

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

**FORM 10-Q**

(Mark one)

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

**For the quarterly period ended July 30, 2011**

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**

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

N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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 the 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 Exchange Act). Yes  No

The number of shares of Common Stock, with \$.01 par value, outstanding on August 18, 2011 was 115,598,812.

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**Condensed Consolidated Statements of Earnings**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 30, 2011</b>	<b>July 31, 2010</b>	<b>July 30, 2011</b>	<b>July 31, 2010</b>
(\$000, except stores and per share data, unaudited)				
<b>Sales</b>	<b>\$ 2,089,410</b>	<b>\$ 1,911,760</b>	<b>\$ 4,163,986</b>	<b>\$ 3,846,538</b>
<b>Costs and Expenses</b>				
Costs of goods sold	<b>1,524,307</b>	1,395,785	<b>3,005,513</b>	2,801,867
Selling, general and administrative	<b>320,885</b>	303,402	<b>630,045</b>	597,874
Interest expense, net	<b>2,569</b>	2,436	<b>5,064</b>	4,824
Total costs and expenses	<b>1,847,761</b>	1,701,623	<b>3,640,622</b>	3,404,565
Earnings before taxes	<b>241,649</b>	210,137	<b>523,364</b>	441,973
Provision for taxes on earnings	<b>93,373</b>	80,861	<b>202,115</b>	170,350
Net earnings	<b>\$ 148,276</b>	<b>\$ 129,276</b>	<b>\$ 321,249</b>	<b>\$ 271,623</b>
<b>Earnings per share</b>				
Basic	<b>\$ 1.30</b>	\$ 1.09	<b>\$ 2.81</b>	\$ 2.28
Diluted	<b>\$ 1.28</b>	\$ 1.07	<b>\$ 2.76</b>	\$ 2.24
<b>Weighted average shares outstanding (000)</b>				
Basic	<b>113,652</b>	118,615	<b>114,208</b>	119,222
Diluted	<b>115,588</b>	120,562	<b>116,204</b>	121,243
<b>Dividends</b>				
Cash dividends declared per share	<b>\$ 0.22</b>	\$ 0.16	<b>\$ 0.22</b>	\$ 0.16
Stores open at end of period	<b>1,091</b>	1,036	<b>1,091</b>	1,036

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

## Condensed Consolidated Balance Sheets

(\$000, unaudited)	July 30, 2011	January 29, 2011	July 31, 2010
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 512,716	\$ 833,924	\$ 772,671
Short-term investments	959	3,204	2,491
Accounts receivable	57,943	45,384	53,079
Merchandise inventory	1,189,523	1,086,917	915,704
Prepaid expenses and other	93,358	63,807	66,653
Current deferred income taxes, net	15,363	10,003	4,249
Total current assets	<u>1,869,862</u>	<u>2,043,239</u>	<u>1,814,847</u>
<b>Property and Equipment</b>			
Land and buildings	261,937	241,138	240,706
Fixtures and equipment	1,299,867	1,258,707	1,221,915
Leasehold improvements	608,895	584,306	548,813
Construction-in-progress	102,051	69,237	41,143
Property at cost	<u>2,272,750</u>	<u>2,153,388</u>	<u>2,052,577</u>
Less accumulated depreciation and amortization	<u>1,230,071</u>	<u>1,169,612</u>	<u>1,107,242</u>
Property and equipment, net	1,042,679	983,776	945,335
Long-term investments	6,243	14,082	18,535
Other long-term assets	136,491	75,107	72,146
Total assets	<u>\$ 3,055,275</u>	<u>\$ 3,116,204</u>	<u>\$ 2,850,863</u>
<b>Liabilities and Stockholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 709,143	\$ 767,455	\$ 745,461
Accrued expenses and other	270,636	292,174	244,460
Accrued payroll and benefits	184,952	235,030	181,611
Income taxes payable	-	57,661	8,070
Total current liabilities	<u>1,164,731</u>	<u>1,352,320</u>	<u>1,179,602</u>
Long-term debt	150,000	150,000	150,000
Other long-term liabilities	198,234	189,989	184,324
Long-term deferred income taxes, net	116,381	91,203	80,088
Commitments and contingencies			
<b>Stockholders' Equity</b>			
Common stock	1,158	1,181	1,207
Additional paid-in capital	767,907	740,726	713,750
Treasury stock	(60,565)	(46,408)	(44,306)
Accumulated other comprehensive income	571	488	562
Retained earnings	716,858	636,705	585,636
Total stockholders' equity	<u>1,425,929</u>	<u>1,332,692</u>	<u>1,256,849</u>
Total liabilities and stockholders' equity	<u>\$ 3,055,275</u>	<u>\$ 3,116,204</u>	<u>\$ 2,850,863</u>

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

## Condensed Consolidated Statements of Cash Flows

	Six Months Ended	
	July 30, 2011	July 31, 2010
(\$000, unaudited)		
<b>Cash Flows From Operating Activities</b>		
Net earnings	\$ 321,249	\$ 271,623
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	77,416	80,161
Stock-based compensation	19,280	18,253
Deferred income taxes	19,818	(23,337)
Tax benefit from equity issuance	12,336	8,801
Excess tax benefit from stock-based compensation	(11,829)	(8,597)
Change in assets and liabilities:		
Merchandise inventory	(102,606)	(43,206)
Other current assets	(22,264)	(16,880)
Accounts payable	(32,338)	106,831
Other current liabilities	(119,906)	(89,771)
Other long-term, net	509	959
Net cash provided by operating activities	<u>161,665</u>	<u>304,837</u>
<b>Cash Flows From Investing Activities</b>		
Additions to property and equipment	(145,720)	(88,122)
Increase in restricted cash and investments	(73,465)	-
Purchases of investments	-	(6,842)
Proceeds from investments	10,168	5,020
Net cash used in investing activities	<u>(209,017)</u>	<u>(89,944)</u>
<b>Cash Flows From Financing Activities</b>		
Excess tax benefit from stock-based compensation	11,829	8,597
Proceeds from issuance of common stock related to stock plans	10,322	20,366
Treasury stock purchased	(14,157)	(7,442)
Repurchase of common stock	(230,227)	(192,982)
Dividends paid	(51,623)	(39,104)
Net cash used in financing activities	<u>(273,856)</u>	<u>(210,565)</u>
Net (decrease) increase in cash and cash equivalents	<u>(321,208)</u>	<u>4,328</u>
Cash and cash equivalents:		
Beginning of period	833,924	768,343
End of period	<u>\$ 512,716</u>	<u>\$ 772,671</u>
<b>Supplemental Cash Flow Disclosures</b>		
Interest paid	\$ 4,834	\$ 4,834
Income taxes paid	\$ 225,265	\$ 225,628
<b>Non-Cash Investing Activities</b>		
Increase in fair value of investment securities	\$ 128	\$ 604

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

## Notes to Condensed Consolidated Financial Statements

Three and Six Months Ended July 30, 2011 and July 31, 2010  
(Unaudited)

### Note A: Summary of Significant Accounting Policies

**Basis of presentation.** The accompanying unaudited interim condensed consolidated financial statements have been prepared from the records of Ross Stores, Inc. and subsidiaries (the "Company") without audit and, in the opinion of management, include all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the Company's financial position as of July 30, 2011 and July 31, 2010, the results of operations for the three and six month periods ended July 30, 2011 and July 31, 2010, and cash flows for the six month periods ended July 30, 2011 and July 31, 2010. The Condensed Consolidated Balance Sheet as of January 29, 2011, presented herein, has been derived from the Company's audited consolidated financial statements for the fiscal year then ended.

Accounting policies followed by the Company are described in Note A to the audited consolidated financial statements for the fiscal year ended January 29, 2011. Certain information and disclosures normally included in the notes to annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted for purposes of these interim condensed consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including notes thereto, contained in the Company's Annual Report on Form 10-K for the year ended January 29, 2011.

The results of operations for the three and six month periods ended July 30, 2011 and July 31, 2010 presented herein are not necessarily indicative of the results to be expected for the full fiscal year.

**Restricted cash, cash equivalents, and investments.** In July 2011, the Company transferred \$73.5 million of cash, cash equivalents, and investments into restricted accounts to serve as collateral for the Company's insurance obligations, which were previously secured by unsecured letters of credit. These restricted funds are invested in bank deposits, money market mutual funds, U.S. Government and agency securities, and corporate securities and cannot be withdrawn from the Company's account without the prior written consent of the secured parties. As of July 30, 2011, the Company had cash and cash equivalents of \$67.0 million and investments of \$6.5 million in restricted accounts. As of July 30, 2011 restricted cash, cash equivalents, and investments of \$19.8 million and \$53.7 million were included in other current assets and other long-term assets, respectively, in the Condensed Consolidated Balance Sheet. The categorization between current and long-term is based on the timing of expected payments of the secured insurance obligations.

**Total comprehensive income.** The components of total comprehensive income for the three and six month periods ended July 30, 2011 and July 31, 2010 are as follows (in \$000):

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 30, 2011</b>	<b>July 31, 2010</b>	<b>July 30, 2011</b>	<b>July 31, 2010</b>
Net earnings	\$ 148,276	\$ 129,276	\$ 321,249	\$ 271,623
Increase in unrealized gain on investments, net of taxes	86	364	83	392
<b>Total comprehensive income</b>	<b>\$ 148,362</b>	<b>\$ 129,640</b>	<b>\$ 321,332</b>	<b>\$ 272,015</b>

**Estimated fair value of financial instruments.** The carrying value of cash and cash equivalents, short- and long-term investments, restricted cash and cash equivalents, restricted investments, accounts receivable, other long-term assets, accounts payable, and other long-term liabilities approximates their estimated fair value. Cash and cash equivalents were \$512.7 million, \$833.9 million, and \$772.7 million at July 30, 2011, January 29, 2011, and July 31, 2010, respectively, and include money market funds for which the fair value was determined using quoted prices for identical assets in active markets, which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance.

**Sales Mix.** The Company's sales mix is shown below for the three and six month periods ended July 30, 2011 and July 31, 2010:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 30,</u> <u>2011</u>	<u>July 31,</u> <u>2010</u>	<u>July 30,</u> <u>2011</u>	<u>July 31,</u> <u>2010</u>
Ladies	31%	32%	31%	32%
Home accents and bed and bath	24%	24%	24%	24%
Shoes	13%	12%	13%	13%
Men's	13%	13%	12%	12%
Accessories, lingerie, fine jewelry, and fragrances	12%	11%	12%	11%
Children's	7%	8%	8%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Dividends.** Dividends included in the Condensed Consolidated Statements of Cash Flows reflect dividends paid during the periods shown. Dividends per share reported on the Condensed Consolidated Statements of Earnings reflect dividends declared during the periods shown. In January and May 2011 the Company's Board of Directors declared a quarterly cash dividend of \$.22 per common share that was paid in March and June 2011, respectively. In January, May, August, and November 2010, the Company's Board of Directors declared a quarterly cash dividend of \$.16 per common share that was paid in March, June, September, and December 2010, respectively.

In August 2011, the Company's Board of Directors declared a cash dividend of \$.22 per common share, payable on September 30, 2011.

**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. The Company's gift cards do not have expiration dates. Based upon historical redemption rates, a small percentage of gift cards will never be redeemed, which represents breakage. The Company recognizes income from gift card breakage as a reduction of operating expenses when redemption by a customer is considered to be remote. Income recognized from breakage was not significant for the three and six month periods ended July 30, 2011 and July 31, 2010. Sales tax collected is not recognized as revenue and is included in accrued expenses and other.

**Provision for litigation costs and other legal proceedings.** 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 store managers and assistant store managers at Company stores under state law, remains pending as of July 30, 2011.

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

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

## Note B: Investments and Restricted Investments

The amortized cost and fair value of the Company's available-for-sale securities as of July 30, 2011 were:

(\$000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short-term	Long-term
<b>Investments</b>						
Corporate securities	\$ 5,818	\$ 532	\$ (52)	\$ 6,298	\$ 622	\$ 5,676
Mortgage-backed securities	858	46	-	904	337	567
Total investments	6,676	578	(52)	7,202	959	6,243
<b>Restricted Investments</b>						
Corporate securities	1,355	117	-	1,472	-	1,472
U.S. government and agency securities	4,782	237	-	5,019	1,004	4,015
Total restricted investments	6,137	354	-	6,491	1,004	5,487
<b>Total</b>	<b>\$ 12,813</b>	<b>\$ 932</b>	<b>\$ (52)</b>	<b>\$ 13,693</b>	<b>\$ 1,963</b>	<b>\$ 11,730</b>

The amortized cost and fair value of the Company's available-for-sale securities as of January 29, 2011 were:

(\$000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short-term	Long-term
Corporate securities	\$ 7,465	\$ 634	\$ (37)	\$ 8,062	\$ 300	\$ 7,762
U.S. government and agency securities	7,959	77	(5)	8,031	2,366	5,665
Mortgage-backed securities	1,111	82	-	1,193	538	655
Total	\$ 16,535	\$ 793	\$ (42)	\$ 17,286	\$ 3,204	\$ 14,082

The amortized cost and fair value of the Company's available-for-sale securities as of July 31, 2010 were:

(\$000)	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Short-term	Long-term
Corporate securities	\$ 8,157	\$ 681	\$ (54)	\$ 8,784	\$ 1,009	\$ 7,775
U.S. Government and agency securities	10,572	174	(2)	10,744	352	10,392
Mortgage-backed securities	1,433	65	-	1,498	1,130	368
Total	\$ 20,162	\$ 920	\$ (56)	\$ 21,026	\$ 2,491	\$ 18,535

Accounting standards pertaining to fair value measurements establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. 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. 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.

