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

FORM 10-K

(Mark one)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JANUARY 29, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-14678

ROSS STORES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE 94-1390387
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

8333 CENTRAL AVENUE, NEWARK, CALIFORNIA 94560-3433
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (510) 505-4400

Securities registered pursuant to Section 12(b) of the Act: NONE

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

Table with 2 columns: Title of each class, Name of each exchange on which registered. Row 1: COMMON STOCK, PAR VALUE \$.01, N/A

Indicate by check mark whether the registrant has (1) 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 X No

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

The aggregate market value of the voting common stock held by non-affiliates
of the Registrant as of March 31, 2000 was \$1,987,006,175. Shares of voting
stock held by each director and executive officer and each person who on that
date owned 10% or more of the outstanding voting stock have been excluded in
that such persons may be deemed to be affiliates. This determination of
affiliate status is not necessarily a conclusive determination for other
purposes.

The number of shares of Common Stock, with \$.01 par value, outstanding on
March 31, 2000 was 84,290,457.

Documents incorporated by reference:

Portions of the Proxy Statement for Registrant's 2000 Annual Meeting of Stockholders, which will be filed on or before May 10, 2000, are incorporated herein by reference into Part III.

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PART I

ITEM 1. BUSINESS

Ross Stores, Inc. ("Ross" or "company") operates a chain of off-price retail apparel and home accessories stores, which target value conscious men and women between the ages of 25 and 54 in middle-to-upper middle income households. The decisions of the company, from merchandising, purchasing and pricing, to the location of its stores, are aimed at this customer base. The company offers brand name and designer merchandise at low everyday prices, generally 20% to 60% below regular prices of most department and specialty stores. The company believes it derives a competitive advantage by offering a wide assortment of quality brand-name merchandise within each of its merchandise categories in an attractive easy-to-shop environment.

Ross' mission is to offer competitive values to its target customer by focusing on the following key strategic objectives:

- Achieve an appropriate level of recognizable brands and labels at strong discounts throughout the store;
- Meet customer needs on a more regional basis;
- Deliver an in-store shopping experience that reflects the expectations of the off-price customer; and
- Manage real estate growth to maintain leadership or achieve parity with the competition in key markets.

The original Ross Stores, Inc. was incorporated in California in 1957. In August 1982, the company was purchased by some of its then current directors and stockholders. The six stores acquired were completely refurbished in the company's off-price format and stocked with new merchandise. In June 1989 the company reincorporated in the state of Delaware.

MERCHANDISING, PURCHASING AND PRICING

Ross seeks to provide its customers with a wide assortment of first quality, in-season, name-brand apparel, accessories and footwear for the entire family at everyday savings of 20% to 60% from regular department and specialty store prices, as well as similar savings on fragrances, gift items for the home, bed and bath merchandise and accessories. Although not a fashion leader, the company sells recognizable branded merchandise that is current and fashionable in each category. New merchandise typically is received five times each week at the company's 378 stores. The company's buyers review their merchandise assortments on a weekly basis, enabling them to respond to merchandise trends and purchasing opportunities in the market. The company's merchandising strategy is reflected in its advertising, which emphasizes a strong value message --Ross' customers will find great savings everyday on a broad assortment of name-brand merchandise.

MERCHANDISING. The Ross merchandising strategy incorporates a combination of off-price buying techniques to purchase both in-season and past-season merchandise. The company's emphasis on nationally advertised name brands reflects management's conviction that brand-name merchandise sold at compelling discounts will continue to be an important determinant of its success. Ross generally leaves the brand-name label on the merchandise it

sells.

The company has established a merchandise assortment which it believes is attractive to its target customer group. Although Ross offers fewer classifications of merchandise than most department stores, the company generally offers a large selection of brand names within each classification with a wide assortment of vendors, prices, colors, styles and fabrics within each size or item. Over the past several years, the company has diversified its merchandise offerings by adding new product categories such as maternity, small sporting goods and exercise equipment, small electronics, tabletop lamps, small furnishings, educational toys and games, luggage, gourmet food and cookware, and fine jewelry in select stores. For fiscal 1999, the overall merchandise sales mix was approximately 94% first quality merchandise and 6% irregulars. The respective departments accounted for total sales in fiscal 1999 approximately as follows: Ladies 34%, Men's 21%, Home Accents and Bed and Bath 16%, Fine Jewelry, Accessories, Hosiery, Lingerie and Fragrances 12%, Shoes 8% and Children's 9%.

