and other guidance being referred to herein as "Section 409A"), including the following:
- (a) **Separation from Service.** Payments and benefits constituting Section 409A Deferred Compensation otherwise payable or provided pursuant to paragraph 9 upon the Executive's termination of employment shall be paid or provided only at the time of a termination of the Executive's employment which constitutes a Separation from Service. For the purposes of this Agreement, a "Separation from Service" is a separation from service within the meaning of Section 409A.
  - (b) **Six-Month Delay Applicable to Specified Employees.** If, at the time of a Separation from Service of the Executive, the Executive is a "specified employee" within the meaning of Section 409A (a "Specified Employee"), then no payments and benefits constituting Section 409A Deferred Compensation to be paid or provided pursuant to paragraph 9 upon the Separation from Service of the Executive, other than such payments and benefits that constitute "separation pay" upon an "involuntary separation" (within the meaning of Section 409A) not in excess of two times the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which the Separation from Service occurs (i.e., \$460,000 in the event of separation during 2008) whether paid under this Agreement or otherwise, shall be paid or provided before the later of (i) the date that is six (6) months after the date of such Separation from Service or, if earlier, the date of death of the Executive (in either case, the "Delayed Payment Date"), or (ii) the date or dates on which such Section 409A Deferred Compensation would otherwise be paid or provided in accordance with paragraph 9. All such amounts that would, but for this paragraph 22(b), become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.
  - (c) **Health Care and Estate Planning Benefits.** In the event that all or any of the benefits to be provided pursuant to paragraphs 4(g), (i) or 4(j) as a result of a Participant's Separation from Service constitute Section 409A Deferred Compensation, the Company shall provide for such benefits constituting Section 409A Deferred Compensation in a manner that complies with Section 409A. To the extent necessary to comply with Section 409A, the Company shall determine the premium cost necessary to provide such benefits constituting Section 409A Deferred Compensation for the applicable coverage period and shall pay such premium cost which becomes due and payable during the applicable coverage period on the applicable due date for such premiums; provided, however, that if the Executive is a Specified Employee, the Company shall not pay any such premium cost until the Delayed Payment Date. If the Company's payment pursuant to the previous sentence is subject to a Delayed Payment Date, the Executive shall pay the premium cost between the date of Separation from Service and the Delayed Payment Date, and on the Delayed Payment Date the Company shall reimburse the Executive for such Company premium cost paid by the Executive and shall pay the balance of the Company's premium cost necessary to provide such benefit coverage for the remainder of the applicable coverage period as and when it becomes due and payable over the applicable period.
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- (d) **Matching Contributions.** In the event that Matching Contributions are provided pursuant to paragraph 4(e), such amounts shall be determined based on the maximum annual Company 401(k) Plan match allowed under the Company 401(k) Plan in effect at the time of payment. Such amount shall be paid annually no later than December 31 of the respective year in which a matching contribution would have been made if the Executive was employed by the Company.
- (e) **Stock-Based Awards.** The vesting of any stock-based compensation awards which constitute Section 409A Deferred Compensation and are held by the Executive, if the Executive is a Specified Employee, shall be accelerated in accordance with this Agreement to the extent applicable; provided, however, that the payment in settlement of any such awards shall occur on the Delayed Payment Date. Any stock-based compensation which vests and becomes payable upon a Change in Control in accordance with paragraph 4(b) shall not be subject to this paragraph 22(d).
- (f) **Rights of the Company; Release of Liability.** It is the mutual intention of the Executive and the Company that the provision of all payments and benefits pursuant to this Agreement be made in compliance with the requirements of Section 409A. To the extent that the provision of any such payment or benefit pursuant to the terms and conditions of this Agreement would fail to comply with the applicable requirements of Section 409A, the Company may, in its sole and absolute discretion and without the consent of the Executive, make such modifications to the timing or manner of providing such payment and/or benefit to the extent it determines necessary or advisable to comply with the requirements of Section 409A; provided, however, that the Company shall not be obligated to make any such modifications. Any such modifications made by the Company shall, to the maximum extent permitted in compliance with the requirements of Section 409A, preserve the aggregate monetary face value of such payments and/or benefits provided by this Agreement in the absence of such modification. The Executive acknowledges that (i) the provisions of this paragraph 22 may result in a delay in the time at which payments would otherwise be made pursuant to this Agreement and (ii) the Company is authorized to amend this Agreement, to void or amend any election made by the Executive under this Agreement and/or to delay the payment of any monies and/or provision of any benefits in such manner as may be determined by the Company, in its discretion, to be necessary or appropriate to comply with Section 409A (including any transition or grandfather rules thereunder) without prior notice to or consent of the Executive. The Executive hereby releases and holds harmless the Company, its directors, officers and stockholders from any and all claims that may arise from or relate to any tax liability, penalties, interest, costs, fees or other liability incurred by the Executive as a result of the application of Code Section 409A.
- (g) **Interest.** If, in accordance with this paragraph 22, this Agreement is modified to delay the date of any payment or benefit which, in the absence of such modification, would have occurred within six (6) months following the date of termination of Executive's employment with the Company (the "Original Payment Date") to a date six (6) months or more following the date of termination of Executive's employment with the Company (the "Delayed Payment Date"), then the principal amount of such payment or benefit shall accrue interest from the Original Payment Date to the Delayed Payment Date at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code. The Company shall pay such accrued interest to Executive on the Delayed Payment Date.
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- (h) **Attorney's Fees and Costs.** Any dispute or claim relating to or arising out of any delay in the Company's provision of payments or benefits in accordance with any modification of this Agreement pursuant to this paragraph 22 or the provision of interest in accordance with paragraph 22(f) shall be resolved by binding arbitration in accordance with paragraph 19. However, notwithstanding the provisions of paragraph 20 regarding attorney's fees and costs to the contrary, the Company shall reimburse Executive for any and all attorney's fees and costs reasonably incurred by Executive in clarifying or enforcing Executive's rights with respect to such delayed payments or benefits or interest if Executive establishes liability with respect to the merits of the claim in respect of which such attorney's fees and costs are incurred. Executive shall reimburse the Company for any and all attorney's fees and costs reasonably incurred by Company in defending any such claim brought by Executive if the arbitrator determines that such claim by Executive is frivolous or maintained in bad faith.

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

**ROSS STORES, INC.**

**EXECUTIVE**

\_\_\_\_\_  
Norman Ferber

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement") is made effective \_\_\_\_\_, (the "Effective Date") by and between Ross Stores, Inc. (the "Company"), a Delaware corporation, and \_\_\_\_\_ (the "Executive").

### RECITALS

A. The Company wishes to employ the Executive, and the Executive is willing to accept such employment, as \_\_\_\_\_.

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

### TERMS AND CONDITIONS

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

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

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

(b) **Renewal Term.** Upon the timely written request of the Executive to extend the Term of Employment, the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of the Company shall consider extending the Executive's employment with the Company under this Agreement. To be timely, such request must be delivered to the Company's Chief Executive Officer not earlier than twelve (12) months prior to the end of the then effective Initial Term or Renewal Term and, in any case, while the Executive remains an employee of the Company. Such request must contain no proposed modification to the provisions of this Agreement other than an extension of the Term of Employment as then in effect for an additional two (2) years. Within thirty (30) days following the receipt of such notice, the Chief Executive Officer will discuss such request with the Committee and advise the Executive, in writing, within thirty (30) days following its consideration of the Executive's written request, of the approval or disapproval of such extension request. The failure to provide such written advice shall constitute a denial of the Executive's request for extension. If the Executive's request for an extension is approved, the Term of Employment shall be extended for two (2) additional years commencing on the date immediately following the date of expiration of the Term of Employment in effect at the time of the Executive's written request. Such additional two-year period is referred to herein as a "Renewal Term."

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2. **Position and Duties.** During the Term of Employment, the Executive shall serve as \_\_\_\_\_. As used in this Agreement, the term "Company" includes Ross Stores, Inc. and each and any of its divisions, affiliates or subsidiaries (except that, where the term relates to stock, stockholders, stock options or other stock-based awards or the Board, it means Ross Stores, Inc.). The Executive's employment may be transferred, assigned, or reassigned to Ross Stores, Inc. or a division, affiliate or subsidiary of Ross Stores, Inc., and such transfer, assignment, or re-assignment will not constitute a termination of employment or "Good Reason" for the Executive's termination of employment under this Agreement. During the Term of Employment, the Executive may engage in outside activities provided those activities (including but not limited to membership on boards of directors of not-for-profit and for-profit organizations) do not conflict with the Executive's duties and responsibilities hereunder, and provided further that the Executive gives written notice to the Board of any significant outside business activity in which the Executive plans to become involved, whether or not such activity is pursued for profit.

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

4. **Compensation and Related Matters.**

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

(b) **Bonus.** During the Term of Employment, the Executive shall be eligible to receive an annual bonus paid under the Company's existing incentive bonus plan under which the Executive is eligible (which is currently the Incentive Compensation Plan) or any replacement plan that may subsequently be established and in effect during the Term of Employment. The current target annual bonus the Executive is eligible to earn upon achievement of 100% of all applicable performance targets under such incentive bonus plan is \_\_\_\_\_% of the Executive's then effective annual salary rate. The Executive's death, termination for Cause or Voluntary Termination (as described in Sections 6(a), 6(c) and 6(f), respectively) prior to the Company's payment of the bonus for a fiscal year of the Company will cause the Executive to be ineligible for any annual bonus for that fiscal year or any pro-rata portion of such bonus.

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

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

(e) **Vacations.** During the Term of Employment, the Executive shall be entitled to twenty (20) vacation days in each calendar year, and to compensation in respect of earned but unused vacation days, determined in accordance with the Company's vacation plan. The Executive shall also be entitled to all paid holidays given by the Company to its senior executives. Unused vacation days shall not be forfeited once they have been earned and, if still unused at the time of the Executive's termination of employment with the Company, shall be promptly paid to the Executive at their then-current value, based on the Executive's daily salary rate at the time of the Executive's termination of employment.