Investments and restricted investments measured at fair value at July 30, 2011 are summarized below:

(\$000)	July 30,	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)
<b>Investments</b>	2011			
Corporate securities	\$ 6,298	\$ -	\$ 6,298	\$ -
Mortgage-backed securities	904	-	904	-
<b>Total investments</b>	<b>7,202</b>	<b>-</b>	<b>7,202</b>	<b>-</b>
<b>Restricted Investments</b>				
Corporate securities	1,472	-	1,472	-
U.S. government and agency securities	5,019	5,019	-	-
<b>Total restricted investments</b>	<b>6,491</b>	<b>5,019</b>	<b>1,472</b>	<b>-</b>
<b>Total</b>	<b>\$ 13,693</b>	<b>\$ 5,019</b>	<b>\$ 8,674</b>	<b>\$ -</b>

Investments measured at fair value at January 29, 2011 are summarized below:

(\$000)	January 29,	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)
Corporate securities	\$ 8,062	\$ -	\$ 8,062	\$ -
U.S. government and agency securities	8,031	8,031	-	-
Mortgage-backed securities	1,193	-	1,193	-
<b>Total</b>	<b>\$ 17,286</b>	<b>\$ 8,031</b>	<b>\$ 9,255</b>	<b>\$ -</b>

Investments measured at fair value at July 31, 2010 are summarized below:

(\$000)	July 31, 2010	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)
Corporate securities	\$ 8,784	\$ -	\$ 8,784	\$ -
U.S. Government and agency securities	10,744	10,744	-	-
Mortgage-backed securities	1,498	-	1,498	-
Total	<u>\$ 21,026</u>	<u>\$ 10,744</u>	<u>\$ 10,282</u>	<u>\$ -</u>

The maturities of investment securities at July 30, 2011 were:

(\$000)	Investments		Restricted Investments	
	Cost basis	Estimated fair value	Cost basis	Estimated fair value
Maturing in one year or less	\$ 915	\$ 959	\$ 1,002	\$ 1,004
Maturing after one year through five years	3,183	3,277	1,499	1,622
Maturing after five years through ten years	2,578	2,966	3,636	3,865
	<u>\$ 6,676</u>	<u>\$ 7,202</u>	<u>\$ 6,137</u>	<u>\$ 6,491</u>

The underlying assets in the Company's non-qualified deferred compensation program totaling \$69.0 million as of July 30, 2011 (included in other long-term assets and in other long-term liabilities) primarily consist of participant directed money market, stable value, stock, and bond funds. The fair value measurement for funds with quoted market prices in active markets (Level 1) totaled \$59.3 million as of July 30, 2011. The fair value measurement for funds without quoted market prices in active markets (Level 2) totaled \$9.7 million as of July 30, 2011. Fair market value for these Level 2 funds is considered to be the sum of participant funds invested under a group annuity contract plus accrued interest.

## Note C: Stock-Based Compensation

**Stock-based compensation.** For the three and six month periods ended July 30, 2011 and July 31, 2010, the Company recognized stock-based compensation expense as follows:

(\$000)	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 30,</u> <u>2011</u>	<u>July 31,</u> <u>2010</u>	<u>July 30,</u> <u>2011</u>	<u>July 31,</u> <u>2010</u>
Restricted stock	\$ 4,957	\$ 5,743	\$ 10,434	\$ 10,723
Performance awards	4,068	2,966	8,142	6,252
ESPP and stock options	361	634	704	1,278
<b>Total</b>	<b>\$ 9,386</b>	<b>\$ 9,343</b>	<b>\$ 19,280</b>	<b>\$ 18,253</b>

Total stock-based compensation recognized in the Company's Condensed Consolidated Statements of Earnings for the three and six month periods ended July 30, 2011 and July 31, 2010 is as follows:

<b>Statements of Earnings Classification (\$000)</b>	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>July 30,</u> <u>2011</u>	<u>July 31,</u> <u>2010</u>	<u>July 30,</u> <u>2011</u>	<u>July 31,</u> <u>2010</u>
Cost of goods sold	\$ 3,628	\$ 4,124	\$ 8,156	\$ 8,218
Selling, general and administrative	5,758	5,219	11,124	10,035
<b>Total</b>	<b>\$ 9,386</b>	<b>\$ 9,343</b>	<b>\$ 19,280</b>	<b>\$ 18,253</b>

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

During the quarter ended July 30, 2011, shares purchased by the Company for tax withholding totaled approximately 200,000 shares and are considered treasury shares which are available for reissuance. As of July 30, 2011, shares subject to repurchase related to unvested restricted stock totaled 2.8 million shares.

(000, except per share data)	Number of shares	Weighted average grant date fair value
Unvested at January 29, 2011	2,835	\$ 36.99
Awarded	739	64.43
Released	(647)	34.16
Forfeited	(84)	40.30
<b>Unvested at July 30, 2011</b>	<b>2,843</b>	<b>\$ 44.67</b>

**Performance shares.** The Company has 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 issued vests over the service period, generally three years from the date the performance award was granted.

The unamortized compensation expense for all plans at July 30, 2011, January 29, 2011, and July 31, 2010 was \$80.3 million, \$56.8 million and \$69.9 million, respectively, which is expected to be recognized over a weighted-average remaining period of 2.3 years.

**Employee stock purchase plan.** Under the Employee Stock Purchase Plan ("ESPP"), 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. The purchase price of the stock is 85% of the closing market price on the date of purchase. In addition, purchases occur on a quarterly basis (on the last trading day of each calendar quarter). The Company recognizes expense for ESPP purchase rights equal to the value of the 15% discount given on the purchase date.

**Stock option activity.** The following table summarizes stock option activity for the six month period ended July 30, 2011:

(000, except per share data)	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at January 29, 2011	1,609	\$ 25.53		
Granted	-	-		
Exercised	(279)	22.72		
Forfeited	(3)	21.95		
<b>Outstanding at July 30, 2011, all vested</b>	<b>1,327</b>	<b>\$ 26.13</b>	<b>3.16</b>	<b>\$ 65,893</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 July 30, 2011 (number of shares in thousands):

Exercise price range	Options outstanding and exercisable		
	Number of shares	Remaining life	Exercise price
\$ 14.78 to \$ 24.47	415	1.84	\$ 21.27
24.54 to 27.81	375	3.95	27.07
27.84 to 29.18	342	3.63	28.64
29.19 to 32.85	195	3.63	30.21
<b>\$ 14.78 to \$ 32.85</b>	<b>1,327</b>	<b>3.16</b>	<b>\$ 26.13</b>

#### Note D: Earnings Per Share

Basic Earnings Per Share ("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.

For the three and six month periods ended July 30, 2011, approximately 400 and 41,000 weighted average shares were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive in the period presented. For the three and six month periods ended July 31, 2010, approximately 400 and 600 weighted average shares were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive in the period presented.

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

	Three Months Ended			Six Months Ended		
	Basic EPS	Effect of Dilutive Common Stock Equivalents	Diluted EPS	Basic EPS	Effect of Dilutive Common Stock Equivalents	Diluted EPS
Shares in (000s)						
<b>July 30, 2011</b>						
Shares	113,652	1,936	115,588	114,208	1,996	116,204
Amount	\$ 1.30	\$ (0.02)	\$ 1.28	\$ 2.81	\$ (0.05)	\$ 2.76
<b>July 31, 2010</b>						
Shares	118,615	1,947	120,562	119,222	2,021	121,243
Amount	\$ 1.09	\$ (0.02)	\$ 1.07	\$ 2.28	\$ (0.04)	\$ 2.24

#### Note E: Debt

The Company has two series of unsecured senior notes with various institutional investors for \$150 million. The Series A notes totaling \$85 million are due in December 2018 and bear interest at a rate of 6.38%. The Series B notes totaling \$65 million are due in December 2021 and bear interest at a rate of 6.53%. The fair value of these notes as of July 30, 2011 of approximately \$180 million is estimated by obtaining comparable market quotes. The senior notes are subject to prepayment penalties for early payment of principal.

In March 2011, the Company entered into a new \$600 million unsecured, revolving credit facility. This credit facility, which replaced the Company's previous \$600 million revolving credit facility, expires in March 2016, and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 150 basis points) and is payable upon maturity but not less than quarterly. The Company had no borrowings outstanding or letters of credit issued under this facility as of July 30, 2011.

Borrowings under the credit facility and the senior notes are subject to certain covenants, including interest coverage and other financial ratios. In addition, the interest rates under the revolving credit facility may vary depending on actual interest coverage ratios achieved. As of July 30, 2011, the Company was in compliance with these covenants.

**Note F: Taxes on Earnings**

As of July 30, 2011 and July 31, 2010, the reserves for unrecognized tax benefits (net of federal tax benefits) were \$46.6 million and \$36.5 million inclusive of \$13.3 million and \$11.0 million of related interest, respectively. The Company accounts for interest and penalties related to unrecognized tax benefits as a part of its provision for taxes on earnings. If recognized, \$39.9 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. If this occurs, the total amount of unrecognized tax benefits may decrease, reducing the provision for taxes on earnings by up to \$1.3 million.

The Company is generally open to audit by the Internal Revenue Service under the statute of limitations for fiscal years 2007 through 2010. The Company's state income tax returns are generally open to audit under the various statutes of limitations for fiscal years 2006 through 2010. Certain state tax returns are currently under audit by state tax authorities. The Company does not expect the results of these audits to have a material impact on the consolidated financial statements.

**Note G: Warehouse Purchase**

In April 2011, the Company purchased a 449,000 square foot warehouse for packaway storage in Riverside, California for \$20.5 million.

**Note H: Recently Issued Accounting Standards**

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, "Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," ("ASU 2011-04"). ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures required for fair value measurements. ASU 2011-04 is to be applied prospectively and is effective for the Company in fiscal 2012. The Company believes the adoption of this guidance will not have a material impact on its consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income," ("ASU 2011-05"). ASU 2011-05 eliminates the option to report other comprehensive income and its components in the statement of changes in equity. ASU 2011-05 requires that all nonowner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. This new guidance is to be applied retrospectively and is effective for the Company in fiscal 2012. The Company believes the adoption of this guidance will not have a material impact on its consolidated financial position or results of operations.

## Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of July 30, 2011 and July 31, 2010, and the related condensed consolidated statements of earnings for the three-month and six-month periods ended July 30, 2011 and July 31, 2010, and of cash flows for the six-month periods ended July 30, 2011 and July 31, 2010. These condensed consolidated interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Ross Stores, Inc. and subsidiaries as of January 29, 2011, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 29, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 29, 2011, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/Deloitte & Touche LLP

San Francisco, California  
September 7, 2011

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

This section and other parts of this Form 10-Q contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part II, Item 1A (Risk Factors) below. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for 2010. All information is based on our fiscal calendar.

### Overview

Ross Stores, Inc. operates two chains -- Ross Dress for Less® ("Ross") and dd's DISCOUNTS®. Ross is the largest off-price apparel and home fashion chain in the United States with 1,013 locations in 27 states and Guam. 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. We also operate 78 dd's DISCOUNTS locations in six states that feature a more moderately-priced assortment of first quality, in-season, name brand apparel, accessories, footwear and home fashions for the entire family at everyday savings of 20% to 70% off moderate department and discount store regular prices.

### Results of Operations

The following table summarizes the financial results for the three and six month periods ended July 30, 2011 and July 31, 2010:

	Three Months Ended		Six Months Ended	
	July 30, 2011	July 31, 2010	July 30, 2011	July 31, 2010
<b>Sales</b>				
Sales (millions)	\$ 2,089	\$ 1,912	\$ 4,164	\$ 3,847
Sales growth	9.3%	8.1%	8.3%	11.2%
Comparable store sales growth	5%	4%	4%	7%
<b>Costs and expenses (as a percent of sales)</b>				
Cost of goods sold	72.9%	73.0%	72.2%	72.8%
Selling, general and administrative	15.4%	15.9%	15.1%	15.6%
Interest expense, net	0.1%	0.1%	0.1%	0.1%
<b>Earnings before taxes (as a percent of sales)</b>				
	11.6%	11.0%	12.6%	11.5%
<b>Net earnings (as a percent of sales)</b>				
	7.1%	6.8%	7.7%	7.1%

**Stores.** 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.

	Three Months Ended		Six Months Ended	
	July 30, 2011	July 31, 2010	July 30, 2011	July 31, 2010
Stores at the beginning of the period	1,068	1,021	1,055	1,005
Stores opened in the period	25	17	41	34
Stores closed in the period	(2)	(2)	(5)	(3)
Stores at the end of the period	1,091	1,036	1,091	1,036

**Sales.** Sales for the three month period ended July 30, 2011 increased \$177.6 million, or 9%, compared to the three month period ended July 31, 2010, due to the opening of 55 net new stores between July 31, 2010 and July 30, 2011 and a 5% increase in “comparable” store sales (defined as stores that have been open for more than 14 complete months) on top of a 4% gain in the prior year.

Sales for the six month period ended July 30, 2011 increased \$317.4 million, or 8%, compared to the six month period ended July 31, 2010, due to the opening of 55 net new stores between July 31, 2010 and July 30, 2011 and an increase in comparable store sales of 4% on top of a 7% gain in the prior year.

Our sales mix is shown below for the three and six month periods ended July 30, 2011 and July 31, 2010:

	Three Months Ended		Six Months Ended	
	July 30, 2011	July 31, 2010	July 30, 2011	July 31, 2010
Ladies	31%	32%	31%	32%
Home accents and bed and bath	24%	24%	24%	24%
Shoes	13%	12%	13%	13%
Men's	13%	13%	12%	12%
Accessories, lingerie, fine jewelry, and fragrances	12%	11%	12%	11%
Children's	7%	8%	8%	8%
Total	100%	100%	100%	100%

We intend 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 processes and systems to improve regional and local merchandise offerings. Although our strategies and store expansion program contributed to sales gains for the three and six month periods ended July 30, 2011, we cannot be sure that they will result in a continuation of sales growth or in an increase in net earnings.