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**PURCHASING.** The company continues to expand its network of vendors and manufacturers and believes it has adequate sources of first quality merchandise to meet its requirements. The company purchases the vast majority of its merchandise directly from manufacturers and has not experienced any difficulty in obtaining sufficient inventory.

The company believes that its ability to effectively execute certain off-price buying strategies is a key factor in its business. Ross buyers use a number of methods that enable the company to offer customers name-brand merchandise at strong everyday discounts relative to department and specialty stores. By purchasing later in the merchandise buying cycle than department and specialty stores, Ross is able to take advantage of imbalances in manufacturer-projected supplies of merchandise.

Unlike most department and specialty stores, Ross does not require that manufacturers provide promotional and markdown allowances, return privileges, split shipments, drop shipments to stores or delayed deliveries of merchandise. For most orders, the manufacturer only makes one delivery to one of the company's two distribution centers. These flexible requirements further enable the company's buyers to obtain significant discounts on in-season purchases.

The company has increased its emphasis in recent years on opportunistic purchases created by manufacturer overruns and canceled orders both during and at the end of a season. These buys are referred to as "closeout" or "packaway" purchases. Closeouts can be shipped to stores in season. Closeouts allow the company to get in season goods in its stores at lower prices. Packaway merchandise is purchased with the intent that it will be stored in the company's warehouses until the beginning of the next selling season. Packaway purchases are an effective method of increasing the percentage of prestige and national brands at competitive savings within the merchandise assortments. Packaway merchandise is mainly fashion basics and, therefore, not usually affected by shifts in fashion trends.

Throughout the 1990s, Ross gradually increased the amount of packaway inventories. In 1999, the company continued its emphasis on these important resources in response to compelling opportunities available in the marketplace. Packaway accounted for approximately 44% of total inventories as of January 29, 2000, compared to 44% at the end of the prior year. It is management's belief that the stronger discounts the company is able to offer on packaway merchandise are a key driver of Ross' business. In-store inventories at the end of fiscal 1999 were even with the prior year, and total consolidated inventories were up 7% mainly due to a greater number of stores in operation compared to the prior year.

The company is developing enhanced systems and processes for

regionalized merchandise buying and allocation. The goal is to fine tune the merchandise mix and raise sales productivity in markets that are performing below the company average. Full implementation is scheduled for completion in 2001.

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

The company's buyers have an average of 10 years of experience, including experience with other retailers such as Bloomingdale's, Burlington Coat Factory, Dayton Hudson, Foot Locker, Lechters, Lord & Taylor, Macy's, Marshalls, Nordstrom's, Robinson's/May, Sterns, T.J. Maxx and Value City. In keeping with its strategy, over the past several years the company has more than tripled the size of its merchandising staff. Management believes that this increase enables its merchants to spend even more time in the market which, in turn, should strengthen the company's ability to procure the most desirable brands at competitive discounts.

This combination of off-price buying strategies enables the company to purchase merchandise at net prices that are lower than prices paid by department and specialty stores.

PRICING. The company's policy is to sell brand-name merchandise that can generally be priced at 20% to 60% less than most department and specialty store regular prices. The Ross pricing policy is to affix a ticket displaying the company's selling price as well as the estimated comparable selling price for that item in department and/or specialty stores.

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The Ross pricing strategy differs from that of a department or specialty store. Ross purchases its merchandise at lower prices and marks it up less than a department or specialty store. This strategy enables Ross to offer customers consistently low prices. Specified departments in the store are reviewed weekly for possible markdowns based on the rate of sale and the end of fashion seasons to promote faster turnover of inventory and accelerate the flow of fresh merchandise.

#### THE ROSS STORE

As of January 29, 2000, the company operated 378 stores. They are conveniently located in predominantly community and neighborhood strip shopping centers in heavily populated urban and suburban areas. Where the size of the market permits, the company clusters stores to maximize economies of scale in advertising, distribution and management.

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

The company minimizes transaction time for the customer at the checkout counter by using electronic systems for scanning each ticket at the point of sale and authorizing credit for personal checks and credit cards in

a matter of seconds. Approximately 40% of payments are made with credit cards. Ross provides cash or credit card refunds on all merchandise returned with a receipt within 30 days. Merchandise returns having a receipt older than 30 days are exchanged or credited with a Ross Credit Voucher at the price on the receipt.