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

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

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

(b) Confidential Information includes any written or unwritten information which relates to and/or is used by the Company or its subsidiaries, affiliates or divisions, including, without limitation (i) the names, addresses, buying habits and other special information regarding past, present and potential customers, employees and suppliers of the Company, (ii) customer and supplier contracts and transactions or price lists of the Company and suppliers, (iii) methods of distribution, (iv) all agreements, files, books, logs, charts, records, studies, reports, processes, schedules and statistical information, (v) data, figures, projections, estimates, pricing data, customer lists, buying manuals or procedures, distribution manuals or procedures, other policy and procedure manuals or handbooks, (vi) supplier information, tax records, personnel histories and records, sales information, and property information, (vii) information regarding the present or future phases of business, (viii) ideas, inventions, trademarks, business information, know-how, processes, techniques, improvements, designs, redesigns, creations, discoveries, trade secrets, and developments, (ix) all computer software licensed or developed by the Company or its subsidiaries, affiliates or divisions, computer programs, computer-based and web-based training programs, and systems, and (x) finances and financial information, but Confidential Information will not include information of the Company or its subsidiaries, affiliates or divisions that (1) became or becomes a matter of public knowledge through sources independent of the Executive, (2) has been or is disclosed by the Company or its subsidiaries, affiliates or divisions without restriction on its use, or (3) has been or is required or specifically permitted to be disclosed by law or governmental order or regulation. The Executive also agrees that, if there is any reasonable doubt whether an item is public knowledge, to not regard the item as public knowledge until and unless the Company's Chief Executive Officer confirms to the Executive that the information is public knowledge.

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

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

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

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

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

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

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

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

(b) **Disability.** If, as a result of the Executive's Disability (as defined below), the Executive shall have been absent from the Executive's duties hereunder on a full-time basis for the entire period of six consecutive months, and, within thirty days after written notice of termination is given by the Company (which may occur before or after the end of such six-month period), the Executive shall not have returned to the performance of the Executive's duties hereunder on full-time basis, the Executive's employment shall terminate. For purposes of this Agreement, the term "Disability" shall mean a physical or mental illness, impairment or condition reasonably determined by the Board that prevents the Executive from performing the duties of the Executive's position under this Agreement.

(c) **For Cause.** The Company may terminate the Executive's employment for Cause. For this purpose, "Cause" means the occurrence of any of the following (i) the Executive's continuous failure to substantially perform the Executive's duties hereunder (unless such failure is a result of a Disability as defined in Section 6(b)), (ii) the Executive's theft, dishonesty, breach of fiduciary duty for personal profit or falsification of any documents of the Company, (iii) the Executive's material failure to abide by the applicable code(s) of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct) of the Company, (iv) knowing or intentional misconduct by the Executive as a result of which the Company is required to prepare an accounting restatement, (v) the Executive's unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of the Company (including, without limitation, the Executive's improper use or disclosure of confidential or proprietary information of the Company), (vi) any intentional misconduct or illegal or grossly negligent conduct by the Executive which is materially injurious to the Company monetarily or otherwise, (vii) any material breach by the Executive of the provisions of Section 9 [Certain Employment Obligations] of this Agreement, or (viii) the Executive's conviction (including any plea of guilty or nolo contendere) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which materially impairs the Executive's ability to perform his or her duties with the Company. A termination for Cause shall not take effect unless: (1) the Executive is given written notice by the Company of its intention to terminate the Executive for Cause; (2) the notice specifically identifies the particular act or acts or failure or failures to act which are the basis for such termination; (3) where practicable, the notice is given within sixty (60) days of the Company's learning of such act or acts or failure or failures to act; and (4) only in the case of clause (i), (iii), (v), (vi) or (vii) of the second sentence of this Section 6(c), the Executive fails to substantially cure such breach, to the extent such cure is possible, within sixty (60) days after the date that such written notice is given to the Executive.

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

(e) **Termination by the Executive for Good Reason.** The Executive may terminate the Executive's employment with the Company for "Good Reason," which shall be deemed to occur if the Executive terminates the Executive's employment with the Company within sixty (60) days after written notice to the Company by the Executive of the occurrence of one or more of the following conditions, which condition(s) have not been cured within thirty (30) business days after the Company's receipt of such written notice: (1) a failure by the Company to comply with any material provision of this Agreement (including but not limited to the reduction of the Executive's salary or the target annual bonus opportunity set forth in Section 4(b), (2) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which the Executive currently maintains without the express written consent of the Executive, or (3) the relocation of the Executive's Principal Place of Employment as described in Section 3 to a location that increases the regular one-way commute distance between the Executive's residence and Principal Place of Employment by more than 25 miles without the Executive's prior written consent. In order to constitute a termination of employment for Good Reason, such termination must occur within two (2) years following the initial existence of any of the conditions set forth in this Section 6(e), the Executive must provide written notice to the Company of the existence of the condition giving rise to the Good Reason termination within sixty (60) days of the initial existence of the condition, and the Company shall have thirty (30) days during which it may remedy the condition and in the event such condition is timely remedied, the termination shall not constitute a termination for Good Reason.

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

(g) **Non-Renewal Termination.** If the Executive fails to request an extension of the Term of Employment in accordance with Section 1(b) or if the Committee fails to approve such request, this Agreement shall automatically expire at the end of the then current Term of Employment (a "Non-Renewal Termination").

## 7. Notice and Effective Date of Termination

(a) **Notice.** Any termination of the Executive's employment by the Company or by the Executive during the Term of Employment (other than as a result of the death of the Executive or a Non-Renewal Termination described in Section 6(g)) shall be communicated by written notice of termination to the other party hereto. Such notice shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under that provision.

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

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

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

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

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

## 8. Compensation and Benefits Upon Termination.

(a) **Termination Due To Disability, Without Cause or For Good Reason .** If the Executive's employment terminates pursuant to Section 6(b) [Disability], Section 6(d) [Without Cause], or Section 6(e) [Termination by Executive for Good Reason], then, subject to Section 22 [Compliance with Section 409A], in addition to all salary, annual bonuses, expense reimbursements, benefits and accrued vacation days earned by the Executive pursuant to Section 4 through the date of the Executive's termination of employment, the Executive shall be entitled to the following, provided that within sixty (60) days following the Executive's termination of employment the Executive executes a general release of claims against the Company and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents, successors and assigns in the current form approved by the Company and attached as Exhibit A (subject to any amendments required by law or regulation)(the "Release") and the period for revocation, if any, of such Release has expired without the Release having been revoked:

(i) **Salary.** The Company shall continue to pay to the Executive the Executive's salary, at the rate in effect immediately prior to such termination of employment, through the remainder of the Term of Employment then in effect.

(ii) **Bonus.** The Company shall continue to pay to the Executive an annual bonus through the remainder of the Term of Employment then in effect; provided, however, that the amount of the annual bonus determined in accordance with this Section 8(a)(ii) for the fiscal year of the Company in which such Term of Employment ends shall be prorated on the basis of the number of days of such Term of Employment occurring within such fiscal year. The amount of each annual bonus payable pursuant to this Section 8(a)(ii), prior to any proration, shall be equal to the greater of (A) the annual bonus earned by the Executive for the most recent fiscal year of the Company ending prior to the date of the Executive's termination of employment or (B) the annual bonus that the Executive would have earned under the Company's bonus plan for the fiscal year of the Company in which the Executive's termination of employment occurs had the Executive remained in its employment. However, in no case shall any such post-termination annual bonus exceed the lesser of 100% of the Executive's target bonus for the most recent fiscal year of the Company ending prior to the date of the Executive's termination of employment or 100% of the Executive's target bonus for the fiscal year of the Company in which the Executive's termination of employment occurs. Such bonuses shall not be paid until due under the applicable Company bonus plan.

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

(iv) **Restricted Stock.** Shares of restricted stock granted to the Executive by the Company which have not become vested as of the date of termination of the Executive's employment, as provided in Section 7(b), shall immediately become vested on a pro rata basis. The number of such additional shares of restricted stock that shall become vested as of the date of the Executive's termination of employment shall be that number of additional shares that would have become vested through the date of such termination of employment at the rate(s) determined under the vesting schedule applicable to such shares had such vesting schedule provided for the accrual of vesting on a daily basis (based on a 365 day year). The pro rata amount of shares vesting through the date of termination/non-renewal shall be calculated by multiplying the number of unvested shares scheduled to vest in each respective vesting year by the ratio of the number of days from the date of grant through the date of termination/non-renewal, and the number of days from the date of grant through the original vesting date of the respective vesting tranche. Any shares of restricted stock remaining unvested after such pro rata acceleration of vesting shall automatically be reacquired by the Company in accordance with the provisions of the applicable restricted stock agreement, and the Executive shall have no further rights in such unvested portion of the restricted stock.

(v) **Other Equity Awards.** Except as set forth in Sections 8(a)(iii) and 8(a)(iv), performance share awards and all other equity awards granted to the Executive by the Company which remain outstanding immediately prior to the date of termination of the Executive's employment, as provided in Section 7(b), shall vest and be settled in accordance with their terms.

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

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

(c) **Non-Renewal Termination**. If the Agreement expires as set forth in Section 6(g) [Non-Renewal Termination], then, subject to Section 22 [Compliance with Section 409A], in addition to all salary, annual bonuses, expense reimbursements, benefits and accrued vacation days earned by the Executive pursuant to Section 4 through the date of the Executive's termination of employment, the Executive shall be entitled to the following, provided that within sixty (60) days following the Executive's termination of employment the Executive executes the Release and the period for revocation, if any, of such Release has expired without the Release having been revoked:

(i) **Bonus**. The Company shall pay the Executive an annual bonus for the fiscal year of the Company in which the date of the Executive's termination of employment occurs, which shall be prorated for the portion of such fiscal year that the Executive is employed by the Company. The amount of such annual bonus, prior to proration, shall be equal to the greater of (A) the annual bonus earned by the Executive for the most recent fiscal year of the Company ending prior to the date of the Executive's termination of employment or (B) the annual bonus that the Executive would have earned under the Company's bonus plan for the fiscal year of the Company in which the Executive's termination of employment occurs had the Executive remained in its employment. However, in no case shall any such post-termination annual bonus exceed the lesser of 100% of the Executive's target bonus for the most recent fiscal year of the Company ending prior to the date of the Executive's termination of employment or 100% of the Executive's target bonus for the fiscal year of the Company in which the Executive's termination of employment occurs. Such bonus shall not be paid until due under the applicable Company bonus plan.

(ii) **Stock Options.** Stock options granted to the Executive by the Company and which remain outstanding immediately prior to the date of termination of the Executive's employment, as provided in Section 7(b), shall be vested and exercisable in accordance with their terms.