**Cost of goods sold.** Cost of goods sold for the three and six month periods ended July 30, 2011 increased \$128.5 million and \$203.6 million compared to the same period in the prior year mainly due to increased sales from the opening of 55 net new stores between July 31, 2010 and July 30, 2011 and a 5% and 4% increase in comparable store sales, respectively.

Cost of goods sold as a percentage of sales for the three month period ended July 30, 2011 decreased approximately 5 basis points from the same period in the prior year. This improvement was driven primarily by a 45 basis point increase in merchandise gross margin mainly due to fewer markdowns resulting from above plan sales and faster inventory turns. The merchandise gross margin improvement includes a 15 basis point benefit from a lower shortage accrual. The quarter also benefited from 15 basis points of leverage on occupancy expenses. These favorable trends were partially offset by an increase of distribution expenses of about 45 basis points reflecting year-over-year timing differences in packaway-related processing costs and a 10 basis point increase in freight.

Cost of goods sold as a percentage of sales for the six month period ended July 30, 2011 decreased approximately 65 basis points from the same period in the prior year. This improvement was driven primarily by a 65 basis point increase in merchandise gross margin mainly due to fewer markdowns resulting from above plan sales and faster inventory turns. The merchandise gross margin improvement includes a 15 basis point benefit from a lower shortage accrual. In addition, occupancy expenses and buying and incentive costs levered by about 20 basis points and 5 basis points, respectively. These favorable trends were partially offset by both higher freight and distribution costs equal to approximately 15 basis points and 10 basis points, respectively.

We cannot be sure that the gross profit margins realized for the three and six month periods ended July 30, 2011 will continue in the future.

**Selling, general and administrative expenses.** For the three and six month periods ended July 30, 2011, selling, general and administrative expenses increased \$17.5 million and \$32.2 million, respectively, compared to the same period in the prior year, mainly due to increased store operating costs reflecting the opening of 55 net new stores between July 31, 2010 and July 30, 2011.

Selling, general and administrative expenses as a percentage of sales for the three month period ended July 30, 2011 decreased by approximately 50 basis points over the same period in the prior year due to leverage on both store operating costs and general and administrative expenses from increases in comparable store sales.

Selling, general and administrative expenses as a percentage of sales for the six month period ended July 30, 2011 decreased by approximately 40 basis points over the same period in the prior year primarily due to leverage on both store operating costs and general and administrative expenses from increases in comparable store sales.

**Interest expense, net.** Net interest expense remained flat for the three and six month periods ended July 30, 2011 compared to the same period in the prior year.

**Taxes on earnings.** Our effective tax rate for the three month periods ended July 30, 2011 and July 31, 2010 was approximately 39% and 38%, respectively, which represents the applicable combined federal and state statutory rates reduced by the federal benefit of state taxes deductible on federal returns. Our effective tax rate for the six month periods ended July 30, 2011 and July 31, 2010 was approximately 39%. 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 2011 will be approximately 38%.

**Earnings per share.** Diluted earnings per share for the three month period ended July 30, 2011 was \$1.28 compared to \$1.07 in the prior year period. The 20% increase in diluted earnings per share is attributable to a 15% 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 for the six month period ended July 30, 2011 was \$2.76 compared to \$2.24 in the prior year period. The 23% increase in diluted earnings per share is attributable to a 18% increase in net earnings and a 4% reduction in weighted average diluted shares outstanding largely due to the stock buyback program.

## Financial Condition

### Liquidity and Capital Resources

Our primary sources of funds for our business activities are existing cash balances, cash flows from operations, and short-term trade credit. Our primary ongoing cash requirements are for merchandise inventory purchases, payroll, rent, taxes, 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 buyback program and to pay dividends.

(\$000)	Six Months Ended	
	July 30, 2011	July 31, 2010
Cash flows provided by operating activities	\$ 161,665	\$ 304,837
Cash flows used in investing activities	(209,017)	(89,944)
Cash flows used in financing activities	(273,856)	(210,565)
Net (decrease) increase in cash and cash equivalents	\$ (321,208)	\$ 4,328

### Operating Activities

Net cash provided by operating activities was \$161.7 million for the six month period ended July 30, 2011 compared to \$304.8 million for the six month period ended July 31, 2010. The primary sources of cash provided by operating activities for the six month periods ended July 30, 2011 and July 31, 2010 were net earnings plus non-cash expenses for depreciation and amortization. Our primary source of operating cash flow 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.

The decrease in cash flow from operating activities for the six month period ended July 30, 2011, compared to the prior year, was primarily due to cash used to purchase additional packaway inventory. We expect to continue to take advantage of packaway inventory opportunities to deliver bargains to our customers. As a regular part of our business, packaway inventory levels will vary over time based on availability of compelling opportunities in the marketplace.

Packaway merchandise is purchased with the intent that it will be stored in our warehouses until a later date. The timing of the release of packaway inventory to our stores is principally driven by the product mix and seasonality of the merchandise, and its relation to the Company's store merchandise assortment plans. As such, the aging of packaway varies by merchandise category and seasonality of purchase, but typically packaway remains in storage less than six months.

Changes in packaway inventory levels impact our operating cash flow. At the end of the 2011 second quarter, packaway inventory increased to 49% of total inventory from 47% at the end of fiscal 2010. At the end of the 2010 second quarter, packaway inventory decreased to 37% of inventory from 38% at the end of fiscal 2009. Packaway inventory as a percentage of our total inventory increased from the second quarter of 2010 to the second quarter of 2011 as we took advantage of the increased availability of compelling opportunities available in the marketplace.

The change in total merchandise inventory, net of the related change in accounts payable, resulted in a use of cash of approximately \$135 million for the six months ended July 30, 2011 compared to a source of cash of approximately \$64 million for the six months ended July 31, 2010.

Accounts payable leverage (defined as accounts payable divided by merchandise inventory) decreased to 60% as of July 30, 2011 from 71% as of January 29, 2011 as a result of higher packaway inventory.

We believe that our existing cash balances, cash flows from operations, available bank credit lines and trade credit are adequate to meet our liquidity needs for at least the next twelve months.

### **Investing Activities**

The increase in cash used for investing activities for the six month period ended July 30, 2011, compared to the prior year, was primarily due to capital expenditures and a transfer of cash, cash equivalents, and investments into restricted accounts to serve as collateral for the Company's insurance obligations.

Our capital expenditures were approximately \$145.7 million and \$88.1 million, for the six month periods ended July 30, 2011 and July 31, 2010, respectively. Our capital expenditures included costs for fixtures and leasehold improvements to open new stores and costs to implement information technology systems, build or expand distribution centers, and various other expenditures related to our stores, buying, and corporate offices. We opened 41 and 34 new stores on a gross basis during the six month periods ended July 30, 2011 and July 31, 2010, respectively.

In April 2011, we purchased a 449,000 square foot warehouse for packaway storage in Riverside, California for \$20.5 million.

We are forecasting approximately \$305 million to \$315 million in capital expenditures in fiscal year 2011 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 and equipment, for building distribution centers and implementing material handling equipment and related systems, and for various buying and corporate office expenditures. Our forecasted capital expenditures, as compared to our prior forecast, decreased for the year due to the deferral of certain distribution center related projects until 2012. We expect to fund these expenditures with available cash and cash flows from operations.

### **Financing Activities**

For the six month periods ended July 30, 2011 and July 31, 2010, our liquidity and capital requirements were provided by available cash and cash flows from operations. 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 one distribution center in each of the following cities: Carlisle, Pennsylvania; Moreno Valley, California; and Fort Mill, South Carolina, and two warehouse facilities, one in Fort Mill, South Carolina and the other in Riverside, California.

In January 2011, our Board of Directors approved a new two-year \$900 million stock repurchase program for fiscal 2011 and 2012, replacing the \$375 million remaining under the prior two-year \$750 million stock repurchase program approved in January 2010. We repurchased 3.1 million shares of common stock for an aggregate purchase price of approximately \$230.2 million during the six month period ended July 30, 2011. We repurchased 3.6 million shares of common stock for approximately \$193 million during the six month period ended July 31, 2010.

For the six month periods ended July 30, 2011 and July 31, 2010, we paid dividends of \$51.6 million and \$39.1 million, respectively.

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 2011.

In March 2011 we entered into a new \$600 million unsecured, revolving credit facility. This credit facility, which replaced our previous \$600 million revolving credit facility, expires in March 2016. Interest on this facility is based on LIBOR plus an applicable margin (currently 150 basis points) and is payable upon maturity but not less than quarterly. As of July 30, 2011, our \$600 million credit facility remains in place and available.

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

### Contractual Obligations

The table below presents our significant contractual obligations as of July 30, 2011:

(\$000)	Less than one year	1 - 3 years	3 - 5 years	After 5 years	Total <sup>1</sup>
Senior notes	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000
Interest payment obligations	9,667	19,335	19,335	35,694	84,031
Operating leases:					
Rent obligations	358,563	693,482	482,272	450,483	1,984,800
Synthetic leases	5,442	3,950	-	-	9,392
Other synthetic lease obligations	624	56,763	-	-	57,387
Purchase obligations	1,277,527	7,503	247	-	1,285,277
Total contractual obligations	<u>\$ 1,651,823</u>	<u>\$ 781,033</u>	<u>\$ 501,854</u>	<u>\$ 636,177</u>	<u>\$ 3,570,887</u>

<sup>1</sup> We have a \$46.6 million liability for unrecognized tax benefits that is included in other long-term liabilities on our interim condensed consolidated balance sheet. This liability is excluded from the schedule above as the timing of payments cannot be reasonably estimated.

**Senior notes.** We have two series of unsecured senior notes with various institutional investors for \$150 million. The Series A notes totaling \$85 million are due in December 2018 and bear interest at a rate of 6.38%. The Series B notes totaling \$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. These notes are subject to prepayment penalties for early payment of principal.

Borrowings under these notes are subject to certain operating and financial covenants, including interest coverage and other financial ratios. As of July 30, 2011, we were in compliance with these covenants.

### Off-Balance Sheet Arrangements

**Operating leases.** We lease our 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 \$1.4 million at the end of the respective initial lease terms, which is included in Other synthetic lease obligations in the table above.

We lease a 1.3 million square foot distribution center in Perris, California. The land and building for this distribution center are financed by the lessor 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. As of July 30, 2011, we have accrued approximately \$4.6 million related to an estimated shortfall in the residual value guarantee recorded in accrued expenses and other in the accompanying consolidated balance sheets. The synthetic lease agreement includes a prepayment penalty for early payoff of the lease. Our contractual obligation of \$56 million is included in Other synthetic lease obligations in the above table.

We have also recognized a liability and corresponding asset for the inception date estimated fair values of the distribution center and POS synthetic lease residual value guarantees. As of July 30, 2011, we have approximately \$1.9 million of residual value guarantee asset and liability. These residual value guarantees are 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 condensed consolidated balance sheets.

We lease three warehouses. Two of the warehouses are in Carlisle, Pennsylvania with leases expiring in 2013 and 2014. The third warehouse is in Fort Mill, South Carolina, with a lease expiring in 2013. We also own a 423,000 square foot warehouse in Fort Mill, South Carolina and a 449,000 square foot warehouse in Riverside, California. All five of these warehouses are used to store our packaway inventory. We also lease a 10-acre parcel that has been developed for trailer parking adjacent to our Perris, California distribution center.

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 2014 and 2015 and contain renewal provisions.

We lease approximately 201,000 and 26,000 square feet of office space for our New York City and Los Angeles buying offices, respectively. The lease terms for these facilities expire in 2021 and 2014, respectively, and contain renewal provisions.

**Purchase obligations.** As of July 30, 2011 we had purchase obligations of approximately \$1,285 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 \$1,212 million represent purchase obligations of less than one year as of July 30, 2011.

### Commercial Credit Facilities

The table below presents our significant available commercial credit facilities at July 30, 2011:

(\$000)	Amount of Commitment Expiration Per Period				Total amount committed
	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years	
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 E of Notes to Condensed Consolidated Financial Statements.

**Revolving credit facility.** In March 2011 we entered into a new \$600 million unsecured, revolving credit facility replacing our previous \$600 million revolving credit facility. This new facility, with our banks, expires in March 2016 and contains a \$300 million sublimit for issuance of standby letters of credit. Interest on this facility is based on LIBOR plus an applicable margin (currently 150 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 financial ratios. As of July 30, 2011 we had no borrowings outstanding or letters of credits issued under this facility and were in compliance with the covenants.

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 the revolving credit facility may vary depending on actual interest coverage ratios achieved. As of July 30, 2011 we were in compliance with these covenants.

**Standby letters of credit and collateral trust.** In July 2011, we entered into new standby letters of credit outside of our revolving credit facility and set up a trust to collateralize our insurance obligations. As of July 30, 2011, we had \$52.5 million in standby letters of credit outstanding which are collateralized by restricted cash and cash equivalents and \$21.0 million in a collateral trust consisting of restricted cash, cash equivalents, and investments.

At July 31, 2010, we had \$83.3 million in standby letters of credit outstanding issued under our revolving credit facility.

**Trade letters of credit.** We had \$49.6 million and \$47.3 million in trade letters of credit outstanding at July 30, 2011 and July 31, 2010, respectively.

**Dividends.** In August 2011, our Board of Directors declared a cash dividend of \$.22 per common share, payable on September 30, 2011.