#### OPERATING COSTS

Consistent with the other aspects of its business strategy, Ross strives to keep operating costs as low as possible. Among the factors which have enabled the company to operate at low costs are:

- Labor costs that generally are lower than full-price department and specialty stores due to (i) a store design that creates a self-selection retail format and (ii) the utilization of labor saving technologies.
- Economies of scale with respect to general and administrative costs as a result of centralized merchandising, marketing and purchasing decisions.
- Model store layout criteria which facilitate conversion of existing buildings to the Ross format.
- A fully-integrated, on-line management information system which enables the company to respond quickly when making purchasing, merchandising and pricing decisions.

#### DISTRIBUTION

The company has two distribution centers -- one located in Newark, California (approximately 494,000 square feet) and the second located in Carlisle, Pennsylvania (approximately 424,000 square feet). Having a distribution center on each coast enhances cost efficiencies per unit and decreases turn-around time in getting the merchandise from the vendors to the stores. Shipments are made by contract carriers to the stores about five times a week depending on location.

The company believes that its two distribution centers, combined with utilization of third party processors, can provide adequate processing capacity to support store growth through fiscal 2001. The company is currently planning for a new distribution center facility, which is expected to be operational sometime during 2002.

#### CONTROL SYSTEMS

The company's management information system fully integrates data from significant phases of its operations and is a key element in the company's planning, purchasing, store allocation and pricing decisions. The system enables Ross to respond to changes in the retail market and to increase speed and accuracy in its merchandise distribution.

Data from the current and last fiscal year can be monitored on levels ranging from merchandise classification units to overall totals for the company. Merchandise is tracked by the system from the creation of its purchase order, through its receipt at the distribution center, through the distribution planning process, and ultimately to the point of sale.

#### ADVERTISING

The company relies primarily on television advertising to communicate its merchandise offerings of quality, brand name product at low everyday prices. This strategy reflects the company's belief that television is the most efficient and cost effective medium for communicating everyday

savings on a wide selection of brand-name bargains for both the family and home.

#### TRADEMARKS

The trademark for Ross Dress For Less(R) has been registered with the United States Patent and Trademark Office.

#### EMPLOYEES

On January 29, 2000, the company had approximately 20,700 employees which includes an estimated 13,000 part-time employees. Additionally, the company hires temporary employees -- especially during the peak seasons. The company's employees are non-union. Management of the company considers the relationship between the company and its employees to be good.

#### COMPETITION

The company believes the principal competitive factors in the off-price retail apparel and home accessories industry are offering large discounts on name-brand merchandise appealing to its target customer and consistently providing a store environment that is convenient and easy to shop. To execute this concept, the company has strengthened its buying organization and developed a merchandise allocation system to distribute product based on regional factors, as well as other systems and procedures to maximize cost efficiencies and leverage expenses in an effort to mitigate competitive pressures on gross margin. The company believes that it is well positioned to compete on the basis of each of these factors.

Nevertheless, the national apparel retail market is highly fragmented. Ross faces intense competition for business from department stores, specialty stores, discount stores, other off-price retailers and manufacturer-owned outlet stores, many of which are units of large national or regional chains that have substantially greater resources than Ross. The retail apparel business may become even more competitive in the future.

#### ITEM 2. PROPERTIES

##### STORES

From August 1982 to January 29, 2000, the company expanded from six stores in California to 378 stores in 17 states: Arizona, California, Colorado, Florida, Hawaii, Idaho, Maryland, Nevada, New Jersey, New Mexico, Oklahoma, Oregon, Pennsylvania, Texas, Utah, Virginia and Washington. All stores are leased, with the exception of one location.

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During fiscal 1999, the company opened 34 new Ross 'Dress For Less' stores and closed five existing locations. The average new Ross store in 1999 was approximately 31,200 square feet, yielding about 24,400 square feet of selling space. As of January 29, 2000, the company's 378 stores generally ranged in size from about 24,000 to 35,000 gross square feet and had an average of 22,600 square feet of selling space.

During the fiscal year ended January 29, 2000, no one store accounted for more than 1% of the company's sales. The company carries earthquake insurance on its corporate headquarters, both distribution centers and on its stores in California.