(iii) **Restricted Stock.** Shares of restricted stock granted to the Executive by the Company which have not become vested as of the date of termination of the Executive's employment, as provided in Section 7(b), shall immediately become vested on a pro rata basis. The number of such additional shares of restricted stock that shall become vested as of the date of the Executive's termination of employment shall be that number of additional shares that would have become vested through the date of such termination of employment at the rate(s) determined under the vesting schedule applicable to such shares had such vesting schedule provided for the accrual of vesting on a daily basis (based on a 365 day year). The pro rata amount of shares vesting through the date of termination/non-renewal shall be calculated by multiplying the number of unvested shares scheduled to vest in each respective vesting year by the ratio of the number of days from the date of grant through the date of termination/non-renewal, and the number of days from the date of grant through the original vesting date of the respective vesting tranche. Any shares of restricted stock remaining unvested after such pro rata acceleration of vesting shall automatically be reacquired by the Company in accordance with the provisions of the applicable restricted stock agreement, and the Executive shall have no further rights in such unvested portion of the restricted stock.

(iv) **Other Equity Awards.** Except as set forth in Sections 8(c)(ii) and 8(c)(iii), performance share awards and all other equity awards granted to the Executive by the Company which remain outstanding immediately prior to the date of termination of the Executive's employment, as provided in Section 7(b), shall vest and be settled in accordance with their terms.

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

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

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

(1) **Without Regard to Termination of Employment.** In the event of a Change in Control (as defined below), all shares of restricted stock granted to the Executive by the Company shall become vested in full immediately prior to the consummation of such Change in Control, and, subject to Section 22 [Compliance with Section 409A], the Executive shall be entitled to receive an additional salary equal to \_\_\_\_\_ Dollars (\$\_\_\_\_\_) per month for a period of two (2) years following the Change in Control unless and until the Voluntary Termination (as defined in Section 6(f)) of the Executive's employment or the termination for Cause (as defined in Section 6(c)) of the Executive's employment. Except as set forth in this Section 8(d)(i)(1) or Section 8(d)(i)(2) below, the treatment of stock options, performance share awards and all other equity awards granted to the Executive by the Company which remain outstanding immediately prior to the date of such Change in Control shall be determined in accordance with their terms.

(2) **Upon Certain Termination of Employment.** In addition to the payments and benefits provided by Section 8(d)(i)(1) above, if the Executive's employment is terminated either by the Company Without Cause (as defined in Section 6(d)) or by the Executive for Good Reason (as defined in Section 6(e)), in either case within a period commencing one (1) month prior to and ending twelve (12) months following a Change in Control, then, subject to Section 22 [Compliance with Section 409A], the Executive shall be entitled to the following (in addition to any other payments or benefits provided under this Agreement), provided that within sixty (60) days following the Executive's termination of employment the Executive executes the Release and the period for revocation, if any, of such Release has expired without the Release having been revoked:

a. **Salary.** The salary that shall be payable to the Executive under Section 8(a)(i) shall be paid for the greater of (i) the remainder of the Term of Employment then in effect or (ii) a period of two (2) years commencing on the date of the Executive's termination of employment.

b. **Bonus.** The annual bonus that shall be payable to the Executive under Section 8(a)(ii) shall be paid for the greater of (i) the remainder of the Term of Employment then in effect or (ii) a period of two (2) years commencing on the date of the Executive's termination of employment; provided, however, that the amount of the annual bonus determined in accordance with Section 8(a)(ii) for the fiscal year of the Company in which such Term of Employment or two-year period, as the case may be, ends shall be prorated on the basis of the number of days of such Term of Employment or two-year period occurring within such fiscal year.

c. **Health Care Coverage.** The Executive shall be entitled to the continuation of the Executive's health care coverage under the Company's employee benefit plans (including medical, dental, vision and mental coverage) which the Executive had at the time of the termination of employment (including coverage for the Executive's dependents to the extent such dependents were covered immediately prior to such termination of employment) at the Company's expense for the greater of (i) the remainder of the Term of Employment then in effect or (ii) a period of two (2) years commencing on the date of the Executive's termination of employment. Such health care continuation rights will be in addition to any rights the Executive may have under ERISA Sections 600 and thereafter and Section 4980B of the Internal Revenue Code ("COBRA coverage").

d. **Estate Planning.** The Executive shall be entitled to reimbursement of the Executive's estate planning expenses (including attorneys' fees) on the same basis, if any, as to which the Executive was entitled to such reimbursements immediately prior to such termination of employment for the greater of (i) the remainder of the Term of Employment then in effect or (ii) a period of two (2) years commencing on the date of termination of employment.

(ii) **Change in Control Defined.** A “Change in Control” shall be deemed to have occurred if: (1) any person or group (within the meaning of Rule 13d-3 of the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended) shall acquire during the twelve-month period ending on the date of the most recent acquisition by such person or group, in one or a series of transactions, whether through sale of stock or merger, ownership of stock of the Company that constitutes 35% or more of the total voting power of the stock of the Company or any successor to the Company; (2) a merger in which the Company is a party pursuant to which any person or such group acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company, or (3) the sale, exchange, or transfer of all or substantially all of the Company’s assets (other than a sale, exchange, or transfer to one or more corporations where the stockholders of the Company before and after such sale, exchange, or transfer, directly or indirectly, are the beneficial owners of at least a majority of the voting stock of the corporation(s) to which the assets were transferred).

(iii) **Excise Tax Gross-Up.** If the Executive becomes entitled to one or more payments (with a “payment” for this purpose including the accelerated vesting of restricted stock, stock options or other equity awards, or other non-cash benefits or property), whether pursuant to the terms of this Agreement or any other plan or agreement with the Company or any affiliated company (collectively, “Change in Control Payments”), which are or become subject to the tax (the “Excise Tax”) imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the “Code”), the Company shall pay to the Executive at the time specified below such amount (the “Gross-up Payment”) as may be necessary to place the Executive in the same after-tax position as if no portion of the Change in Control Payments and any amounts paid to the Executive pursuant to Section 8 had been subject to the Excise Tax. The Gross-up Payment shall include, without limitation, reimbursement for any penalties and interest that may accrue in respect of such Excise Tax. For purposes of determining the amount of the Gross-up Payment, the Executive shall be deemed: (A) to pay federal income taxes at the highest marginal rate of federal income taxation for the year in which the Gross-up Payment is to be made; and (B) to pay any applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Gross-up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year. If the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time the Gross-up Payment is made, the Executive shall repay to the Company at the time that the amount such reduction in Excise Tax is finally determined (but, if previously paid to the taxing authorities, not prior to the time the amount of such reduction is refunded to the Executive or otherwise realized as a benefit by the Executive) the portion of the Gross-up Payment that would not have been paid if such Excise Tax had been used in initially calculating the Gross-up payment, plus interest on the amount of such repayment at the rate provided in Section 1274 (b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time the Gross-up Payment is made, the Company shall make an additional Gross-up Payment in respect of such excess (plus any interest and penalties payable with respect to such excess) at the time that the amount of such excess is finally determined.

(iv) The Gross-up Payment provided for above shall be paid, subject to Section 22 [Compliance with Section 409A], on the 30th day (or such earlier date as the Excise Tax becomes due and payable to the taxing authorities) after it has been determined that the Change in Control Payments (or any portion thereof) are subject to the Excise Tax; provided, however, that if the amount of such Gross-up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined by counsel or auditors selected by the Company and reasonably acceptable to the Executive, of the minimum amount of such payments. The Company shall pay to the Executive the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, the Executive shall repay such amount on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code). The Company shall have the right to control all proceedings with the Internal Revenue Service that may arise in connection with the determination and assessment of any Excise Tax and, at its sole option, the Company may pursue or forego any and all administrative appeals, proceedings, hearings, and conferences with any taxing authority in respect of such Excise Tax (including any interest or penalties thereon); provided, however, that the Company’s control over any such proceedings shall be limited to issues with respect to which a Gross-up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest any other issue raised by the Internal Revenue Service or any other taxing authority. The Executive shall cooperate with the Company in any proceedings relating to the determination and assessment of any Excise Tax and shall not take any position or action that would materially increase the amount of any Gross-up Payment hereunder.

(e) Timing of Payments. Any cash payments to which the Executive is entitled under Sections 8(a),(c) and (d) shall be payable in accordance with the Company's payroll schedule and shall commence as soon as practicable upon the period for revocation of the Release having expired (and in any event on or prior to December 31 of the year in which Executive has a Separation from Service); provided, however, that in the event that Executive becomes entitled to such payments in connection with a Separation from Service that occurs on or after November 1 of any calendar year, such payments shall commence on the later of (i) the period for revocation of the Release having expired or (ii) January 1 of the calendar year that immediately follows the year in which the Executive has a Separation from Service.

#### 9. Certain Employment Obligations.

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

(b) **Non-Compete.**

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

For purposes of this Agreement, a Competing Business shall mean any of the following: (1) any business that is listed as a peer retailer in the Compensation Discussion and Analysis section of the Company's most current Proxy Statement filed with the U.S. Securities and Exchange Commission as of the date of Executive's termination of employment with the Company, (2) any off-price retailer or retailer of discount merchandise, including without limitation, Burlington Coat Factory Warehouse Corporation, Federated Department Stores, Inc., TJX Companies Inc., Retail Ventures Inc., Kohl's Corporation, Stein Mart, Inc. **INSERT BY INDIVIDUAL: Foot Locker, Inc., Payless ShoeSource, Inc. (Brautigam); Bed, Bath & Beyond Inc., Linens 'n Things, Inc., Tuesday Morning Corporation, (Lisa P and Bob Bernard),** and (3) any affiliates, subsidiaries or successors of businesses identified above.

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

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

(c) **Non-Solicitation of Employees.** During the Term of Employment and for a period of 24 months following the Executive's termination of that employment with the Company, the Executive shall not, without the written permission of the Company or an affected affiliate, directly or indirectly (i) solicit, employ or retain, or have or cause any other person or entity to solicit, employ or retain, any person who is employed by the Company or was employed by the Company during the 6-month period prior to such solicitation, employment, or retainer, (ii) encourage any such person not to devote his or her full business time to the Company, or (iii) agree to hire or employ any such person.

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

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

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

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

(b) The Company shall give prompt notice to the Executive of its discovery of a breach by the Executive of Section 9 of this Agreement. If it is determined by a vote of not less than two-thirds of the members of the Board that the Executive has breached Section 9 of this Agreement and has not cured such breach within ten (10) business days of such notice, then:

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

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

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

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

(e) The Company shall have the right (but not the obligation) to deduct from any amounts payable from time to time to the Executive by the Company pursuant to this Agreement or otherwise (including wages or other compensation, vacation pay or other benefits, and any other amounts owed to the Executive by the Company) any and all amounts the Executive is required to pay to the Company pursuant to this Section. The Executive agrees to pay to the Company immediately upon the Breach Determination Date the amount payable by the Executive to the Company pursuant to this Section which the Company has not recovered by means of such deductions.