### **Critical Accounting Policies**

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and on various other factors that management believes to be reasonable. Actual results may differ significantly from these estimates. During the second quarter of fiscal 2011, there have been no significant changes to the policies discussed in our Annual Report on Form 10-K for the year ended January 29, 2011.

**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**

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, "Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," ("ASU 2011-04"). ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures required for fair value measurements. ASU 2011-04 is to be applied prospectively and is effective for the Company in fiscal 2012. We believe adoption of this guidance will not have a material impact on our consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income," ("ASU 2011-05"). ASU 2011-05 eliminates the option to report other comprehensive income and its components in the statement of changes in equity. ASU 2011-05 requires that all nonowner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. This new guidance is to be applied retrospectively and is effective for the Company in fiscal 2012. We believe the adoption of this guidance will not have a material impact on our consolidated financial position or results of operations.

### **Forward-Looking Statements**

This report may contain a number of forward-looking statements regarding, without limitation, planned store growth, new markets, expected sales, projected earnings levels, capital expenditures, and other matters. These forward-looking statements reflect our then current beliefs, projections, and estimates with respect to future events and our projected financial performance, operations, and competitive position. The words "plan," "expect," "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 Part II, Item 1A in this Quarterly Report on Form 10-Q for a more complete discussion of risk factors for Ross and dd's DISCOUNTS. The factors underlying our forecasts are dynamic and subject to change. As a result, any forecasts or forward-looking statements speak only as of the date they are given and do not necessarily reflect our outlook at any other point in time. We disclaim any obligation to update or revise these forward-looking statements.

Other risk factors are detailed in our filings with the Securities and Exchange Commission including, without limitation, our Annual Report on Form 10-K for 2010.

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

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

We occasionally use forward contracts to hedge against fluctuations in foreign currency prices. We had no outstanding forward contracts as of July 30, 2011.

Interest that is payable on our revolving credit facility is based on variable interest rates and is, therefore, affected by changes in market interest rates. As of July 30, 2011, we had no borrowings outstanding under our revolving credit facility. 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 July 30, 2011 was \$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 materially impact 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 three month period ended July 30, 2011. We do not consider the potential losses in future earnings and cash flows from reasonably possible, near term changes in interest rates to be material.

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

### **Disclosure Controls and Procedures**

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

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

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the second fiscal quarter of 2011 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 second fiscal quarter.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

The matters under the caption “Provision for litigation costs and other legal proceedings” in Note A of Notes to Condensed Consolidated Financial Statements are incorporated herein by reference.

### **ITEM 1A. RISK FACTORS**

Our Quarterly Report on Form 10-Q for our second fiscal quarter of 2011, and information we provide in our 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 risks and uncertainties 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 apparel or home-related merchandise industry.
- Changes in the level of consumer spending on or preferences for apparel or home-related merchandise.

- The impact from the macro-economic environment and financial and credit markets including but not limited to interest rates, recession, inflation, deflation, energy costs, tax rates and policy, unemployment trends, and fluctuating commodity costs.
- Changes in geopolitical conditions.
- 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, Los Angeles buying office, 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 recent 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 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Information regarding shares of common stock we repurchased during the second quarter of fiscal 2011 is as follows:

<b>Period</b>	<b>Total number of shares (or units) purchased<sup>1</sup></b>	<b>Average price paid per share (or unit)</b>	<b>Total number of shares (or units) purchased as part of publicly announced plans or programs</b>	<b>Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (\$000)<sup>2</sup></b>
May (5/1/2011-5/28/2011)	325,752	\$ 80.83	323,661	\$ 761,300
June (5/29/2011-7/2/2011)	687,386	\$ 77.77	672,777	\$ 709,000
July (7/3/2011-7/30/2011)	505,482	\$ 77.67	505,200	\$ 669,800
Total	<u>1,518,620</u>	\$ 78.39	<u>1,501,638</u>	\$ 669,800

<sup>1</sup>We purchased 16,982 of these shares during the quarter ended July 30, 2011 from employees for tax withholding purposes related to vesting of restricted stock grants. All remaining shares were repurchased under our publicly announced stock repurchase program.

<sup>2</sup>In January 2011 our Board of Directors approved a new two-year \$900 million stock repurchase program for fiscal 2011 and 2012.

## ITEM 5. OTHER INFORMATION

### Frequency of Stockholder Advisory Votes on Executive Compensation

At our May 18, 2011 Annual Meeting of Stockholders, we presented to our stockholders for an advisory vote a proposal relating to the frequency with which the Company will conduct future advisory stockholder votes on executive compensation ("Say on Pay"). A plurality of our stockholders voted in favor of conducting future Say on Pay advisory votes on an annual basis. The Company has since decided to follow this advisory vote and will conduct future Say on Pay votes annually, until the next time an advisory vote on the frequency for conducting Say on Pay votes is again presented to our stockholders.

## ITEM 6. EXHIBITS

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

## SIGNATURES

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

**ROSS STORES, INC.**

\_\_\_\_\_  
(Registrant)

Date: September 7, 2011

By: /s/ J. Call

\_\_\_\_\_  
John G. Call

Senior Vice President, Chief Financial Officer and  
Principal Accounting Officer

## INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Amendment of Certificate of Incorporation dated May 21, 2004 and Amendment of Certificate of Incorporation dated June 5, 2002 and Corrected First Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores for its quarter ended July 31, 2004.
3.2	Amended and Restated ByLaws, dated August 17, 2011, incorporated by reference to Exhibit 3.1 to the Form 8-K filed by Ross Stores, Inc. on August 23, 2011.
3.3	Certificate of Amendment of the Certificate of Incorporation dated July 18, 2011.
10.1	Sixth Amendment to the Employment Agreement effective June 1, 2011 between Michael Balmuth and Ross Stores, Inc.
10.2	Form of Notice of Grant of Performance Shares and Performance Share Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan.
10.3	Form of Notice of Grant of Performance Shares and Performance Share Agreement under the Ross Stores, Inc. 2008 Equity Incentive Plan between Michael Balmuth and Ross Stores, Inc.
15	Letter re: Unaudited Interim Financial Information from Deloitte & Touche LLP dated September 7, 2011.
31.1	Certification of Chief Executive Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
31.2	Certification of Chief Financial Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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

Ross Stores, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. Provisions B and C of Article SIXTH of the Corporation's Certificate of Incorporation are hereby amended and restated in their entirety to read in full as provided in the following indented paragraphs:

B. Annual Election of Directors. Until the 2014 annual meeting of stockholders, the directors shall be divided into three classes, as nearly equal in number as reasonably possible, with the term of office of the first class to expire at the 2014 annual meeting of stockholders, the term of office of the second class to expire at the 2012 annual meeting of stockholders, and the term of office of the third class to expire at the 2013 annual meeting of stockholders. At each annual meeting of stockholders beginning in 2012, directors shall be elected to succeed those directors whose terms expire, for a one-year term of office, to expire at the next annual meeting of stockholders after their election. Beginning with the 2014 annual meeting of stockholders, the entire Board of Directors shall be subject to election at each annual meeting of stockholders, for a one-year term of office, to expire at the next annual meeting of stockholders after their election, and the Board of Directors will no longer be divided into classes. All directors shall hold office until the expiration of the term for which elected, and until their respective successors are elected, except in the case of the death, resignation, or removal of any director.

C. Filling Vacancies on the Board. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, removal from office, disqualification or other cause may be filled only by a majority vote of the directors then in office, though less than a quorum, and directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders (or, prior to the 2014 annual meeting of stockholders, for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires). No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

2. The foregoing amendment to the Certificate of Incorporation has been duly adopted by the Corporation's Board of Directors and stockholders in accordance with the provisions of Sections 141, 211, 222 and 242 of the General Corporation Law of the State of Delaware.

3. This amendment to the Corporation's Certificate of Incorporation shall be effective on and as of the date of filing of this Certificate of Amendment with the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, this Certificate of Amendment has been executed on behalf of the Corporation by its Senior Vice President, General Counsel & Corporate Secretary this day, July 18, 2011.

ROSS STORES, INC.

By: /s/ Mark LeHocky  
Mark LeHocky, Senior Vice President  
General Counsel & Corporate Secretary

## **SIXTH AMENDMENT TO THE EMPLOYMENT AGREEMENT**

**THE SIXTH AMENDMENT TO THE EMPLOYMENT AGREEMENT** (the "Sixth Amendment") is made and entered effective as of the 1<sup>st</sup> day of June, 2011, 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; a Second Amendment to the Employment Agreement effective May 18, 2005; a Third Amendment to the Employment Agreement effective April 6, 2007; a Fourth Amendment to the Employment Agreement effective June 9, 2009; and a Fifth Amendment to the Employment Agreement effective April 23, 2010 (the original Agreement; First Amendment to the Employment Agreement; Second Amendment to the Employment Agreement; Third Amendment to the Employment Agreement; Fourth Amendment to the Employment Agreement, and Fifth 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 Sixth Amendment.

- I. The Executive and the Company amend the Agreement by deleting the first and second sentences of paragraph 1 of the Agreement in their entirety and replacing them with the following new first and second sentences:

**1. Term.** The employment of the Executive by the Company will continue as of the date hereof and end on May 30, 2014, unless extended or terminated in accordance with this Agreement, including the extensions contemplated both in paragraphs 1 and 4(b). During March 2012 and during March every year thereafter (every one year) for so long as the Executive is employed by the Company, upon written request of the Executive, the Board shall consider extending the Executive's employment with the Company.

- 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 One Million One Hundred and Seventy-Six Thousand and Five Hundred Dollars (\$1,176,500.00) per annum.

- III. The Executive and the Company further amend the Agreement by deleting paragraph 4(b) in its entirety and replacing it with the following new paragraph 4(b):

**(b) Change in Control.** In the event of a Change of Control (as defined below), the Executive shall immediately become vested in any shares of restricted stock granted to the Executive by the Company which had not vested prior to the Change in Control in accordance with the terms of the applicable stock grant agreements. A "Change of 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 fair market value or total voting power of the stock of the Company or any successor to the Company; (2) the Company is a party to a merger, after which merger the stockholders of the Company immediately prior to the merger do not retain, directly or indirectly, beneficial ownership of stock that constitutes at least a majority of the total fair market value or total voting power of the stock of the surviving entity; or (3) all or substantially all of the Company's assets are sold, exchanged, or transferred (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).

- IV. The Executive and the Company further amend the Agreement by replacing the reference to paragraph “7(h)” with paragraph “7(g)” in the first sentence of paragraph 4(g).
- V. The Executive and the Company further amend the Agreement by deleting paragraph 4(h) in its entirety and replacing it with the following new paragraph 4(h):

**4(h). Excise Tax – Best After-Tax Result.** In the event that any payment or benefit received or to be received by the Executive pursuant to this Agreement or otherwise (“Payments”) would (i) constitute a “parachute payment” within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) but for this section, be subject to the excise tax imposed by Section 4999 of the Code, any successor provisions, or any comparable federal, state, local or foreign excise tax (“Excise Tax”), then, subject to the provisions of this paragraph 4(h), such Payments shall be either (A) provided in full pursuant to the terms of this Agreement or any other applicable agreement, or (B) provided as to such lesser extent which would result in no portion of such Payments being subject to the Excise Tax (“Reduced Amount”), whichever of the foregoing amounts, taking into account the applicable federal, state, local and foreign income, employment and other taxes and the Excise Tax (including, without limitation, any interest or penalties on such taxes), results in the receipt by the Executive, on an after-tax basis, of the greatest amount of payments and benefits provided for hereunder or otherwise, notwithstanding that all or some portion of such Payments may be subject to the Excise Tax. Unless the Company and the Executive otherwise agree in writing, any determination required under this Section shall be made by an independent advisor designated by the Company and reasonably acceptable to the Executive (“Independent Advisor”), whose determination shall be conclusive and binding upon the Executive and the Company for all purposes. For purposes of making the calculations required under this Section, Independent Advisor may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code; provided that Independent Advisor shall assume that the Executive pays all taxes at the highest marginal rate. The Company and the Executive shall furnish to Independent Advisor such information and documents as Independent Advisor may reasonably request in order to make a determination under this Section. The Company shall bear all costs that Independent Advisor may incur in connection with any calculations contemplated by this Section. In the event that the provisions of paragraph 4(h) apply, then based on the information provided to the Executive and the Company by Independent Advisor, the Executive may, in the Executive’s sole discretion and within 30 days of the date on which the Executive is provided with the information prepared by Independent Advisor, determine which and how much of the Payments (including the accelerated vesting of equity compensation awards) to be otherwise received by the Executive shall be eliminated or reduced (as long as after such determination the value (as calculated by Independent Advisor in accordance with the provisions of Sections 280G and 4999 of the Code) of the amounts payable or distributable to the Executive equals the Reduced Amount). If the Internal Revenue Service (the “IRS”) determines that any Payment is subject to the Excise Tax, then the provisions of paragraph 4(h) shall apply, and the enforcement of the provisions shall be the exclusive remedy to the Company.

If, notwithstanding any reduction described in paragraph 4(h) (or in the absence of any such reduction), the IRS determines that the Executive is liable for the Excise Tax as a result of the receipt of one or more Payments, then the Executive shall be obligated to surrender or pay back to the Company, within 120 days after a final IRS determination, an amount of such payments or benefits equal to the "Repayment Amount." The Repayment Amount with respect to such Payments shall be the smallest such amount, if any, as shall be required to be surrendered or paid to the Company so that the Executive's net proceeds with respect to such Payments (after taking into account the payment of the excise tax imposed on such Payments) shall be maximized. Notwithstanding the foregoing, the Repayment Amount with respect to such Payments shall be zero if a Repayment Amount of more than zero would not eliminate the Excise Tax imposed on such Payments or if a Repayment Amount of more than zero would not maximize the net amount received by the Executive from the Payments. If the Excise Tax is not eliminated pursuant to this Section, the Executive shall pay the Excise Tax.