The company's real estate strategy is to open additional stores mainly in existing market areas, to increase its market penetration and reduce overhead and advertising expenses as a percentage of sales in each market. Important considerations in evaluating a new market are the availability of potential sites, demographic characteristics, competition and population density of the market. In fiscal 2000, the company plans to focus

its new store growth primarily in existing markets. In addition, management continues to consider opportunistic real estate acquisitions.

Where possible, the company has obtained sites in existing buildings requiring minimal alterations. This has allowed Ross to establish stores in new locations in a relatively short period of time at reasonable costs in a given market. To date, the company has been able to secure leases in suitable locations for its stores. At January 29, 2000, the majority of the company's stores had unexpired original lease terms ranging from three to ten years with three to four renewal options of five years each. The average unexpired original lease term of its leased stores is five years, or 20 years if renewal options are included. (See Note C of Notes to Consolidated Financial Statements.) Most of the company's store leases contain a provision for percentage rental payments after a specified sales level has been achieved.

#### DISTRIBUTION CENTERS

In June 1998, the company purchased its Newark, California distribution center (approximately 494,000 square feet) for \$24.6 million. The Newark facility is also the company's corporate headquarters. The company also owns its distribution center in Carlisle, Pennsylvania (approximately 424,000 square feet). Having a processing distribution center on each coast enhances cost efficiencies per unit and decreases turn-around time in getting the merchandise from the vendors to the stores. Shipments are made by contract carriers to the stores about five times a week depending on location.

The company believes that its two processing distribution centers, combined with utilization of third party processors, can provide adequate processing capacity to support store growth through fiscal 2001. The company is currently planning for a new distribution center facility, which is expected to be operational sometime during 2002.

In September 1997, the company entered into a five-year lease for an approximately 214,500 square foot warehouse in Newark, California. In February 1998, the company entered into a three-year lease for an approximately 239,000 square foot warehouse in Carlisle, Pennsylvania. In August 1998, the company leased an additional 246,000 square foot warehouse in Carlisle, Pennsylvania, for a 42-month term. In November 1998, the company entered into a five-year lease for an additional 97,000 square foot warehouse in Newark, California. All of these properties store the company's packaway inventory. In August 1999, Ross leased for a 50-month term a 32,000 square foot warehouse on ten acres in Newark, California. This location is primarily used for the storage of certain supplies and equipment.

#### ITEM 3. LEGAL PROCEEDINGS

The company has been named in a class action lawsuit filed on July 8, 1999 in California Superior Court in San Bernardino County. The complaint alleges that the company's California store managers and assistant store managers were incorrectly classified as exempt employees from overtime laws of the State of California. After responsive pleadings were filed by the company, a preliminary understanding to resolve the class action lawsuit was announced by the company on February 3, 2000. As a result, the company recorded a non-recurring pre-tax charge of \$9.0 million in the fourth quarter of fiscal 1999 relating to this matter. When terms are completed, the company expects to execute a settlement agreement, without any admission of wrongdoing, which will be subject to judicial approval. (See Note G of Notes to Consolidated Financial Statements).

The company is a party to routine litigation incident to its business. Management believes that none of these routine legal proceedings will have a material adverse effect on the company's financial condition or results of operations.

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

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

NAME	AGE	POSITION
Michael A. Balmuth	49	Vice Chairman and Chief Executive Officer
John G. Call	41	Senior Vice President, Chief Financial Officer and Corporate Secretary
Ivy D. Council	43	Senior Vice President, Human Resources
James S. Fassio	45	Senior Vice President, Property Development, Construction and Store Design
Barry S. Gluck	47	Senior Vice President and General Merchandising Manager
Michael Hamilton	54	Senior Vice President, Store Operations
Irene Jamieson	49	Senior Vice President and General Merchandising Manager
Megan Jamieson	38	Senior Vice President, Strategic Planning
Barbara Levy	45	Senior Vice President and General Merchandising Manager
Michael L. Wilson	46	Senior Vice President, Distribution and Transportation

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

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

Ms. Council has served as Senior Vice President, Human Resources since March 1998. Prior to that, she served as the company's Vice President of Human Resources, Compensation, Payroll, Distribution and Risk Management/Benefits since August 1997 and as the company's Vice President, Human Resources of Stores since March 1992. She joined the company in January 1989 as Director of Management and Organizational Development.