(f) The Executive acknowledges that money will not adequately compensate the Company for the substantial damages that will arise upon the breach or threatened breach of Sections 5 or 9 of this Agreement and that the Company will not have any adequate remedy at law. For this reason, such breach or threatened breach will not be subject to the arbitration clause in Section 19; rather, the Company will be entitled, in addition to other rights and remedies, to specific performance, injunctive relief, and other equitable relief to prevent or restrain such breach or threatened breach. The Company may obtain such relief from (1) any court of competent jurisdiction, (2) an arbitrator pursuant to Section 19 hereof, or (3) a combination of the two (e.g., by simultaneously seeking arbitration under Section 19 and a temporary injunction from a court pending the outcome of the arbitration). It shall be the Company's sole and exclusive right to elect which approach to use to vindicate its rights. The Executive further agrees that in the event of a breach or threatened breach, the Company shall be entitled to obtain an immediate injunction and restraining order to prevent such breach and/or threatened breach and/or continued breach, without posting a bond or having to prove irreparable harm or damages, and to obtain all costs and expenses, including reasonable attorneys' fees and costs. In addition, the existence of any claim or cause of action by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the restrictive covenants in this Agreement.

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

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

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

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

If to the Executive:

\_\_\_\_\_

\_\_\_\_\_

Ross Stores, Inc.  
4440 Rosewood Drive  
Pleasanton, CA 94588

*[1372 Broadway, 8th Floor  
New York, NY 10018]*

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

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

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

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

**17. Mitigation Not Required.** In the event the Executive's employment with the Company terminates for any reason, the Executive shall not be obligated to seek other employment following such termination. However, any amounts due the Executive under Sections 8(a)(i); 8(a)(ii); 8(d)(i)(2)(a),(b),(c) or (d); and/or any additional salary provided under Section 8(d)(i)(1) of this Agreement shall be offset by any cash remuneration, health care coverage and/or estate planning reimbursements attributable to any subsequent employment that the Executive may obtain during the period of payment of compensation under this Agreement following the termination of the Executive's employment with the Company.

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

19. **Arbitration.** In the event of any dispute or claim relating to or arising out of the parties' employment relationship or this Agreement (including, but not limited to, any claims of breach of contract, wrongful termination, or age, race, sex, disability or other discrimination), all such disputes shall be fully, finally and exclusively resolved by binding arbitration conducted by the American Arbitration Association in the city in which the Executive's principal place of employment is located by an arbitrator mutually agreed upon by the parties hereto or, in the absence of such agreement, by an arbitrator selected in accordance with the Employment Arbitration Rules of the American Arbitration Association, provided, however, that this arbitration provision shall not apply, unless the Company elects otherwise, to any disputes or claims relating to or arising out of the Executive's breach of Sections 5 or 9 of this Agreement. If either the Company or the Executive shall request, arbitration shall be conducted by a panel of three arbitrators, one selected by the Company, one selected by the Executive, and the third selected by agreement of the first two, or, in the absence of such agreement, in accordance with such Rules. The Company shall pay all costs of any arbitration; provided, however, that each party shall pay its own attorney and advisor fees.

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

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

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

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

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

(b) **Six-Month Delay Applicable to Specified Employees.** If, at the time of a Separation from Service of the Executive, the Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) (a "Specified Employee"), then any payments and benefits constituting Section 409A Deferred Compensation to be paid or provided pursuant to Section 8 upon the Separation from Service of the Executive shall be paid or provided commencing on the later of (i) the date that is six (6) months after the date of such Separation from Service or, if earlier, the date of death of the Executive (in either case, the "Delayed Payment Date"), or (ii) the date or dates on which such Section 409A Deferred Compensation would otherwise be paid or provided in accordance with Section 8. All such amounts that would, but for this Section 22(b), become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

(c) **Health Care and Estate Planning Benefits.** In the event that all or any of the health care or estate planning benefits to be provided pursuant to Sections 8(d)(i)(2)(c) or 8(d)(i)(2)(d) as a result of a Participant's Separation from Service constitute Section 409A Deferred Compensation, the Company shall provide for such benefits constituting Section 409A Deferred Compensation in a manner that complies with Section 409A. To the extent necessary to comply with Section 409A, the Company shall determine the health care premium cost necessary to provide such benefits constituting Section 409A Deferred Compensation for the applicable coverage period and shall pay such premium cost which becomes due and payable during the applicable coverage period on the applicable due date for such premiums; provided, however, that if the Executive is a Specified Employee, the Company shall not pay any such premium cost until the Delayed Payment Date. If the Company's payment pursuant to the previous sentence is subject to a Delayed Payment Date, the Executive shall pay the premium cost otherwise payable by the Company prior to the Delayed Payment Date, and on the Delayed Payment Date the Company shall reimburse the Executive for such Company premium cost paid by the Executive and shall pay the balance of the Company's premium cost necessary to provide such benefit coverage for the remainder of the applicable coverage period as and when it becomes due and payable over the applicable period.

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

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

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

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

23. **Future Equity Compensation.** The Executive understands and acknowledges that all awards, if any, of stock options, restricted stock, performance shares and other forms of equity compensation by the Company are made at the sole discretion of the Board of Directors of the Company or a committee thereof. The Executive further understands and acknowledges, however, that unless the Executive has executed this Agreement and each successive amendment extending the Initial Term or any subsequent Renewal Term of the Agreement as may be agreed to by the Company and the Executive, it is the intention of the Board of Directors and the Executive that, notwithstanding any continued employment with the Company, (a) the Company shall have no obligation to grant any award of stock options, restricted stock, performance shares or any other form of equity compensation which might otherwise have been granted to the Executive on or after the intended commencement of the Initial Term or such successive Renewal Term for which the Executive has failed to sign the Agreement or the applicable Term of Employment extension amendment and (b) any such award which is nevertheless granted to the Executive after the intended commencement of the Initial Term or Renewal Term for which the Executive has failed to sign such Agreement or applicable extension amendment shall not vest unless and until the Executive has executed the Agreement or applicable extension amendment, notwithstanding the provisions of any agreement evidencing such award to the contrary.

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

ROSS STORES, INC.

EXECUTIVE

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By: Michael Balmuth  
Vice Chairman, President and Chief  
Executive Officer

## **FIRST AMENDMENT TO THE EMPLOYMENT AGREEMENT**

**THE FIRST AMENDMENT TO THE EMPLOYMENT AGREEMENT** (the "Amendment") is made and effective the 31st day of December 2008, by Ross Stores, Inc. (the "Company") and **Lisa Panattoni** (the "Executive"). The Executive and the Company previously entered into an Employment Agreement (the "Agreement") effective January 1, 2007 (attached hereto) and it is now the intention of the Executive and the Company to amend the Agreement as set forth below. Accordingly, the Executive and the Company now enter into this First Amendment.

- I. The Executive and the Company hereby amend the Agreement by deleting Paragraph 6(e) in its entirety and replacing it with the following new Paragraph 6(e):

**6(e). Termination by the Executive for Good Reason.** The Executive may terminate the Executive's employment with the Company for "Good Reason," which shall be deemed to occur if the Executive terminates the Executive's employment with the Company within sixty (60) days after written notice to the Company by the Executive of the occurrence of one or more of the following conditions, which condition(s) have not been cured within thirty (30) business days after the Company's receipt of such written notice: (1) a failure by the Company to comply with any material provision of this Agreement (including but not limited to the reduction of the Executive's salary or the target annual bonus opportunity set forth in Section 4(b)), (2) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which the Executive currently maintains without the express written consent of the Executive, or (3) the relocation of the Executive's Principal Place of Employment as described in Section 3 to a location that increases the regular one-way commute distance between the Executive's residence and Principal Place of Employment by more than 25 miles without the Executive's prior written consent. In order to constitute a termination of employment for Good Reason, such termination must occur within two (2) years following the initial existence of any of the conditions set forth in this Section 6(e), the Executive must provide written notice to the Company of the existence of the condition giving rise to the Good Reason termination within sixty (60) days of the initial existence of the condition, and the Company shall have thirty (30) days during which it may remedy the condition and in the event such condition is timely remedied, the termination shall not constitute a termination for Good Reason.

- II. The Executive and the Company further amend the Agreement by adding a new Paragraph 8(e):

**8(e). Timing of Payments.** Any cash payments to which the Executive is entitled under Sections 8(a),(c) and (d) shall be payable in accordance with the Company's payroll schedule and shall commence as soon as practicable upon the period for revocation of the Release having expired (and in any event on or prior to December 31 of the year in which Executive has a Separation from Service); provided, however, that in the event that Executive becomes entitled to such payments in connection with a Separation from Service that occurs on or after November 1 of any calendar year, such payments shall commence on the later of (i) the period for revocation of the Release having expired or (ii) January 1 of the calendar year that immediately follows the year in which the Executive has a Separation from Service.

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III. The Executive and the Company further amend the Agreement by moving the current Paragraph 22(e) to a new Paragraph 22(g) and adding the following new Paragraph 22(e):

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

IV. The Executive and the Company further amend the Agreement by adding a new Paragraph 22(f):

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

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

<b>ROSS STORES, INC.</b>	<b>DATE</b>	<b>EXECUTIVE</b>	<b>DATE</b>
<hr/>	<u>12/30/2008</u>	<hr/>	<u>12/30/2008</u>
Michael Balmuth Vice Chairman, President and Chief Executive Officer		Lisa Panattoni	

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## **SECOND AMENDMENT TO THE EMPLOYMENT AGREEMENT**

**THE SECOND AMENDMENT TO THE EMPLOYMENT AGREEMENT** (the "Amendment") is made and effective the 31st day of December 2008, by Ross Stores, Inc. (the "Company") and **Barbara Rentler** (the "Executive"). The Executive and the Company previously entered into an Employment Agreement effective January 1, 2007 and a First Amendment to the Employment Agreement effective April 1, 2007 (collectively referred to as the "Agreement")(attached hereto) and it is now the intention of the Executive and the Company to amend the Agreement as set forth below. Accordingly, the Executive and the Company now enter into this Second Amendment.