- VI. The Executive and the Company further amend the Agreement by replacing the reference to "paragraph 7(f)" with "paragraph 4(b)" in the fifth sentence of paragraph 4(i) and by adding the following sentence to the end of paragraph 4(i):

Notwithstanding the foregoing, the Executive and his spouse will be entitled to continue to receive until their respective deaths, at no cost on an after-tax basis to the Executive and his spouse, all benefits (or their cash equivalent) available to the Executive as of the date of the execution of the Sixth Amendment to this Agreement, including those benefits enumerated in paragraphs 4(i) and 4(j) herein, provided that the level of medical, dental and vision coverage shall in no event be less than the level of coverage provided to the Company's Chief Executive Officer during the year such coverage is provided.

- VII. The Executive and the Company further amend the Agreement by replacing the reference to "\$10,000" with "\$20,000" in paragraph 4(j).

- VIII. The Executive and the Company further amend the Agreement by re-designating paragraph 4(k) from the Fifth Amendment to the Employment Agreement as a new paragraph 4(m) and adding the following as a new paragraph 4(o):

(o) Restricted Stock Award. The Executive shall receive a restricted stock award with a face value of Five Million and Five Hundred Thousand Dollars (\$5,500,000). The number of shares awarded will be determined based on the Company's stock price at the close of the market on May 18, 2011 as reported on the NASDAQ. Except as otherwise provided by this Agreement, the shares will "cliff" vest in full (100%) on May 26, 2014, provided the Executive continues service with the Company through such date, provided however, that restricted stock that would otherwise vest on a date on which a sale of such shares by the Executive would violate the Insider Trading Policy shall vest as set forth in the Restricted Stock Agreement. The terms and conditions of this restricted stock award will be set forth in the Notice of Grant of Award, the Restricted Stock Agreement, and the Ross Stores, Inc. 2008 Equity Incentive Plan.

- IX. The Executive and the Company further amend the Agreement by re-designating paragraph 4(l) from the Fifth Amendment to the Employment Agreement as a new paragraph 4(n), making a corresponding change to the reference to “4(l)” in such paragraph, and adding the following as a new paragraph 4(p):

(p) Performance Share Award. The Executive shall receive for the fiscal year ending on January 28, 2012 a target number of Performance Shares equal to Three Million Dollars (\$3,000,000) divided by the closing market price of a share of the Company’s stock on March 16, 2011 as reported on the NASDAQ. The Performance Shares shall represent the right to receive Common Shares of the Company’s stock determined by the extent to which the target level of adjusted pretax profit for the fiscal year ending January 28, 2012, approved by the Compensation Committee of the Ross Stores, Inc. Board of Directors, has been attained and certified by the Compensation Committee. Except as otherwise provided in the Performance Share Agreement, the Company shall issue, based on performance attained, Common Shares of the Company’s stock in settlement of Performance Shares on the Settlement Date of January 13, 2014. Except as otherwise provided in the Performance Share Agreement, the Performance Shares earned, if any, shall vest on February 2, 2013. The terms and conditions of the Performance Shares shall be set forth in the Notice of Grant of Performance Shares, the Ross Stores, Inc. Performance Share Agreement (the “Performance Share Agreement”), and the Ross Stores, Inc. 2008 Equity Incentive Plan. Capitalized terms in this paragraph 4(p) shall have the same meanings assigned to such terms in the Performance Share Agreement. The Company shall continue to review annually additional grants of Performance Shares to the Executive for subsequent contract periods and shall determine the value of such performance share award targets consistent with the existing practice of the Company.

- X. The Executive and the Company further amend the Agreement by deleting paragraph 7(f) in its entirety and re-designating paragraphs 7(g) [Voluntary Termination] and 7(h) [Non-Renewal] as paragraphs 7(f) and 7(g), respectively.
- XI. The Executive and the Company further amend the Agreement by (i) replacing the first sentence of the re-designated paragraph 7(g) to read as follows “If the Executive fails to request an extension of this Agreement in accordance with paragraph 1 or if the Board fails to approve such request, this Agreement shall automatically expire on May 30, 2014.”; (ii) replacing the reference to paragraph “9(e)” with paragraph “9(f)” in the second sentence of paragraph 7(g) and (iii) by replacing the reference to “paragraph 7(h)” with “paragraph 7(g)” in the last sentence of paragraph 7(g).
- XII. The Executive and the Company further amend the Agreement by replacing the reference to “paragraph 7(h)” with “paragraph 7(g)” in paragraph 8(b)(iv).
- XIII. The Executive and the Company further amend the Agreement by deleting the phrase “Death or” in paragraph 9 (b).
- XIV. The Executive and the Company further amend the Agreement by (i) replacing the reference to “paragraph 7(f)” with “paragraph 4(b)” in the first sentence of paragraph 9(c); (ii) adding “(but in no event later than 30 days after the date of such termination)” after the phrase “immediately upon such termination” in the first sentence of paragraph 9(c)(i); and (iii) deleting the second and third sentences of paragraph 9(c)(i) in their entirety.

- XV. The Executive and the Company further amend the Agreement by deleting paragraph 9(d) in its entirety and replacing it with the following new paragraphs 9(d) and (e):

**9(d). Voluntary Termination.** If the Executive's employment terminates pursuant to paragraph 7(f) [Voluntary Termination], he shall not be entitled to any bonus payments which were not fully earned prior to his termination date, and he shall not be entitled to any pro rated bonus payment for the year in which his 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 remained 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 the voluntary termination of his employment pursuant to paragraph 7(f).

**9(e). Death.** If the Executive's employment terminates pursuant to paragraph 7(a) [Death], (i) his designated beneficiaries or his estate shall be entitled to receive only the salary, expense reimbursements, benefits and accrued vacation earned by the Executive through the date of the Executive's death; and (ii) at the time payable under the applicable Company bonus plan, an annual bonus will be paid to the Executive's designated beneficiaries or his estate for the fiscal year of the Executive's death based upon the annual bonus that the Executive would have earned under the Company's bonus plan for said fiscal year had the Executive not died, contingent upon the relevant annual bonus plan performance goals for said year having been obtained, capped at 100% of the Executive's target bonus for such fiscal year and pro-rated for the time the Executive is employed during such fiscal year until the Executive's death.

- XVI. The Executive and the Company further amend the Agreement by deleting former paragraph 9(e) (i.e., Non-Renewal) of the Agreement in its entirety and replacing it with the following new paragraph 9(f) of the Agreement:

**9(f). Non-Renewal.** If the Agreement expires as set forth in paragraph 7(g) [Non-Renewal], the Company shall have no further obligations to the Executive except as set forth in paragraphs 7(g) and 13 and except that (i) the Executive shall immediately become fully vested in any restricted stock granted to the Executive by the Company under the Ross Stores, Inc. Restricted Stock Agreement which has not become vested as of such expiration date, and (ii) the Company shall pay the Executive the pro-rated portion of the annual bonus for the fiscal year in which the Agreement expires, capped at 100 percent of the Executive's target bonus for such fiscal year (such bonuses shall not be paid until due under the applicable Company bonus plan).

- XVII. The Executive and the Company further amend the Agreement by (i) re-designating paragraphs 9(f), (g) and (h) from the Fourth Amendment to the Employment Agreement as paragraphs 9(g), (h) and (i) of the Agreement, respectively, and (ii) deleting paragraphs 9(h) and (i) in their entirety and replacing them with the following new paragraphs 9(h) and (i):

**9(h). Release of Claims.** Notwithstanding the provisions of this paragraph 9 to the contrary, the Executive shall be entitled to any payments under paragraph 4 or this paragraph 9, 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.

**9(i). Timing of Payments.** Notwithstanding the provisions of this paragraph 9 to the contrary, any cash payments to which the Executive is entitled under paragraphs 4 or 9 shall be payable in accordance with the Company's payroll schedule and shall commence within 30 days after the Executive executes the Release pursuant to paragraph 9(h); provided, however, that if the Executive's termination of employment occurs in one taxable year and the 90-day period following the Executive's termination of employment (i.e., the 60-day period described in paragraph 9(h) plus the 30-day payment period provided in this paragraph 9(i)) ends in a second taxable year, the payments shall commence (i) not earlier than January 1 of such second taxable year and (ii) not later than the last day of such 90-day period.

- XVIII. The Executive and the Company further amend the Agreement by redesignating the Recoupment provision referenced as paragraph 10(c) in the Fifth Amendment to the Employment Agreement as paragraph 10(f) of the Agreement.
- XIX. The Executive and the Company further amend the Agreement by replacing the reference to “(\$460,000 in the event of a separation during 2008)” with “(\$490,000 in the event of a separation during 2011)” in the first sentence of paragraph 22(b).
- XX. The Executive and the Company further amend the Agreement by replacing the reference to “paragraph 22(d)” with “paragraph 22(e)” in the last sentence of paragraph 22(e).
- XXI. The Executive and the Company further amend the Agreement by replacing the reference to “paragraph 22(f)” with “paragraph 22(g)” in the first sentence of paragraph 22(h).
- XXII. The Executive and the Company further amend the Agreement by adding the following new paragraph 23:

**23. Attorney's Fees.** The Company agrees to pay for the Executive's reasonable attorney's fees incurred in the negotiation of terms of the Sixth Amendment to the Employment Agreement.

Except for the amendments 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

**ROSS STORES, INC.**  
**NOTICE OF GRANT OF PERFORMANCE SHARES**

The Participant has been granted an award of Performance Shares (the "**Award**") pursuant to the Ross Stores, Inc. 2008 Equity Incentive Plan (the "**Plan**") and the Performance Share Agreement attached hereto (the "**Agreement**"), as follows:

**Participant:** \_\_\_\_\_ **Employee ID:** \_\_\_\_\_  
**Grant Date:** \_\_\_\_\_ **Grant No.:** \_\_\_\_\_  
**Target Number of Performance Shares:** \_\_\_\_\_, subject to adjustment as provided by the Agreement.  
**Maximum Number of Performance Shares:** \_\_\_\_\_, subject to adjustment as provided by the Agreement.  
**Adjusted Pre-Tax Profit Target:** \$ \_\_\_\_\_  
**Performance Period:** Company fiscal year beginning \_\_\_\_\_ and ending \_\_\_\_\_.  
**Performance Share Vesting Date:** \_\_\_\_\_, except as provided by the Agreement.  
**Vested Performance Shares:** Provided that the Participant's Service has not terminated prior to the Performance Share Vesting Date, except as provided by the Agreement, on the Performance Share Vesting Date the number of Vested Performance Shares (not to exceed the Maximum Number of Performance Shares) shall be determined by multiplying the Target Number of Performance Shares by the Adjusted Pre-Tax Profit Multiplier (as defined by the Agreement).  
**Settlement Date:** The Performance Share Vesting Date, except as otherwise provided by the Agreement.  
**Vested Common Shares:** Except as provided by the Agreement and provided that the Participant's Service has not terminated prior to the relevant date, the number of Vested Common Shares shall cumulatively increase on each respective date set forth below by the Vested Percentage set forth opposite such date, as follows:

<b>Common Share Vesting Date</b>	<b>Vested Percentage</b>
Settlement Date	30%
1st Anniversary of Settlement Date	30%
2nd Anniversary of Settlement Date	40%

**Employment Agreement:** Executive Employment Agreement between the Company and the Participant, as in effect at any applicable time.

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Notice and by the provisions of the Plan and the Performance Share Agreement, both of which are made a part of this document. The Participant acknowledges that copies of the Plan, Performance Share Agreement and the prospectus for the Plan are available on the Company's internal web site and may be viewed and printed by the Participant for attachment to the Participant's copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Plan and Performance Share Agreement, and hereby accepts the Award subject to all of their terms and conditions.

ROSS STORES, INC.

PARTICIPANT

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

\_\_\_\_\_  
Signature

Its: \_\_\_\_\_

\_\_\_\_\_  
Date

Address: 4440 Rosewood Drive  
Pleasanton, CA 94588

\_\_\_\_\_  
Address

ATTACHMENTS: Performance Share Agreement

# ROSS STORES, INC. PERFORMANCE SHARE AGREEMENT

Ross Stores, Inc. has granted to the Participant named in the *Notice of Grant of Performance Shares* (the “**Grant Notice**”) to which this Performance Share Agreement (the “**Agreement**”) is attached an Award consisting of Performance Shares subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms and conditions of the Ross Stores, Inc. 2008 Equity Incentive Plan (the “**Plan**”), as amended to the Grant Date, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan (the “**Plan Prospectus**”) in the form most recently prepared in connection with the registration with the Securities and Exchange Commission of shares issuable pursuant to the Plan, (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

## 1. DEFINITIONS AND CONSTRUCTION.

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

(a) “**Adjusted Pre-Tax Profit**” means the earnings before taxes as reported in the Consolidated Statements of Earnings of the Company for the fiscal year of the Company coinciding with the Performance Period, adjusted to exclude from the determination of such amount the reduction in earnings resulting from the accrual of compensation expense for Performance Awards under the Plan and incentive awards under the Second Amended and Restated Ross Stores, Inc. Incentive Compensation Plan, granted in each case, with respect to the Performance Period.

(b) “**Adjusted Pre-Tax Profit Multiplier**” means a number determined as follows:

Percentage of Adjusted Pre-Tax Profit Target Achieved	Adjusted Pre-Tax Profit Multiplier
Less than 90%	0.00%
90%	66.70%
95%	83.33%
100%	100.00%
105%	125.00%
110%	150.00%
115%	175.00%
Equal to or greater than 120%	200.00%

The Adjusted Pre-Tax Profit Multiplier for percentages of Adjusted Pre-Tax Profit Target achieved falling between the percentages set forth in the table above shall be determined by linear interpolation.