- I. The Executive and the Company hereby amend the Agreement by deleting Paragraph 6(e) in its entirety and replacing it with the following new Paragraph 6(e):

**6(e). Termination by the Executive for Good Reason.** The Executive may terminate the Executive's employment with the Company for "Good Reason," which shall be deemed to occur if the Executive terminates the Executive's employment with the Company within sixty (60) days after written notice to the Company by the Executive of the occurrence of one or more of the following conditions, which condition(s) have not been cured within thirty (30) business days after the Company's receipt of such written notice: (1) a failure by the Company to comply with any material provision of this Agreement (including but not limited to the reduction of the Executive's salary or the target annual bonus opportunity set forth in Section 4(b)), (2) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which the Executive currently maintains without the express written consent of the Executive, or (3) the relocation of the Executive's Principal Place of Employment as described in Section 3 to a location that increases the regular one-way commute distance between the Executive's residence and Principal Place of Employment by more than 25 miles without the Executive's prior written consent. In order to constitute a termination of employment for Good Reason, such termination must occur within two (2) years following the initial existence of any of the conditions set forth in this Section 6(e), the Executive must provide written notice to the Company of the existence of the condition giving rise to the Good Reason termination within sixty (60) days of the initial existence of the condition, and the Company shall have thirty (30) days during which it may remedy the condition and in the event such condition is timely remedied, the termination shall not constitute a termination for Good Reason.

- II. The Executive and the Company further amend the Agreement by adding a new Paragraph 8(f):

**8(f). Timing of Payments.** Any cash payments to which the Executive is entitled under Sections 8(a),(c) and (d) shall be payable in accordance with the Company's payroll schedule and shall commence as soon as practicable upon the period for revocation of the Release having expired (and in any event on or prior to December 31 of the year in which Executive has a Separation from Service); provided, however, that in the event that Executive becomes entitled to such payments in connection with a Separation from Service that occurs on or after November 1 of any calendar year, such payments shall commence on the later of (i) the period for revocation of the Release having expired or (ii) January 1 of the calendar year that immediately follows the year in which the Executive has a Separation from Service.

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III. The Executive and the Company further amend the Agreement by moving the current Paragraph 21(e) to a new Paragraph 21(g) and adding the following new Paragraph 21(e):

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

IV. The Executive and the Company further amend the Agreement by adding a new Paragraph 21(f):

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

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

<b>ROSS STORES, INC.</b>	<b>DATE</b>	<b>EXECUTIVE</b>	<b>DATE</b>
<hr/>	<u>12/30/2008</u>	<hr/>	<u>12/30/2008</u>
Michael Balmuth Vice Chairman, President and Chief Executive Officer		Barbara Rentler	

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## **FIRST AMENDMENT TO THE EMPLOYMENT AGREEMENT**

**THE FIRST AMENDMENT TO THE EMPLOYMENT AGREEMENT** (the "Amendment") is made and effective the 31st day of December 2008, by Ross Stores, Inc. (the "Company") and **John G. Call** (the "Executive"). The Executive and the Company previously entered into an Employment Agreement (the "Agreement") effective October 1, 2007 (attached hereto) and it is now the intention of the Executive and the Company to amend the Agreement as set forth below. Accordingly, the Executive and the Company now enter into this First Amendment.

- I. The Executive and the Company hereby amend the Agreement by deleting Paragraph 6(e) in its entirety and replacing it with the following new Paragraph 6(e):

**6(e). Termination by the Executive for Good Reason.** The Executive may terminate the Executive's employment with the Company for "Good Reason," which shall be deemed to occur if the Executive terminates the Executive's employment with the Company within sixty (60) days after written notice to the Company by the Executive of the occurrence of one or more of the following conditions, which condition(s) have not been cured within thirty (30) business days after the Company's receipt of such written notice: (1) a failure by the Company to comply with any material provision of this Agreement (including but not limited to the reduction of the Executive's salary or the target annual bonus opportunity set forth in Section 4(b)), (2) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which the Executive currently maintains without the express written consent of the Executive, or (3) the relocation of the Executive's Principal Place of Employment as described in Section 3 to a location that increases the regular one-way commute distance between the Executive's residence and Principal Place of Employment by more than 25 miles without the Executive's prior written consent. In order to constitute a termination of employment for Good Reason, such termination must occur within two (2) years following the initial existence of any of the conditions set forth in this Section 6(e), the Executive must provide written notice to the Company of the existence of the condition giving rise to the Good Reason termination within sixty (60) days of the initial existence of the condition, and the Company shall have thirty (30) days during which it may remedy the condition and in the event such condition is timely remedied, the termination shall not constitute a termination for Good Reason.

- II. The Executive and the Company further amend the Agreement by adding a new Paragraph 8(e):

**8(e). Timing of Payments.** Any cash payments to which the Executive is entitled under Sections 8(a),(c) and (d) shall be payable in accordance with the Company's payroll schedule and shall commence as soon as practicable upon the period for revocation of the Release having expired (and in any event on or prior to December 31 of the year in which Executive has a Separation from Service); provided, however, that in the event that Executive becomes entitled to such payments in connection with a Separation from Service that occurs on or after November 1 of any calendar year, such payments shall commence on the later of (i) the period for revocation of the Release having expired or (ii) January 1 of the calendar year that immediately follows the year in which the Executive has a Separation from Service.

III. The Executive and the Company further amend the Agreement by moving the current Paragraph 22(e) to a new Paragraph 22(g) and adding the following new Paragraph 22(e):

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

IV. The Executive and the Company further amend the Agreement by adding a new Paragraph 22(f):

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

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

<b>ROSS STORES, INC.</b>	<b>DATE</b>	<b>EXECUTIVE</b>	<b>DATE</b>
<hr/>	<u>12/30/2008</u>	<hr/>	<u>12/30/2008</u>
Michael Balmuth Vice Chairman, President and Chief Executive Officer		John G. Call	

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## EXECUTIVE EMPLOYMENT AGREEMENT

**THIS EXECUTIVE EMPLOYMENT AGREEMENT** (this "Agreement") is made effective March 22, 2007, (the "Effective Date") by and between Ross Stores, Inc. (the "Company"), a Delaware corporation, and **Michael O'Sullivan** (the "Executive").

### RECITALS

A. The Company wishes to employ the Executive, and the Executive is willing to accept such employment, as **Executive Vice President, Chief Administrative Officer**.

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

### TERMS AND CONDITIONS

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

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

(a) **Initial Term.** The initial Term of Employment of the Executive by the Company under this Agreement shall begin on the Effective Date and end on **March 31, 2011**, (the "Initial Term"), unless extended or terminated earlier in accordance with this Agreement.

(b) **Renewal Term.** Upon the timely written request of the Executive to extend the Term of Employment, the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of the Company shall consider extending the Executive's employment with the Company under this Agreement. To be timely, such request must be delivered to the Company's Chief Executive Officer not earlier than twelve (12) months prior to the end of the then effective Initial Term or Renewal Term and, in any case, while the Executive remains an employee of the Company. Such request must contain no proposed modification to the provisions of this Agreement other than an extension of the Term of Employment as then in effect for an additional two (2) years. Within thirty (30) days following the receipt of such notice, the Chief Executive Officer will discuss such request with the Committee and advise the Executive, in writing, within thirty (30) days following its consideration of the Executive's written request, of the approval or disapproval of such extension request. The failure to provide such written advice shall constitute a denial of the Executive's request for extension. If the Executive's request for an extension is approved, the Term of Employment shall be extended for two (2) additional years commencing on the date immediately following the date of expiration of the Term of Employment in effect at the time of the Executive's written request. Such additional two-year period is referred to herein as a "Renewal Term."

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2. **Position and Duties.** During the Term of Employment, the Executive shall serve as **Executive Vice President, Chief Administrative Officer**. As used in this Agreement, the term "Company" includes Ross Stores, Inc. and each and any of its divisions, affiliates or subsidiaries (except that, where the term relates to stock, stockholders, stock options or other stock-based awards or the Board, it means Ross Stores, Inc.). The Executive's employment may be transferred, assigned, or re-assigned to Ross Stores, Inc. or a division, affiliate or subsidiary of Ross Stores, Inc., and such transfer, assignment, or re-assignment will not constitute a termination of employment or "Good Reason" for the Executive's termination of employment under this Agreement. During the Term of Employment, the Executive may engage in outside activities provided those activities (including but not limited to membership on boards of directors of not-for-profit and for-profit organizations) do not conflict with the Executive's duties and responsibilities hereunder, and provided further that the Executive gives written notice to the Board of any significant outside business activity in which the Executive plans to become involved, whether or not such activity is pursued for profit.

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

4. **Compensation and Related Matters.**

(a) **Salary.** During the Term of Employment, the Company shall pay to the Executive a salary at a rate of not less than **Five Hundred Ninety Five Thousand Dollars (\$595,000)** per annum. The Executive's salary shall be payable in substantially equal installments in accordance with the Company's normal payroll practices applicable to senior executives. Subject to the first sentence of this Section 4(a), the Executive's salary may be adjusted from time to time by the Committee in accordance with normal business practices of the Company.

(b) **Bonus.** During the Term of Employment, the Executive shall be eligible to receive an annual bonus paid under the Company's existing incentive bonus plan under which the Executive is eligible (which is currently the Incentive Compensation Plan) or any replacement plan that may subsequently be established and in effect during the Term of Employment. The current target annual bonus the Executive is eligible to earn upon achievement of 100% of all applicable performance targets under such incentive bonus plan is **65%** of the Executive's then effective annual salary rate. The Executive's death, termination for Cause or Voluntary Termination (as described in Sections 6(a), 6(c) and 6(f), respectively) prior to the Company's payment of the bonus for a fiscal year of the Company will cause the Executive to be ineligible for any annual bonus for that fiscal year or any pro-rata portion of such bonus.

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

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

(e) **Vacations.** During the Term of Employment, the Executive shall be entitled to twenty (20) vacation days in each calendar year, and to compensation in respect of earned but unused vacation days, determined in accordance with the Company's vacation plan. The Executive shall also be entitled to all paid holidays given by the Company to its senior executives. Unused vacation days shall not be forfeited once they have been earned and, if still unused at the time of the Executive's termination of employment with the Company, shall be promptly paid to the Executive at their then-current value, based on the Executive's daily salary rate at the time of the Executive's termination of employment.

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

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

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

(b) Confidential Information includes any written or unwritten information which relates to and/or is used by the Company or its subsidiaries, affiliates or divisions, including, without limitation (i) the names, addresses, buying habits and other special information regarding past, present and potential customers, employees and suppliers of the Company, (ii) customer and supplier contracts and transactions or price lists of the Company and suppliers, (iii) methods of distribution, (iv) all agreements, files, books, logs, charts, records, studies, reports, processes, schedules and statistical information, (v) data, figures, projections, estimates, pricing data, customer lists, buying manuals or procedures, distribution manuals or procedures, other policy and procedure manuals or handbooks, (vi) supplier information, tax records, personnel histories and records, sales information, and property information, (vii) information regarding the present or future phases of business, (viii) ideas, inventions, trademarks, business information, know-how, processes, techniques, improvements, designs, redesigns, creations, discoveries, trade secrets, and developments, (ix) all computer software licensed or developed by the Company or its subsidiaries, affiliates or divisions, computer programs, computer-based and web-based training programs, and systems, and (x) finances and financial information, but Confidential Information will not include information of the Company or its subsidiaries, affiliates or divisions that (1) became or becomes a matter of public knowledge through sources independent of the Executive, (2) has been or is disclosed by the Company or its subsidiaries, affiliates or divisions without restriction on its use, or (3) has been or is required or specifically permitted to be disclosed by law or governmental order or regulation. The Executive also agrees that, if there is any reasonable doubt whether an item is public knowledge, to not regard the item as public knowledge until and unless the Company's Chief Executive Officer confirms to the Executive that the information is public knowledge.

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

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

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

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

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

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

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

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

(b) **Disability.** If, as a result of the Executive's Disability (as defined below), the Executive shall have been absent from the Executive's duties hereunder on a full-time basis for the entire period of six consecutive months, and, within thirty days after written notice of termination is given by the Company (which may occur before or after the end of such six-month period), the Executive shall not have returned to the performance of the Executive's duties hereunder on full-time basis, the Executive's employment shall terminate. For purposes of this Agreement, the term "Disability" shall mean a physical or mental illness, impairment or condition reasonably determined by the Board that prevents the Executive from performing the duties of the Executive's position under this Agreement.

(c) **For Cause.** The Company may terminate the Executive's employment for Cause. For this purpose, "Cause" means the occurrence of any of the following (i) the Executive's continuous failure to substantially perform the Executive's duties hereunder (unless such failure is a result of a Disability as defined in Section 6(b)), (ii) the Executive's theft, dishonesty, breach of fiduciary duty for personal profit or falsification of any documents of the Company, (iii) the Executive's material failure to abide by the applicable code(s) of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct) of the Company, (iv) misconduct by the Executive within the scope of Section 304 of the Sarbanes-Oxley Act of 2002 as a result of which the Company is required to prepare an accounting restatement, (v) the Executive's unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of the Company (including, without limitation, the Executive's improper use or disclosure of confidential or proprietary information of the Company), (vi) any intentional misconduct or illegal or grossly negligent conduct by the Executive which is materially injurious to the Company monetarily or otherwise, (vii) any material breach by the Executive of the provisions of Section 9 [Certain Employment Obligations] of this Agreement, or (viii) the Executive's conviction (including any plea of guilty or nolo contendere) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which materially impairs the Executive's ability to perform his or her duties with the Company. A termination for Cause shall not take effect unless: (1) the Executive is given written notice by the Company of its intention to terminate the Executive for Cause; (2) the notice specifically identifies the particular act or acts or failure or failures to act which are the basis for such termination; (3) the notice is given within sixty (60) days of the Company's learning of such act or acts or failure or failures to act; and (4) only in the case of clause (i), (iii), (v), (vi) or (vii) of the second sentence of this Section 6(c), the Executive fails to substantially cure such breach, to the extent such cure is possible, within sixty (60) days after the date that such written notice is given to the Executive.

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

(e) **Termination by the Executive for Good Reason.** The Executive may terminate the Executive's employment with the Company for "Good Reason," which shall be deemed to occur if the Executive terminates the Executive's employment with the Company within sixty (60) days after written notice to the Company by the Executive of the occurrence of one or more of the following conditions, which condition(s) have not been cured within ten (10) business days after the Company's receipt of such written notice: (1) a failure by the Company to comply with any material provision of this Agreement (including but not limited to the reduction of the Executive's salary or the target annual bonus opportunity set forth in Section 4(b), (2) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which the Executive currently maintains without the express written consent of the Executive, or (3) the relocation of the Executive's Principal Place of Employment as described in Section 3 to a location that increases the regular one-way commute distance between the Executive's residence and Principal Place of Employment by more than 25 miles without the Executive's prior written consent. The Executive's failure to give reasonably prompt written notice to the Company of the occurrence of a condition constituting Good Reason or to terminate employment for Good Reason within the 60-day period following the Executive's written notice of the occurrence of such condition shall waive the Executive's right to terminate employment for Good Reason based upon such occurrence of such condition.

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

(g) **Non-Renewal Termination.** If the Executive fails to request an extension of the Term of Employment in accordance with Section 1(b) or if the Committee fails to approve such request, this Agreement shall automatically expire at the end of the then current Term of Employment (a "Non-Renewal Termination").

## 7. Notice and Effective Date of Termination

(a) **Notice.** Any termination of the Executive's employment by the Company or by the Executive during the Term of Employment (other than as a result of the death of the Executive or a Non-Renewal Termination described in Section 6(g)) shall be communicated by written notice of termination to the other party hereto. Such notice shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under that provision.

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

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

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

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

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

## 8. Compensation and Benefits Upon Termination.

(a) **Termination Due To Disability, Without Cause or For Good Reason .** If the Executive's employment terminates pursuant to Section 6(b) [Disability], Section 6(d) [Without Cause], or Section 6(e) [Termination by Executive for Good Reason], then, subject to Section 22 [Compliance with Section 409A], in addition to all salary, annual bonuses, expense reimbursements, benefits and accrued vacation days earned by the Executive pursuant to Section 4 through the date of the Executive's termination of employment, the Executive shall be entitled to the following, provided that within sixty (60) days following the Executive's termination of employment the Executive executes a general release of claims against the Company and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents, successors and assigns in a form approved by the Company (the "Release") and the period for revocation, if any, of such Release has expired without the Release having been revoked:

(i) **Salary.** The Company shall continue to pay to the Executive the Executive's salary, at the rate in effect immediately prior to such termination of employment, through the remainder of the Term of Employment then in effect.

(ii) **Bonus.** The Company shall continue to pay to the Executive an annual bonus through the remainder of the Term of Employment then in effect; provided, however, that the amount of the annual bonus determined in accordance with this Section 8(a)(ii) for the fiscal year of the Company in which such Term of Employment ends shall be prorated on the basis of the number of days of such Term of Employment occurring within such fiscal year. The amount of each annual bonus payable pursuant to this Section 8(a)(ii), prior to any proration, shall be equal to the greater of (A) the annual bonus earned by the Executive for the most recent fiscal year of the Company ending prior to the date of the Executive's termination of employment or (B) the annual bonus that the Executive would have earned under the Company's bonus plan for the fiscal year of the Company in which the Executive's termination of employment occurs had the Executive remained in its employment. However, in no case shall any such post-termination annual bonus exceed the lesser of 100% of the Executive's target bonus for the most recent fiscal year of the Company ending prior to the date of the Executive's termination of employment or 100% of the Executive's target bonus for the fiscal year of the Company in which the Executive's termination of employment occurs. Such bonuses shall not be paid until due under the applicable Company bonus plan.

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

(iv) **Restricted Stock.** Shares of restricted stock granted to the Executive by the Company which have not become vested as of the date of termination of the Executive's employment, as provided in Section 7(b), shall immediately become vested on a pro rata basis. The number of such additional shares of restricted stock that shall become vested as of the date of the Executive's termination of employment shall be that number of additional shares that would have become vested through the date of such termination of employment at the rate(s) determined under the vesting schedule applicable to such shares had such vesting schedule provided for the accrual of vesting on a daily basis (based on a 365 day year). For example, if the vesting schedule applicable to a restricted stock award provides for vesting of 20%, 30% and 50% of the award on the first, second and third anniversaries, respectively, of the date of grant of the award, then pro rata vesting under this Section 8(a)(iv) shall be accrued at daily rates of 0.05479%, 0.08219% and 0.13699%, respectively, from the date of grant through the date of termination of employment. Any shares of restricted stock remaining unvested after such pro rata acceleration of vesting shall automatically be reacquired by the Company in accordance with the provisions of the applicable restricted stock agreement, and the Executive shall have no further rights in such unvested portion of the restricted stock.

(v) **Other Equity Awards.** Except as set forth in Sections 8(a)(iii) and 8(a)(iv), performance share awards and all other equity awards granted to the Executive by the Company which remain outstanding immediately prior to the date of termination of the Executive's employment, as provided in Section 7(b), shall vest and be settled in accordance with their terms.

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

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

(c) **Non-Renewal Termination**. If the Agreement expires as set forth in Section 6(g) [Non-Renewal Termination], then, subject to Section 22 [Compliance with Section 409A], in addition to all salary, annual bonuses, expense reimbursements, benefits and accrued vacation days earned by the Executive pursuant to Section 4 through the date of the Executive's termination of employment, the Executive shall be entitled to the following, provided that within sixty (60) days following the Executive's termination of employment the Executive executes the Release and the period for revocation, if any, of such Release has expired without the Release having been revoked:

(i) **Bonus**. The Company shall pay the Executive an annual bonus for the fiscal year of the Company in which the date of the Executive's termination of employment occurs, which shall be prorated for the portion of such fiscal year that the Executive is employed by the Company. The amount of such annual bonus, prior to proration, shall be equal to the greater of (A) the annual bonus earned by the Executive for the most recent fiscal year of the Company ending prior to the date of the Executive's termination of employment or (B) the annual bonus that the Executive would have earned under the Company's bonus plan for the fiscal year of the Company in which the Executive's termination of employment occurs had the Executive remained in its employment. However, in no case shall any such post-termination annual bonus exceed the lesser of 100% of the Executive's target bonus for the most recent fiscal year of the Company ending prior to the date of the Executive's termination of employment or 100% of the Executive's target bonus for the fiscal year of the Company in which the Executive's termination of employment occurs. Such bonus shall not be paid until due under the applicable Company bonus plan.

(ii) **Stock Options**. Stock options granted to the Executive by the Company and which remain outstanding immediately prior to the date of termination of the Executive's employment, as provided in Section 7(b), shall be vested and exercisable in accordance with their terms.