(c) **“Change in Control”** means a “Change in Control” as defined by the Employment Agreement.

(d) **“Common Shares”** mean shares of Stock issued in settlement of the Award.

(e) **“Expiration of Participant’s Employment Agreement Due to Non-Renewal”** means the expiration of the Employment Agreement due to its “Non-Renewal,” as provided by the Employment Agreement.

(f) **“Performance Share”** means a right to receive on the Settlement Date one (1) Common Share, subject to further restrictions as provided by this Agreement, if such Performance Share is then a Vested Performance Share.

(g) **“Termination Due to Disability”** means the termination of the Participant’s employment due to “Disability” as defined by and upon terms set forth in the Employment Agreement.

(h) **“Termination for Cause”** means the termination of the Participant’s employment for “Cause” as defined by the Employment Agreement.

(i) **“Termination for Good Reason”** means the Participant’s termination of employment for “Good Reason” as defined by the Employment Agreement.

(j) **“Termination Without Cause”** means the termination of the Participant’s employment “Without Cause” as defined by the Employment Agreement.

(k) **“Voluntary Termination”** means the “Voluntary Termination” of the Participant’s employment as defined by the Employment Agreement.

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

## 2. **ADMINISTRATION.**

All questions of interpretation concerning the Grant Notice, this Agreement and the Plan shall be determined by the Committee. All determinations by the Committee shall be final and binding upon all persons having an interest in the Award as provided by the Plan. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election. If the Participant is a Covered Employee, compensation realized by the Participant pursuant to the Award is intended to constitute qualified performance-based compensation within the meaning of Section 162(m) of the Code and the regulations thereunder, and the provisions of this Agreement shall be construed and administered in a manner consistent with this intent. The Company intends that the Award comply with Section 409A of the Code (including any amendments or replacements of such section) and the regulations thereunder, and the provisions of this Agreement shall be construed and administered in a manner consistent with this intent.

### 3. THE AWARD.

3.1 **Grant of Performance Shares.** On the Grant Date, the Participant shall acquire, subject to the provisions of this Agreement, a right to receive a number of Performance Shares which shall not exceed the Maximum Number of Performance Shares set forth in the Grant Notice, subject to adjustment as provided in Section 12. The number of Performance Shares, if any, ultimately earned by the Participant, shall be that number of Performance Shares which become Vested Performance Shares.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Performance Shares or the Common Shares issued upon settlement of the Performance Shares, the consideration for which shall be past services actually rendered and/or future services to be rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the Common Shares issued upon settlement of the Performance Shares.

### 4. CERTIFICATION OF THE COMMITTEE.

4.1 **Level of Adjusted Pre-Tax Profit Attained.** As soon as practicable following completion of the Performance Period, and in any event prior to the Performance Share Vesting Date, the Committee shall certify in writing the level of attainment of Adjusted Pre-Tax Profit during the Performance Period and the resulting number of Performance Shares which shall become Vested Performance Shares on the Performance Share Vesting Date, subject to the Participant's continued Service until the Performance Share Vesting Date, except as otherwise provided by Section 5. The Company shall promptly notify the Participant of the determination by the Plan Administrator.

4.2 **Adjustment to Adjusted Pre-Tax Profit for Extraordinary Items.** The Committee shall adjust Adjusted Pre-Tax Profit, as it deems appropriate, to exclude the effect (whether positive or negative) of any of the following occurring after the grant of the Award: (a) a change in accounting standards required by generally accepted accounting principles or (b) any extraordinary, unusual or nonrecurring item. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Adjusted Pre-Tax Profit in order to prevent the dilution or enlargement of the Participant's rights with respect to the Award.

## 5. VESTING OF PERFORMANCE SHARES.

5.1 **In General.** Except as provided by this Section 5 and Section 11, the Performance Shares shall vest and become Vested Performance Shares as provided in the Grant Notice and certified by the Committee.

5.2 **Effect of Termination for Cause or Voluntary Termination.** In the event of the Termination for Cause or Voluntary Termination of the Participant prior to the Performance Share Vesting Date, the Participant shall forfeit and the Company shall automatically reacquire all of the Performance Shares subject to the Award. The Participant shall not be entitled to any payment for such forfeited Performance Shares.

5.3 **Effect of Death, Termination Due to Disability, Termination Without Cause, Termination for Good Reason or Effect of Expiration of Participant's Employment Agreement Due to Non-Renewal.** In the event of death, Termination Due to Disability, Termination Without Cause, Termination for Good Reason or Expiration of Employment Agreement Due to Non-Renewal prior to the Performance Share Vesting Date, then on the Performance Share Vesting Date the number of Performance Shares that shall become Vested Performance Shares shall be determined by multiplying (a) that number of Performance Shares that would have become Vested Performance Shares had no such death or termination occurred, however, in no case shall the number of Performance Shares that become Vested Performance Shares exceed 100% of the Target Number of Performance Shares set forth in the Notice of Grant of Performance Shares by (b) the ratio of the number of full months of the Participant's employment with the Company during the Performance Period to the number of full months contained in the Performance Period.

5.4 **Forfeiture of Unvested Performance Shares.** Except as otherwise provided by this Section 5 or Section 11, on the Performance Share Vesting Date, the Participant shall forfeit and the Company shall automatically reacquire all Performance Shares subject to the Award which have not become Vested Performance Shares ("**Unvested Performance Shares**"). The Participant shall not be entitled to any payment for such forfeited Performance Shares.

5.5 **Ownership Change Event, Dividends, Distributions and Adjustments.** Upon the occurrence of an Ownership Change Event, a dividend or distribution to the stockholders of the Company paid in shares of Stock or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 4.4 of the Plan, any and all new, substituted or additional securities or other property (other than regular, periodic dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Performance Shares shall be immediately subject to the Company Reacquisition Right and included in the terms "Performance Shares" and "Unvested Performance Shares" for all purposes of this Section 5 with the same force and effect as the Unvested Performance Shares immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Performance Shares following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

## 6. SETTLEMENT OF THE AWARD.

**6.1 Issuance of Common Shares.** Subject to the provisions of Section 6.3 below, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Performance Share one (1) Common Share. Common Shares issued in settlement of Performance Shares shall be subject to the vesting conditions, Company Reacquisition Right and restrictions on transfer set forth in Sections 7, 8.1 and 15, respectively, and any such other restrictions as may be required pursuant to Section 6.3, Section 10 or the Insider Trading Policy.

**6.2 Beneficial Ownership of Common Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all vested Common Shares acquired by the Participant pursuant to the settlement of the Award. Further, the Participant hereby authorizes the Company, in its sole discretion, to deposit unvested Common Shares with the Company's transfer agent, including any successor transfer agent, to be held in book entry form during the term of the Escrow pursuant to Section 9. Except as otherwise provided by this Section, a certificate for the Common Shares as to which the Award is settled shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

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

**6.4 Fractional Shares.** The Company shall not be required to issue fractional Common Shares upon the settlement of the Award. Any fractional share resulting from the determination of the number of Vested Performance Shares shall be rounded up to the nearest whole number.

## 7. VESTING OF COMMON SHARES.

**7.1 In General.** Except as provided by this Section 7 and Section 11, the Common Shares issued in settlement of the Award shall vest and become Vested Common Shares as provided in the Grant Notice; provided however, that Common Shares that would otherwise become Vested Common Shares on a date (the "**Original Vesting Date**") on which a sale of such shares by the Participant would violate the Insider Trading Policy shall, notwithstanding the vesting schedule set forth in the Grant Notice, become Vested Common Shares on the first to occur of (a) the next business day on which such sale would not violate the Insider Trading Policy or (b) the later of (i) the last day of the calendar year in which the Original Vesting Date occurred or (ii) the last day of the Company's taxable year in which the Original Vesting Date occurred.

**7.2 Effect of Termination for Cause or Voluntary Termination.** In the event of the Termination for Cause or Voluntary Termination of the Participant on or after the Settlement Date, no additional Common Shares shall become Vested Common Shares.

**7.3 Effect of Death, Termination Due to Disability, Termination Without Cause, Termination for Good Reason Expiration of Participant's Employment Agreement Due to Non-Renewal.** In the event of the death, Termination Due to Disability, Termination Without Cause, Termination for Good Reason or Expiration of Employment Agreement Due to Non-Renewal of the Participant prior to the Performance Share Vesting Date, then on the Settlement Date the Company shall issue to the Participant one (1) Vested Common Share for each Vested Performance Share determined in accordance with Section 5.3. In the event of the death, Termination Due to Disability, Termination Without Cause, Termination for Good Reason or Expiration of Employment Agreement Due to Non-Renewal of the Participant on or after the Settlement Date, then the vesting of all Unvested Common Shares issued in settlement of the Award shall be accelerated in full effective as of the date of such death, termination or contract expiration; provided however, that if such vesting acceleration would otherwise result in shares becoming Vested Common Shares on a date on which a sale of such shares by the Participant would violate the Insider Trading Policy, then such shares shall become Vested Common Shares on the first to occur of (a) the next business day on which such sale would not violate the Insider Trading Policy or (b) the later of (i) the last day of the calendar year in which the Original Vesting Date occurred or (ii) the last day of the Company's taxable year in which the Original Vesting Date occurred.

## **8. COMPANY REACQUISITION RIGHT.**

**8.1 Grant of Company Reacquisition Right.** Except to the extent otherwise provided by this Agreement, in the event that (a) the Participant's Service terminates or (b) the Participant, the Participant's legal representative, or other holder of the shares, attempts to sell, exchange, transfer, pledge, or otherwise dispose of (other than pursuant to an Ownership Change Event), including, without limitation, any transfer to a nominee or agent of the Participant, any Common Shares which are not Vested Common Shares ("**Unvested Common Shares**"), the Company shall automatically reacquire the Unvested Common Shares, and the Participant shall not be entitled to any payment therefor (the "**Company Reacquisition Right**").

**8.2 Ownership Change Event, Non-Cash Dividends, Distributions and Adjustments.** Upon the occurrence of an Ownership Change Event, a dividend or distribution to the stockholders of the Company paid in shares of Stock or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 4.4 of the Plan, any and all new, substituted or additional securities or other property (other than regular, periodic cash dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Common Shares shall be immediately subject to the Company Reacquisition Right and included in the terms "Common Shares," "Stock" and "Unvested Common Shares" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Common Shares immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Common Shares following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

**8.3 Obligation to Repay Certain Cash Dividends and Distributions.** The Participant shall, at the discretion of the Company, be obligated to promptly repay to the Company upon termination of the Participant's Service any dividends and other distributions paid to the Participant in cash with respect to Unvested Common Shares reacquired by the Company pursuant to the Company Reacquisition Right.

**9. ESCROW.**

**9.1 Appointment of Agent.** To ensure that Common Shares subject to the Company Reacquisition Right will be available for reacquisition, the Participant and the Company hereby appoint the Secretary of the Company, or any other person designated by the Company, as their agent and as attorney-in-fact for the Participant (the "**Agent**") to hold any and all Unvested Common Shares and to sell, assign and transfer to the Company any such Unvested Common Shares reacquired by the Company pursuant to the Company Reacquisition Right. The Participant understands that appointment of the Agent is a material inducement to make this Agreement and that such appointment is coupled with an interest and is irrevocable. The Agent shall not be personally liable for any act the Agent may do or omit to do hereunder as escrow agent, agent for the Company, or attorney in fact for the Participant while acting in good faith and in the exercise of the Agent's own good judgment, and any act done or omitted by the Agent pursuant to the advice of the Agent's own attorneys shall be conclusive evidence of such good faith. The Agent may rely upon any letter, notice or other document executed by any signature purporting to be genuine and may resign at any time.

**9.2 Establishment of Escrow.** The Participant authorizes the Company to deposit the Unvested Common Shares with the Company's transfer agent to be held in book entry form, as provided in Section 6.2, and the Participant agrees to deliver to and deposit with the Agent each certificate, if any, evidencing the Unvested Common Shares and, if required by the Company, an Assignment Separate from Certificate with respect to such book entry shares and each such certificate duly endorsed (with date and number of Common Shares blank) in the form attached to the Notice, to be held by the Agent under the terms and conditions of this Section 9 (the "**Escrow**"). Upon the occurrence of a Change in Control or a change, as described in Section 12, in the character or amount of any outstanding stock of the corporation the stock of which is subject to the provisions of this Agreement, any and all new, substituted or additional securities or other property to which the Participant is entitled by reason of his or her ownership of the Unvested Common Shares that remain, following such Change in Control or change described in Section 12, subject to the Company Reacquisition Right shall be immediately subject to the Escrow to the same extent as the Unvested Common Shares immediately before such event. The Company shall bear the expenses of the Escrow.

**9.3 Delivery of Common Shares to Participant.** The Escrow shall continue with respect to any Common Shares for so long as such Common Shares remain subject to the Company Reacquisition Right. Upon termination of the Company Reacquisition Right with respect to Common Shares, the Company shall so notify the Agent and direct the Agent to deliver such number of Common Shares to the Participant. As soon as practicable after receipt of such notice, the Agent shall cause to be delivered to the Participant the Common Shares specified by such notice, and the Escrow shall terminate with respect to such Common Shares.

**10. TAX MATTERS.**

**10.1 Tax Withholding.**

(a) **In General.** At the time the Grant Notice is executed, or at any time thereafter as requested by the Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company, if any, which arise in connection with the Award or the issuance of Common Shares in settlement thereof. The Company shall have no obligation to process the settlement of the Award or to deliver Common Shares until the tax withholding obligations as described in this Section have been satisfied by the Participant.

(b) **Assignment of Sale Proceeds; Payment of Tax Withholding by Check.** Subject to compliance with applicable law and the Company's Insider Trading Policy, the Company may permit the Participant to satisfy the Participating Company's tax withholding obligations in accordance with procedures established by the Company providing for either (i) delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the Vested Shares, or (ii) payment by check. The Participant shall deliver written notice of any such permitted election to the Company on a form specified by the Company for this purpose at least thirty (30) days (or such other period established by the Company) prior to the date on which the Company's tax withholding obligation arises (the "**Withholding Date**"). If the Participant elects payment by check, the Participant agrees to deliver a check for the full amount of the required tax withholding to the applicable Participating Company on or before the third business day following the Withholding Date. If the Participant elects payment by check but fails to make such payment as required by the preceding sentence, the Company is hereby authorized, at its discretion, to satisfy the tax withholding obligations through any means authorized by this Section 10.1, including by directing a sale for the account of the Participant of some or all of the Vested Shares from which the required taxes shall be withheld, by withholding from payroll and any other amounts payable to the Participant or by withholding shares in accordance with Section 10.1(c).

(c) **Withholding in Common Shares.** The Company may require the Participant to satisfy its tax withholding obligations by deducting from the Common Shares otherwise deliverable to the Participant in settlement of the Award or from the Common Shares otherwise to be released from the Company Reacquisition Right a number of whole, Vested Common Shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

## 10.2 Election Under Section 83(b) of the Code.

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

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

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

## 11. CHANGE IN CONTROL.

**11.1 Effect of Change in Control on Performance Shares.** In the event of the consummation of a Change in Control prior to the Performance Share Vesting Date, the vesting of 100% of the Target Number of Performance Shares shall be accelerated and such Performance Shares shall be deemed Vested Performance Shares effective as of the date of the Change in Control. The Award shall be settled in full in accordance with Section 6 immediately prior to the Change in Control, provided that the Participant's Service has not terminated prior to the Change in Control. In settlement of the Award, the Company shall issue to the Participant one (1) Vested Common Share for each Vested Performance Share determined in accordance with this Section. The vesting of Performance Shares and settlement of the Award that was permissible solely by reason of this Section shall be conditioned upon the consummation of the Change in Control.

**11.2 Effect of Change in Control on Common Shares.** In the event of the consummation of a Change in Control on or after the Settlement Date, the vesting of all Unvested Common Shares issued in settlement of the Award shall be accelerated in full effective as of the date of the Change in Control.

### 11.3 Federal Excise Tax Under Section 4999 of the Code.

(a) **Excess Parachute Payment.** In the event that any acceleration of vesting the Performance Shares or the Common Shares and any other payment or benefit received or to be received by the Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an "excess parachute payment" under Section 280G of the Code, the amount of any acceleration of vesting called for by this Agreement shall not exceed the amount which produces the greatest after-tax benefit to the Participant.

(b) **Determination by Independent Accountants.** Upon the occurrence of any event that might reasonably be anticipated to result in an "excess parachute payment" to the Participant as described in Section 11.3(a) (an "**Event**"), the Company shall request a determination in writing by independent public accountants selected by the Company (the "**Accountants**"). Unless the Company and the Participant otherwise agree in writing, the Accountants shall determine and report to the Company and the Participant within twenty (20) days of the date of the Event the amount of such acceleration of vesting, payments and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make their required determination. The Company shall bear all fees and expenses the Accountants may reasonably charge in connection with their services contemplated by this Section.

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

Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate adjustments shall be made in the number of Performance Shares and/or the number and kind of shares to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

**13. RIGHTS AS A STOCKHOLDER OR EMPLOYEE.**

The Participant shall have no rights as a stockholder with respect to any Common Shares which may be issued in settlement of this Award until the date of the issuance of a certificate for such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 12. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between the Company or a Parent or Subsidiary and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in Service interfere in any way with any right of the Company or any Parent or Subsidiary to terminate the Participant's Service at any time.

**14. LEGENDS.**

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

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

#### 15. RESTRICTIONS ON TRANSFER OF COMMON SHARES.

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

#### 16. COMPLIANCE WITH SECTION 409A.

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

**16.1 Required Delay in Payment to Specified Employee.** If the Participant is a "specified employee" of a publicly traded corporation as defined under Section 409A(a)(2)(B)(i) of the Code, unless subject to an applicable exception under Section 409A, any payment of Section 409A Deferred Compensation in connection with a "separation from service" (as determined for purposes of Section 409A) shall not be made until six (6) months after the Participant's separation from service (the "**Section 409A Deferral Period**"). In the event such payments are otherwise due to be made in installments or periodically during the Section 409A Deferral Period, to the extent permitted under Section 409A, the payments of Section 409A Deferred Compensation which would otherwise have been made in the Section 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the Section 409A Deferral Period ends, and the balance of the payments shall be made as otherwise scheduled.

**16.2 Other Delays in Payment.** Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with Code Section 409A (including any transition or grandfather rules thereunder).

**16.3 Amendments to Comply with Section 409A; Indemnification.** Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant 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 Participant. The Participant 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 Participant in connection with the Award, including as a result of the application of Section 409A.

**16.4 Advice of Independent Tax Advisor.** The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

**17. MISCELLANEOUS PROVISIONS.**

**17.1 Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 11 in connection with a Change in Control, no such termination or amendment may adversely affect the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

**17.2 Nontransferability of the Award.** Prior the issuance of Common Shares on the Settlement Date, neither this Award nor any Performance Shares subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

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

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

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

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

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

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 17.6 (a) of this Agreement and consents to the electronic delivery of the Plan documents and Grant Notice, as described in Section 17.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 17.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 17.6(a).

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

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

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

**17.10 Recoupment Policy.** Subject to the discretion and approval of the Board, the Company may, to the extent permitted by governing law, require reimbursement and/or cancellation of any Performance Share or Common Share issued in settlement of a Performance Share where all of the following factors are present: (a) the award was predicated upon the achievement of certain financial results that were subsequently the subject of a material restatement, (b) the Board determines that the Participant engaged in fraud or intentional misconduct that was a substantial contributing cause to the need for the restatement, and (c) a lower award would have been made to the Participant based upon the restated financial results.

**ROSS STORES, INC.**  
**NOTICE OF GRANT OF PERFORMANCE SHARES**

The Participant has been granted an award of Performance Shares (the "**Award**") pursuant to the Ross Stores, Inc. 2008 Equity Incentive Plan (the "**Plan**") and the Performance Share Agreement attached hereto (the "**Agreement**"), as follows:

**Participant:** \_\_\_\_\_ **Employee ID:** \_\_\_\_\_  
**Grant Date:** \_\_\_\_\_ **Grant No.:** \_\_\_\_\_

**Target Number of Performance Shares:** \_\_\_\_\_, subject to adjustment as provided by the Agreement.  
**Maximum Number of Performance Shares:** \_\_\_\_\_, subject to adjustment as provided by the Agreement.  
**Adjusted Pre-Tax Profit Target:** \$ \_\_\_\_\_  
**Performance Period:** Company fiscal year beginning \_\_\_\_\_, and ending \_\_\_\_\_.  
**Earned Performance Share Determination Date:** \_\_\_\_\_  
**Earned Performance Shares:** The number of Earned Performance Shares (not to exceed the Maximum Number of Performance Shares) shall be determined by the Compensation Committee on or before the Earned Performance Share Determination Date by multiplying the Target Number of Performance Shares by the Adjusted Pre-Tax Profit Multiplier (as defined by the Agreement and certified by the Compensation Committee).  
**Performance Share Vesting Date; Vested Performance Shares:** Except as provided by the Agreement and provided that the Participant's Service has not previously terminated, 100% of the Earned Performance Shares shall vest and become Vested Performance Shares on \_\_\_\_\_.  
**Settlement Date:** \_\_\_\_\_, except as provided by the Agreement.  
**Employment Agreement:** Executive Employment Agreement between the Company and the Participant, as in effect at any applicable time.

By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Notice and by the provisions of the Plan and the Performance Share Agreement, both of which are made a part of this document. The Participant acknowledges that copies of the Plan, Performance Share Agreement and the prospectus for the Plan are available on the Company's internal web site and may be viewed and printed by the Participant for attachment to the Participant's copy of this Grant Notice. The Participant represents that the Participant has read and is familiar with the provisions of the Plan and Performance Share Agreement, and hereby accepts the Award subject to all of their terms and conditions.

ROSS STORES, INC.

PARTICIPANT

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

\_\_\_\_\_  
Signature

Its: \_\_\_\_\_

\_\_\_\_\_  
Date

Address: 4440 Rosewood Drive  
Pleasanton, CA 94588

\_\_\_\_\_  
Address

ATTACHMENTS: Performance Share Agreement

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# ROSS STORES, INC. PERFORMANCE SHARE AGREEMENT

Ross Stores, Inc. has granted to the Participant named in the *Notice of Grant of Performance Shares* (the “**Grant Notice**”) to which this Performance Share Agreement (the “**Agreement**”) is attached an Award consisting of Performance Shares subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to and shall in all respects be subject to the terms and conditions of the Ross Stores, Inc. 2008 Equity Incentive Plan (the “**Plan**”), as amended to the Grant Date, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan (the “**Plan Prospectus**”) in the form most recently prepared in connection with the registration with the Securities and Exchange Commission of shares issuable pursuant to the Plan, (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

## 1. DEFINITIONS AND CONSTRUCTION.

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

(a) “**Adjusted Pre-Tax Profit**” means the earnings before taxes as reported in the Consolidated Statements of Earnings of the Company for the fiscal year of the Company coinciding with the Performance Period, adjusted to exclude from the determination of such amount the reduction in earnings resulting from the accrual of compensation expense for Performance Awards under the Plan and incentive awards under the Second Amended and Restated Ross Stores, Inc. Incentive Compensation Plan, granted in each case, with respect to the Performance Period.

(b) “**Adjusted Pre-Tax Profit Multiplier**” means a number determined as follows:

Percentage of Adjusted Pre-Tax Profit Target Achieved	Adjusted Pre-Tax Profit Multiplier
Less than 90%	0.00%
90%	66.70%
95%	83.33%
100%	100.00%
105%	125.00%
110%	150.00%
115%	175.00%
Equal to or greater than 120%	200.00%

The Adjusted Pre-Tax Profit Multiplier for percentages of Adjusted Pre-Tax Profit Target achieved falling between the percentages set forth in the table above shall be determined by linear interpolation.

(c) “**Change in Control**” means a “Change in Control” as defined by the Employment Agreement.

(d) “**Common Shares**” mean shares of Stock issued in settlement of the Award.

(e) “**Dividend Equivalent Right**” means the right of the Participant to receive for each Earned Performance Share held on a dividend record date an amount equal to the cash dividend declared and paid on one (1) share of Stock, with such amount to be paid in cash on the date on which the Company pays such dividend to its stockholders.

(f) “**Expiration of Participant’s Employment Agreement Due to Non-Renewal**” means the expiration of the Employment Agreement due to its “Non-Renewal,” as provided by the Employment Agreement.

(g) “**Performance Shares**” mean the Performance Shares granted pursuant to the Award, as adjusted from time to time pursuant to Section 9. Each Performance Share represents a right to receive on the Settlement Date one (1) Common Share, subject to further restrictions as provided by this Agreement, if such Performance Share is then a Vested Performance Share.

(h) “**Termination Due to Disability**” means the termination of the Participant’s employment due to “Disability” as defined by and upon terms set forth in the Employment Agreement.

(i) “**Termination for Cause**” means the termination of the Participant’s employment for “Cause” as defined by the Employment Agreement.

(j) “**Termination for Good Reason**” means the Participant’s termination of employment for “Good Reason” as defined by the Employment Agreement.

(k) “**Termination Without Cause**” means the termination of the Participant’s employment “Without Cause” as defined by the Employment Agreement.

(l) “**Voluntary Termination**” means the “Voluntary Termination” of the Participant’s employment as defined by the Employment Agreement.

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

## 2. ADMINISTRATION.

All questions of interpretation concerning the Grant Notice, this Agreement and the Plan shall be determined by the Committee. All determinations by the Committee shall be final and binding upon all persons having an interest in the Award as provided by the Plan. Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election. If the Participant is a Covered Employee, compensation realized by the Participant pursuant to the Award is intended to constitute qualified performance-based compensation within the meaning of Section 162(m) of the Code and the regulations thereunder, and the provisions of this Agreement shall be construed and administered in a manner consistent with this intent. The Company intends that the Award comply with Section 409A of the Code (including any amendments or replacements of such section) and the regulations thereunder, and the provisions of this Agreement shall be construed and administered in a manner consistent with this intent.

## 3. THE AWARD.

**3.1 Grant of Performance Shares.** On the Grant Date, the Participant shall acquire, subject to the provisions of this Agreement, a right to receive a number of Performance Shares which shall not exceed the Maximum Number of Performance Shares set forth in the Grant Notice, subject to adjustment as provided in Section 9. The number of Performance Shares, if any, ultimately earned by the Participant shall be that number of Performance Shares which become Earned Performance Shares, if any.

**3.2 No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Performance Shares or the Common Shares issued upon settlement of the Earned Performance Shares that become Vested Performance Shares, the consideration for which shall be past services actually rendered and/or future services to be rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the Common Shares issued upon settlement of the Earned Performance Shares that become Vested Performance Shares.