(iii) **Restricted Stock.** Shares of restricted stock granted to the Executive by the Company which have not become vested as of the date of termination of the Executive's employment, as provided in Section 7(b), shall immediately become vested on a pro rata basis. The number of such additional shares of restricted stock that shall become vested as of the date of the Executive's termination of employment shall be that number of additional shares that would have become vested through the date of such termination of employment at the rate(s) determined under the vesting schedule applicable to such shares had such vesting schedule provided for the accrual of vesting on a daily basis (based on a 365 day year). For example, if the vesting schedule applicable to a restricted stock award provides for vesting of 20%, 30% and 50% of the award on the first, second and third anniversaries, respectively, of the date of grant of the award, then pro rata vesting under this Section 8(c)(iii) shall be accrued at daily rates of 0.05479%, 0.08219% and 0.13699%, respectively, from the date of grant through the date of termination of employment. Any shares of restricted stock remaining unvested after such pro rata acceleration of vesting shall automatically be reacquired by the Company in accordance with the provisions of the applicable restricted stock agreement, and the Executive shall have no further rights in such unvested portion of the restricted stock.

(iv) **Other Equity Awards.** Except as set forth in Sections 8(c)(ii) and 8(c)(iii), performance share awards and all other equity awards granted to the Executive by the Company which remain outstanding immediately prior to the date of termination of the Executive's employment, as provided in Section 7(b), shall vest and be settled in accordance with their terms.

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

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

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

(1) **Without Regard to Termination of Employment.** In the event of a Change in Control (as defined below), all shares of restricted stock granted to the Executive by the Company shall become vested in full immediately prior to the consummation of such Change in Control, and, subject to Section 22 [Compliance with Section 409A], the Executive shall be entitled to receive an additional salary equal to **Sixty Two Thousand Five Hundred Dollars (\$62,500)** per month for a period of two (2) years following the Change in Control unless and until the Voluntary Termination (as defined in Section 6(f)) of the Executive's employment or the termination for Cause (as defined in Section 6(c)) of the Executive's employment. Except as set forth in this Section 8(d)(i)(1) or Section 8(d)(i)(2) below, the treatment of stock options, performance share awards and all other equity awards granted to the Executive by the Company which remain outstanding immediately prior to the date of such Change in Control shall be determined in accordance with their terms.

(2) **Upon Certain Termination of Employment.** In addition to the payments and benefits provided by Section 8(d)(i)(1) above, if the Executive's employment is terminated either by the Company Without Cause (as defined in Section 6(d)) or by the Executive for Good Reason (as defined in Section 6(e)), in either case within a period commencing one (1) month prior to and ending twelve (12) months following a Change in Control, then, subject to Section 22 [Compliance with Section 409A], the Executive shall be entitled to the following (in addition to any other payments or benefits provided under this Agreement), provided that within sixty (60) days following the Executive's termination of employment the Executive executes the Release and the period for revocation, if any, of such Release has expired without the Release having been revoked:

a. **Salary.** The salary that shall be payable to the Executive under Section 8(a)(i) shall be paid for the greater of (i) the remainder of the Term of Employment then in effect or (ii) a period of two (2) years commencing on the date of the Executive's termination of employment.

b. **Bonus.** The annual bonus that shall be payable to the Executive under Section 8(a)(ii) shall be paid for the greater of (i) the remainder of the Term of Employment then in effect or (ii) a period of two (2) years commencing on the date of the Executive's termination of employment; provided, however, that the amount of the annual bonus determined in accordance with Section 8(a)(ii) for the fiscal year of the Company in which such Term of Employment or two-year period, as the case may be, ends shall be prorated on the basis of the number of days of such Term of Employment or two-year period occurring within such fiscal year.

c. **Health Care Coverage.** The Executive shall be entitled to the continuation of the Executive's health care coverage under the Company's employee benefit plans (including medical, dental, vision and mental coverage) which the Executive had at the time of the termination of employment (including coverage for the Executive's dependents to the extent such dependents were covered immediately prior to such termination of employment) at the Company's expense for the greater of (i) the remainder of the Term of Employment then in effect or (ii) a period of two (2) years commencing on the date of the Executive's termination of employment. Such health care continuation rights will be in addition to any rights the Executive may have under ERISA Sections 600 and thereafter and Section 4980B of the Internal Revenue Code ("COBRA coverage").

d. **Estate Planning.** The Executive shall be entitled to reimbursement of the Executive's estate planning expenses (including attorneys' fees) on the same basis, if any, as to which the Executive was entitled to such reimbursements immediately prior to such termination of employment for the greater of (i) the remainder of the Term of Employment then in effect or (ii) a period of two (2) years commencing on the date of termination of employment.

(ii) **Change in Control Defined.** A "Change in Control" shall be deemed to have occurred if: (1) any person or group (within the meaning of Rule 13d-3 of the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended) shall acquire during the twelve-month period ending on the date of the most recent acquisition by such person or group, in one or a series of transactions, whether through sale of stock or merger, ownership of stock of the Company that constitutes 35% or more of the total voting power of the stock of the Company or any successor to the Company; (2) a merger in which the Company is a party pursuant to which any person or such group acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company, or (3) the sale, exchange, or transfer of all or substantially all of the Company's assets (other than a sale, exchange, or transfer to one or more corporations where the stockholders of the Company before and after such sale, exchange, or transfer, directly or indirectly, are the beneficial owners of at least a majority of the voting stock of the corporation(s) to which the assets were transferred).

(iii) **Excise Tax Gross-Up**. If the Executive becomes entitled to one or more payments (with a “payment” for this purpose including the accelerated vesting of restricted stock, stock options or other equity awards, or other non-cash benefits or property), whether pursuant to the terms of this Agreement or any other plan or agreement with the Company or any affiliated company (collectively, “Change in Control Payments”), which are or become subject to the tax (the “Excise Tax”) imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the “Code”), the Company shall pay to the Executive at the time specified below such amount (the “Gross-up Payment”) as may be necessary to place the Executive in the same after-tax position as if no portion of the Change in Control Payments and any amounts paid to the Executive pursuant to Section 8 had been subject to the Excise Tax. The Gross-up Payment shall include, without limitation, reimbursement for any penalties and interest that may accrue in respect of such Excise Tax. For purposes of determining the amount of the Gross-up Payment, the Executive shall be deemed: (A) to pay federal income taxes at the highest marginal rate of federal income taxation for the year in which the Gross-up Payment is to be made; and (B) to pay any applicable state and local income taxes at the highest marginal rate of taxation for the calendar year in which the Gross-up Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year. If the Excise Tax is subsequently determined to be less than the amount taken into account hereunder at the time the Gross-up Payment is made, the Executive shall repay to the Company at the time that the amount such reduction in Excise Tax is finally determined (but, if previously paid to the taxing authorities, not prior to the time the amount of such reduction is refunded to the Executive or otherwise realized as a benefit by the Executive) the portion of the Gross-up Payment that would not have been paid if such Excise Tax had been used in initially calculating the Gross-up payment, plus interest on the amount of such repayment at the rate provided in Section 1274 (b)(2)(B) of the Code. In the event that the Excise Tax is determined to exceed the amount taken into account hereunder at the time the Gross-up Payment is made, the Company shall make an additional Gross-up Payment in respect of such excess (plus any interest and penalties payable with respect to such excess) at the time that the amount of such excess is finally determined.

(iv) The Gross-up Payment provided for above shall be paid, subject to Section 22 [Compliance with Section 409A], on the 30th day (or such earlier date as the Excise Tax becomes due and payable to the taxing authorities) after it has been determined that the Change in Control Payments (or any portion thereof) are subject to the Excise Tax; provided, however, that if the amount of such Gross-up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to the Executive on such day an estimate, as determined by counsel or auditors selected by the Company and reasonably acceptable to the Executive, of the minimum amount of such payments. The Company shall pay to the Executive the remainder of such payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, the Executive shall repay such amount on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code). The Company shall have the right to control all proceedings with the Internal Revenue Service that may arise in connection with the determination and assessment of any Excise Tax and, at its sole option, the Company may pursue or forego any and all administrative appeals, proceedings, hearings, and conferences with any taxing authority in respect of such Excise Tax (including any interest or penalties thereon); provided, however, that the Company’s control over any such proceedings shall be limited to issues with respect to which a Gross-up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest any other issue raised by the Internal Revenue Service or any other taxing authority. The Executive shall cooperate with the Company in any proceedings relating to the determination and assessment of any Excise Tax and shall not take any position or action that would materially increase the amount of any Gross-up Payment hereunder.

## 9. Certain Employment Obligations.

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

### (b) **Non-Compete.**

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

For purposes of this Agreement, a Competing Business shall mean any of the following: (1) any business that is in whole or in substantial part competitive with the business of the Company then being conducted or under consideration, (2) any off-price retailer or retailer of discount merchandise, including without limitation, Burlington Coat Factory Warehouse Corporation, Federated Department Stores, Inc., TJX Companies Inc., Retail Ventures Inc., Kohl's Corporation, Stein Mart, Inc, and (3) any affiliates, subsidiaries or successors of businesses identified above.

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

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

(c) **Non-Solicitation of Employees.** During the Term of Employment and for a period of 24 months following the Executive's termination of that employment with the Company, the Executive shall not, without the written permission of the Company or an affected affiliate, directly or indirectly (i) solicit, employ or retain, or have or cause any other person or entity to solicit, employ or retain, any person who is employed by the Company or was employed by the Company during the 6-month period prior to such solicitation, employment, or retainer, (ii) encourage any such person not to devote his or her full business time to the Company, or (iii) agree to hire or employ any such person.

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

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

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

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

(b) The Company shall give prompt notice to the Executive of its discovery of a breach by the Executive of Section 9 of this Agreement. If it is determined by a vote of not less than two-thirds of the members of the Board that the Executive has breached Section 9 of this Agreement and has not cured such breach within ten (10) business days of such notice, then:

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

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

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

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

(e) The Company shall have the right (but not the obligation) to deduct from any amounts payable from time to time to the Executive by the Company pursuant to this Agreement or otherwise (including wages or other compensation, vacation pay or other benefits, and any other amounts owed to the Executive by the Company) any and all amounts the Executive is required to pay to the Company pursuant to this Section. The Executive agrees to pay to the Company immediately upon the Breach Determination Date the amount payable by the Executive to the Company pursuant to this Section which the Company has not recovered by means of such deductions.