**3.3 Dividend Equivalent Rights.** On each day occurring on or after the Earned Performance Share Determination Date and prior to the Settlement Date that is established by the Board as the record date with respect to a dividend declared by the Board on shares of Stock generally and to be paid by the Company in cash to stockholders of record on such date, the Participant shall be credited with one Dividend Equivalent Right for each Earned Performance Share. Each such Dividend Equivalent Right shall be settled and paid to the Participant in cash on the same day that the Company pays the dividend to its stockholders.

#### 4. CERTIFICATION OF THE COMMITTEE.

4.1 **Level of Adjusted Pre-Tax Profit Attained.** As soon as practicable following completion of the Performance Period, and in any event prior to the Earned Performance Share Determination Date, the Committee shall certify in writing the level of attainment of Adjusted Pre-Tax Profit during the Performance Period and the resulting number of Performance Shares which shall be Earned Performance Shares. The Company shall promptly notify the Participant of the determination by the Plan Administrator.

4.2 **Adjustment to Adjusted Pre-Tax Profit for Extraordinary Items.** The Committee shall adjust Adjusted Pre-Tax Profit, as it deems appropriate, to exclude the effect (whether positive or negative) of any of the following occurring after the grant of the Award: (a) a change in accounting standards required by generally accepted accounting principles or (b) any extraordinary, unusual or nonrecurring item. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Adjusted Pre-Tax Profit in order to prevent the dilution or enlargement of the Participant's rights with respect to the Award.

#### 5. VESTING OF EARNED PERFORMANCE SHARES.

5.1 **In General.** Except as provided by this Section 5 and Section 8, the Earned Performance Shares shall vest and become Vested Performance Shares as provided in the Grant Notice.

5.2 **Effect of Termination for Cause or Voluntary Termination.** In the event of the Termination for Cause or Voluntary Termination of the Participant prior to the Performance Share Vesting Date, the Participant shall forfeit and the Company shall automatically reacquire all of the Performance Shares subject to the Award. The Participant shall not be entitled to any payment for such forfeited Performance Shares.

5.3 **Effect of Death, Termination Due to Disability, Termination Without Cause, Termination for Good Reason or Expiration of Participant's Employment Agreement Due to Non-Renewal.** In the event of death, Termination Due to Disability, Termination Without Cause, Termination for Good Reason or Expiration of Participant's Employment Agreement Due to Non-Renewal (in any such case, a "**Termination Event**") prior to the Performance Share Vesting Date, a number of Performance Shares shall become Vested Performance Shares at the time and in the manner determined as follows:

(a) If the Termination Event occurs prior to the Earned Performance Share Determination Date, then on the Earned Performance Share Determination Date a number of Performance Shares shall be deemed Vested Performance Shares determined by multiplying (i) that number of Performance Shares that would have become Earned Performance Shares had no such Termination Event occurred (but in no case in excess of 100% of the Target Number of Performance Shares) by (ii) the ratio of the number of full months of the Participant's employment with the Company during the Performance Period to the number of full months contained in the Performance Period.

(b) If the Termination Event occurs on or after the Earned Performance Share Determination Date but prior to the Performance Share Vesting Date, then on the date of the Termination Event a number of Performance Shares equal to the number of Earned Performance Shares shall be deemed Vested Performance Shares.

**5.4 Forfeiture of Unvested Performance Shares.** Except as otherwise provided by this Section 5 or Section 8, in the event that the Participant's Service terminates for any reason, the Participant shall forfeit and the Company shall automatically reacquire all Performance Shares which are not, as of the time of such termination, Vested Performance Shares ("**Unvested Performance Shares**"). The Participant shall not be entitled to any payment for such forfeited Performance Shares.

**5.5 Ownership Change Event, Dividends, Distributions and Adjustments.** Upon the occurrence of an Ownership Change Event, a dividend or distribution to the stockholders of the Company paid in shares of Stock or other property, or any other adjustment upon a change in the capital structure of the Company as described in Section 4.4 of the Plan, any and all new, substituted or additional securities or other property (other than regular, periodic dividends paid on Stock pursuant to the Company's dividend policy) to which the Participant is entitled by reason of the Participant's ownership of Unvested Performance Shares shall be included in the terms "Performance Shares" and "Unvested Performance Shares" for all purposes of this Section 5 with the same force and effect as the Unvested Performance Shares immediately prior to the Ownership Change Event, dividend, distribution or adjustment, as the case may be. For purposes of determining the number of Vested Performance Shares following an Ownership Change Event, dividend, distribution or adjustment, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after any such event.

**5.6 Obligation to Repay Certain Dividend Equivalent Right Payments.** The Participant shall, at the discretion of the Company, be obligated to promptly repay to the Company upon termination of the Participant's Service any amounts previously paid to the Participant in cash in settlement of Dividend Equivalent Rights credited on Unvested Performance Shares that are subsequently forfeited pursuant to Section 5.4.

## **6. SETTLEMENT OF THE AWARD.**

**6.1 Issuance of Common Shares.** Subject to the provisions of Section 6.3 below, the Company shall issue to the Participant on the Settlement Date with respect to each Vested Performance Share one (1) Common Share. Common Shares issued in settlement of Performance Shares shall not be subject to any restriction on transfer other than such restrictions as may be required pursuant to Section 6.3, Section 7 or the Insider Trading Policy.

**6.2 Beneficial Ownership of Common Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all Common Shares acquired by the Participant pursuant to the settlement of the Award. Except as otherwise provided by this Section, a certificate for the Common Shares as to which the Award is settled shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

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

**6.4 Fractional Shares.** The Company shall not be required to issue fractional Common Shares upon the settlement of the Award. Any fractional share resulting from the determination of the number of Vested Performance Shares shall be rounded up to the nearest whole number.

## **7. TAX WITHHOLDING.**

**7.1 In General.** At the time the Grant Notice is executed, or at any time thereafter as requested by the Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company, if any, which arise in connection with the Award, the vesting of the Vested Performance Shares, or the issuance of Common Shares in settlement thereof. The Company shall have no obligation to process the settlement of the Award or to deliver Common Shares until the tax withholding obligations as described in this Section have been satisfied by the Participant.

**7.2 Assignment of Sale Proceeds; Payment of Tax Withholding by Check.** Subject to compliance with applicable law and the Company's Insider Trading Policy, the Company may permit the Participant to satisfy the Participating Company's tax withholding obligations in accordance with procedures established by the Company providing for either (i) delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the Common Shares, or (ii) payment by check. The Participant shall deliver written notice of any such permitted election to the Company on a form specified by the Company for this purpose at least thirty (30) days (or such other period established by the Company) prior to the date on which the Company's tax withholding obligation arises (the "**Withholding Date**"). If the Participant elects payment by check, the Participant agrees to deliver a check for the full amount of the required tax withholding to the applicable Participating Company on or before the third business day following the Withholding Date. If the Participant elects payment by check but fails to make such payment as required by the preceding sentence, the Company is hereby authorized, at its discretion, to satisfy the tax withholding obligations through any means authorized by this Section 7, including by directing a sale for the account of the Participant of some or all of the Common Shares from which the required taxes shall be withheld, by withholding from payroll and any other amounts payable to the Participant or by withholding shares in accordance with Section 7.3.

**7.3 Withholding in Common Shares.** The Company may require the Participant to satisfy its tax withholding obligations by deducting from the Common Shares otherwise deliverable to the Participant in settlement of the Award a number of whole Common Shares having a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates.

**8. CHANGE IN CONTROL.**

**8.1 Effect of Change in Control on Performance Shares.** In the event of a Change in Control prior to the Performance Share Vesting Date, a number of Performance Shares shall be deemed Vested Performance Shares effective immediately prior to the consummation of the Change in Control determined as follows:

(a) If the Change in Control occurs prior to the Earned Performance Share Determination Date, then 100% of the Target Number of Performance Shares shall be deemed Vested Performance Shares.

(b) If the Change in Control occurs on or after the Earned Performance Share Determination Date, then 100% of the Earned Performance Shares shall be deemed Vested Performance Shares.

The Award shall be settled in full in accordance with Section 6 immediately prior to the Change in Control (and such time shall be treated as the Settlement Date for this purpose), provided that the Participant's Service has not terminated prior to the Change in Control. The vesting of Performance Shares and settlement of the Award that was permissible solely by reason of this Section shall be conditioned upon the consummation of the Change in Control.

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

(a) **Excess Parachute Payment.** In the event that any acceleration of vesting the Performance Shares or the Common Shares and any other payment or benefit received or to be received by the Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an "excess parachute payment" under Section 280G of the Code, the amount of any acceleration of vesting called for by this Agreement shall not exceed the amount which produces the greatest after-tax benefit to the Participant.

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

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

Subject to any required action by the stockholders of the Company and the requirements of Section 409A of the Code to the extent applicable, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate adjustments shall be made in the number of Performance Shares and/or the number and kind of shares to be issued in settlement of the Award, in order to prevent dilution or enlargement of the Participant’s rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as “effected without receipt of consideration by the Company.” Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

**10. RIGHTS AS A STOCKHOLDER OR EMPLOYEE.**

The Participant shall have no rights as a stockholder with respect to any Common Shares which may be issued in settlement of this Award until the date of the issuance of a certificate for such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 3.3 or Section 9. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between the Company or a Parent or Subsidiary and the Participant, the Participant’s employment is “at will” and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in Service interfere in any way with any right of the Company or any Parent or Subsidiary to terminate the Participant’s Service at any time.

## 11. LEGENDS.

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

## 12. COMPLIANCE WITH SECTION 409A.

It is intended that any election, payment or benefit which is made or provided pursuant to or in connection with this Award that may result in Section 409A Deferred Compensation shall comply in all respects with the applicable requirements of Section 409A (including applicable regulations or other administrative guidance thereunder, as determined by the Committee in good faith) to avoid the unfavorable tax consequences provided therein for non-compliance. In connection with effecting such compliance with Section 409A, the following shall apply:

**12.1 Required Delay in Payment to Specified Employee.** If the Participant is a “specified employee” of a publicly traded corporation as defined under Section 409A(a)(2)(B)(i) of the Code, unless subject to an applicable exception under Section 409A, any payment of Section 409A Deferred Compensation in connection with a “separation from service” (as determined for purposes of Section 409A) shall not be made until six (6) months after the Participant’s separation from service (the “**Section 409A Deferral Period**”). In the event such payments are otherwise due to be made in installments or periodically during the Section 409A Deferral Period, to the extent permitted under Section 409A, the payments of Section 409A Deferred Compensation which would otherwise have been made in the Section 409A Deferral Period shall be accumulated and paid in a lump sum as soon as the Section 409A Deferral Period ends, and the balance of the payments shall be made as otherwise scheduled.

**12.2 Other Delays in Payment.** Neither the Participant nor the Company shall take any action to accelerate or delay the payment of any benefits under this Agreement in any manner which would not be in compliance with Code Section 409A (including any transition or grandfather rules thereunder).

**12.3 Amendments to Comply with Section 409A; Indemnification.** Notwithstanding any other provision of this Agreement to the contrary, the Company is authorized to amend this Agreement, to void or amend any election made by the Participant 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 Participant. The Participant 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 Participant in connection with the Award, including as a result of the application of Section 409A.

**12.4 Advice of Independent Tax Advisor.** The Company has not obtained a tax ruling or other confirmation from the Internal Revenue Service with regard to the application of Section 409A to the Award, and the Company does not represent or warrant that this Agreement will avoid adverse tax consequences to the Participant, including as a result of the application of Section 409A to the Award. The Participant hereby acknowledges that he or she has been advised to seek the advice of his or her own independent tax advisor prior to entering into this Agreement and is not relying upon any representations of the Company or any of its agents as to the effect of or the advisability of entering into this Agreement.

**13. MISCELLANEOUS PROVISIONS.**

**13.1 Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that except as provided in Section 8 in connection with a Change in Control, no such termination or amendment may adversely affect the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation, including, but not limited to, Section 409A. No amendment or addition to this Agreement shall be effective unless in writing.

**13.2 Nontransferability of the Award.** Prior the issuance of Common Shares on the Settlement Date, neither this Award nor any Performance Shares subject to this Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

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

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

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

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

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

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 13.6 (a) of this Agreement and consents to the electronic delivery of the Plan documents and Grant Notice, as described in Section 13.6(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 13.6(a) or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 13.6(a).

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

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

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

**EXHIBIT 15**

September 7, 2011

Ross Stores, Inc.  
Pleasanton, California

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of Ross Stores, Inc. and subsidiaries for the periods ended July 30, 2011 and July 31, 2010, as indicated in our report dated September 7, 2011; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended July 30, 2011, is incorporated by reference in Registration Statements No. 333-151116, No. 33-61373, No. 33-51916, No. 33-51896, No. 33-51898, No. 33-41415, No. 33-41413, No. 33-29600, No. 333-56831, No. 333-06119, No. 333-34988, No. 333-51478, and No. 333-115836 of Ross Stores, Inc. and subsidiaries, all on Form S-8.

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

Yours truly,

/s/Deloitte & Touche LLP  
San Francisco, California

## EXHIBIT 31.1

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

I, Michael Balmuth, certify that:

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

Date: September 7, 2011

/s/Michael Balmuth  
Michael Balmuth  
Vice Chairman and Chief Executive Officer

## EXHIBIT 31.2

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

I, John G. Call, certify that:

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

Date: September 7, 2011

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

**EXHIBIT 32.1**

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

In connection with the Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended July 30, 2011 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: September 7, 2011

/s/Michael Balmuth \_\_\_\_\_  
Michael Balmuth  
Vice Chairman and Chief Executive Officer

**EXHIBIT 32.2**

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

In connection with the Quarterly Report of Ross Stores, Inc. (the "Company") on Form 10-Q for the quarter ended July 30, 2011 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: September 7, 2011

/s/J. Call

John G. Call

Senior Vice President, Chief Financial Officer  
and Principal Accounting Officer