(f) The Executive acknowledges that money will not adequately compensate the Company for the substantial damages that will arise upon the breach or threatened breach of Sections 5 or 9 of this Agreement and that the Company will not have any adequate remedy at law. For this reason, such breach or threatened breach will not be subject to the arbitration clause in Section 19; rather, the Company will be entitled, in addition to other rights and remedies, to specific performance, injunctive relief, and other equitable relief to prevent or restrain such breach or threatened breach. The Company may obtain such relief from (1) any court of competent jurisdiction, (2) an arbitrator pursuant to Section 19 hereof, or (3) a combination of the two (e.g., by simultaneously seeking arbitration under Section 19 and a temporary injunction from a court pending the outcome of the arbitration). It shall be the Company’s sole and exclusive right to elect which approach to use to vindicate its rights. The Executive further agrees that in the event of a breach or threatened breach, the Company shall be entitled to obtain an immediate injunction and restraining order to prevent such breach and/or threatened breach and/or continued breach, without posting a bond or having to prove irreparable harm or damages, and to obtain all costs and expenses, including reasonable attorneys’ fees and costs. In addition, the existence of any claim or cause of action by the Executive against the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the restrictive covenants in this Agreement.

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

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

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

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

If to the Executive: Michael O'Sullivan  
Ross Stores, Inc.  
4440 Rosewood Drive  
Pleasanton, CA 94588

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

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

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

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

17. **Mitigation Not Required.** In the event the Executive's employment with the Company terminates for any reason, the Executive shall not be obligated to seek other employment following such termination. However, any amounts due the Executive under Sections 8(a)(i); 8(a)(ii); 8(d)(i)(2)(a),(b),(c) or (d); and/or any additional salary provided under Section 8(d)(i)(1) of this Agreement shall be offset by any cash remuneration, health care coverage and/or estate planning reimbursements attributable to any subsequent employment that the Executive may obtain during the period of payment of compensation under this Agreement following the termination of the Executive's employment with the Company.

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

19. **Arbitration.** In the event of any dispute or claim relating to or arising out of the parties' employment relationship or this Agreement (including, but not limited to, any claims of breach of contract, wrongful termination, or age, race, sex, disability or other discrimination), all such disputes shall be fully, finally and exclusively resolved by binding arbitration conducted by the American Arbitration Association in the city in which the Executive's principal place of employment is located by an arbitrator mutually agreed upon by the parties hereto or, in the absence of such agreement, by an arbitrator selected in accordance with the Employment Arbitration Rules of the American Arbitration Association, provided, however, that this arbitration provision shall not apply, unless the Company elects otherwise, to any disputes or claims relating to or arising out of the Executive's breach of Sections 5 or 9 of this Agreement. If either the Company or the Executive shall request, arbitration shall be conducted by a panel of three arbitrators, one selected by the Company, one selected by the Executive, and the third selected by agreement of the first two, or, in the absence of such agreement, in accordance with such Rules.

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

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

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

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

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

(b) **Six-Month Delay Applicable to Specified Employees.** If, at the time of a Separation from Service of the Executive, the Executive is a “specified employee” within the meaning of Section 409A (a “Specified Employee”), then any payments and benefits constituting Section 409A Deferred Compensation to be paid or provided pursuant to Section 8 upon the Separation from Service of the Executive shall be paid or provided commencing on the later of (i) the date that is six (6) months after the date of such Separation from Service or, if earlier, the date of death of the Executive (in either case, the “Delayed Payment Date”), or (ii) the date or dates on which such Section 409A Deferred Compensation would otherwise be paid or provided in accordance with Section 8. All such amounts that would, but for this Section 22(b), become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

(c) **Health Care and Estate Planning Benefits.** In the event that all or any of the health care or estate planning benefits to be provided pursuant to Sections 8(d)(i)(2)(c) or 8(d)(i)(2)(d) as a result of a Participant’s Separation from Service constitute Section 409A Deferred Compensation, the Company shall provide for such benefits constituting Section 409A Deferred Compensation in a manner that complies with Section 409A. To the extent necessary to comply with Section 409A, the Company shall determine the health care premium cost necessary to provide such benefits constituting Section 409A Deferred Compensation for the applicable coverage period and shall pay such premium cost which becomes due and payable during the applicable coverage period on the applicable due date for such premiums; provided, however, that if the Executive is a Specified Employee, the Company shall not pay any such premium cost until the Delayed Payment Date. If the Company’s payment pursuant to the previous sentence is subject to a Delayed Payment Date, the Executive shall pay the premium cost otherwise payable by the Company prior to the Delayed Payment Date, and on the Delayed Payment Date the Company shall reimburse the Executive for such Company premium cost paid by the Executive and shall pay the balance of the Company’s premium cost necessary to provide such benefit coverage for the remainder of the applicable coverage period as and when it becomes due and payable over the applicable period.

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

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

23. **Future Equity Compensation.** The Executive understands and acknowledges that all awards, if any, of stock options, restricted stock, performance shares and other forms of equity compensation by the Company are made at the sole discretion of the Board of Directors of the Company or a committee thereof. The Executive further understands and acknowledges, however, that unless the Executive has executed this Agreement and each successive amendment extending the Initial Term or any subsequent Renewal Term of the Agreement as may be agreed to by the Company and the Executive, it is the intention of the Board of Directors and the Executive that, notwithstanding any continued employment with the Company, (a) the Company shall have no obligation to grant any award of stock options, restricted stock, performance shares or any other form of equity compensation which might otherwise have been granted to the Executive on or after the intended commencement of the Initial Term or such successive Renewal Term for which the Executive has failed to sign the Agreement or the applicable Term of Employment extension amendment and (b) any such award which is nevertheless granted to the Executive after the intended commencement of the Initial Term or Renewal Term for which the Executive has failed to sign such Agreement or applicable extension amendment shall not vest unless and until the Executive has executed the Agreement or applicable extension amendment, notwithstanding the provisions of any agreement evidencing such award to the contrary.

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

ROSS STORES, INC.

EXECUTIVE

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By: Michael Balmuth  
Vice Chairman, President and Chief  
Executive Officer

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**Michael O'Sullivan**

## **FIRST AMENDMENT TO THE EMPLOYMENT AGREEMENT**

**THE FIRST AMENDMENT TO THE EMPLOYMENT AGREEMENT** (the "Amendment") is made and effective the 31st day of December 2008, by Ross Stores, Inc. (the "Company") and **Michael O'Sullivan** (the "Executive"). The Executive and the Company previously entered into an Employment Agreement (the "Agreement") effective March 22, 2007 (attached hereto) and it is now the intention of the Executive and the Company to amend the Agreement as set forth below. Accordingly, the Executive and the Company now enter into this First Amendment.

- I. The Executive and the Company hereby amend the Agreement by deleting Paragraph 6(e) in its entirety and replacing it with the following new Paragraph 6(e):

**6(e). Termination by the Executive for Good Reason.** The Executive may terminate the Executive's employment with the Company for "Good Reason," which shall be deemed to occur if the Executive terminates the Executive's employment with the Company within sixty (60) days after written notice to the Company by the Executive of the occurrence of one or more of the following conditions, which condition(s) have not been cured within thirty (30) business days after the Company's receipt of such written notice: (1) a failure by the Company to comply with any material provision of this Agreement (including but not limited to the reduction of the Executive's salary or the target annual bonus opportunity set forth in Section 4(b)), (2) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which the Executive currently maintains without the express written consent of the Executive, or (3) the relocation of the Executive's Principal Place of Employment as described in Section 3 to a location that increases the regular one-way commute distance between the Executive's residence and Principal Place of Employment by more than 25 miles without the Executive's prior written consent. In order to constitute a termination of employment for Good Reason, such termination must occur within two (2) years following the initial existence of any of the conditions set forth in this Section 6(e), the Executive must provide written notice to the Company of the existence of the condition giving rise to the Good Reason termination within sixty (60) days of the initial existence of the condition, and the Company shall have thirty (30) days during which it may remedy the condition and in the event such condition is timely remedied, the termination shall not constitute a termination for Good Reason.

- II. The Executive and the Company further amend the Agreement by adding a new Paragraph 8(e):

**8(e). Timing of Payments.** Any cash payments to which the Executive is entitled under Sections 8(a),(c) and (d) shall be payable in accordance with the Company's payroll schedule and shall commence as soon as practicable upon the period for revocation of the Release having expired (and in any event on or prior to December 31 of the year in which Executive has a Separation from Service); provided, however, that in the event that Executive becomes entitled to such payments in connection with a Separation from Service that occurs on or after November 1 of any calendar year, such payments shall commence on the later of (i) the period for revocation of the Release having expired or (ii) January 1 of the calendar year that immediately follows the year in which the Executive has a Separation from Service.

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III. The Executive and the Company further amend the Agreement by moving the current Paragraph 22(e) to a new Paragraph 22(g) and adding the following new Paragraph 22(e):

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

IV. The Executive and the Company further amend the Agreement by adding a new Paragraph 22(f):

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

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

<b>ROSS STORES, INC.</b>	<b>DATE</b>	<b>EXECUTIVE</b>	<b>DATE</b>
<hr/> Michael Balmuth Vice Chairman, President and Chief Executive Officer	<u>12/30/2008</u>	<hr/> Michael O'Sullivan	<u>12/30/2008</u>

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**EXHIBIT 21****SUBSIDIARIES**

<b>Subsidiary Name</b>	<b>Domiciled</b>	<b>Date of Incorporation</b>
Ross Procurement, Inc.	Delaware	November 22, 2004
Ross Merchandising, Inc.	Delaware	January 12, 2004
Ross Dress for Less, Inc.	Virginia	January 14, 2004
Retail Assurance Group, Ltd.	Bermuda	October 15, 1991

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**EXHIBIT 23**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 33-151116, 333-61373, 33-51916, 33-51896, 33-51898, 33-41415, 33-41413, 33-296000, 333-56831, 333-06119, 333-34988, 333-51478, and 333-115836 of Ross Stores, Inc. and subsidiaries (the "Company") on Form S-8 of our report dated March 26, 2009, relating to the consolidated financial statements of the Company, and the effectiveness of the Company's internal control over financial reporting (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of a new accounting standard), appearing in this Annual Report on Form 10-K of the Company for the year ended January 31, 2009.

/s/DELOITTE & TOUCHE LLP

San Francisco, California  
March 26, 2009

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

Date: March 31, 2009

/s/Michael Balmuth

Michael Balmuth  
Vice Chairman, President  
and Chief Executive Officer

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

Date: March 31, 2009

/s/J. Call

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

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**EXHIBIT 32.1**

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

In connection with the Annual Report of Ross Stores, Inc. (the "Company") on Form 10-K for the year ended January 31, 2009 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: March 31, 2009

/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.

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**EXHIBIT 32.2**

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

In connection with the Annual Report of Ross Stores, Inc. (the "Company") on Form 10-K for the year ended January 31, 2009 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: March 31, 2009

/s/J. Call

John G. Call

Senior Vice President, Chief Financial Officer and  
Principal Accounting 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.

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