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

Mr. Gluck has served as Senior Vice President and General Merchandising Manager since August 1993. He joined the company in February 1989 as Vice President and Divisional Merchandising Manager. Prior to joining



Ross, Mr. Gluck served as General Merchandising Manager, Vice President for Today's Man from May 1987 to February 1989. From March 1982 to April 1987, he was Vice President, Divisional Merchandising Manager, Men's, Children and Luggage of Macy's Atlanta.

Mr. Hamilton has served as Senior Vice President, Store Operations since March 1999. From October 1996 to March 1999, he was Executive Vice President, Operations for Hill's Department Stores. From April 1993 to October 1996, he served as Executive Vice President, Stores for Venture Stores. Prior to that, he held various executive and managerial positions at Venture Stores.

Ms. Irene Jamieson has served as Senior Vice President and General Merchandising Manager since January 1995. From December 1992 to January 1995, she served as Vice President and Divisional Merchandising Manager. Prior to joining Ross, Ms. Jamieson served as Vice President and Divisional Merchandising Manager of the Home Store for Lord & Taylor from September 1983 to December 1992.

Ms. Megan Jamieson has served as Senior Vice President, Strategic Planning since February 1999. From January 1997 to February 1999, she served as Director of Strategy for Sears, Roebuck and Co.'s full-line store division. Prior to Sears, she was a case team leader with the consulting firm Bain & Co.

Ms. Levy has served as Senior Vice President and General Merchandising Manager since May 1993. Prior to joining Ross, Ms. Levy was with R. H. Macy & Co., Inc. most recently as Senior Vice President and General Merchandising Manager from January 1992 to April 1993 and before that as their Regional Director - Stores from May 1989 to January 1992 and from August 1985 to May 1989 as their Divisional Merchandising Manager - Better Sportswear.

Mr. Wilson has served as Senior Vice President, Distribution and Transportation since May 1999. From July 1996 to May 1999, he was President of Distribution Fulfillment Services, Inc., a division of the Spiegel Group, and from October 1991 to July 1996, he served in various distribution management positions with the Spiegel Group. Prior to joining the Spiegel Group, he held the position of Division Vice President/Merchandise Processing for Rich's Department Stores. Prior to 1991, he held various operating positions within the transportation, third party distribution and retail distribution environment, with companies that included McLean Trucking, Ivey's Department Stores and Distribution Marketing Services Inc.

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## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

GENERAL INFORMATION. See the information set forth under the caption "Quarterly Financial Data (Unaudited)" under Note H of Notes to Consolidated Financial Statements in Item 8 of this document which is incorporated herein by reference. The company's stock is traded on the Nasdaq National Market tier of The Nasdaq Stock MarketSM under the symbol ROST. There were 830 stockholders of record as of March 31, 2000 and the closing stock price on that date was \$24.0625 per share.

CASH DIVIDENDS. During fiscal 1999 and 1998, the company paid a quarterly cash dividend of \$0.0325 and \$0.0275, respectively, per common share. On January 27, 2000, the Board of Directors increased the quarterly dividend to \$0.0375 per common share.

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ITEM 6. SELECTED FINANCIAL DATA

(\$000, except per share data)	1999	1998	1997	1996	1995 (2)
<b>OPERATIONS</b>					
Sales	\$2,468,638	\$2,182,361	\$1,988,692	\$1,689,810	\$1,426,397
Cost of goods sold and occupancy	1,702,342	1,513,889	1,388,098	1,194,136	1,031,455
PERCENT OF SALES	69.0%	69.4%	69.8%	70.7%	72.3%
General, selling and administrative	472,822	415,284	374,119	332,439	293,051
PERCENT OF SALES	19.2%	19.0%	18.8%	19.7%	20.5%
Depreciation and amortization	38,317	33,514	30,951	28,754	27,033
Interest (income) expense	(322)	259	(265)	(360)	2,737
Provision for litigation expense(1)	9,000				
Earnings before taxes(1)	246,479	219,415	195,789	134,841	72,121
PERCENT OF SALES(1)	10.0%	10.1%	9.8%	8.0%	5.1%
Provision for taxes on earnings	96,373	85,572	78,315	53,936	28,849
Net earnings(1)	150,106	133,843	117,474	80,905	43,272
PERCENT OF SALES(1)	6.1%	6.1%	5.9%	4.8%	3.0%
Diluted earnings per share(1,3)	\$1.64	\$1.40	\$1.17	\$ .79	\$ .44
Cash dividends declared per common share(3)	\$ .135	\$ .115	\$ .095	\$ .075	\$ .063

- 1 Fiscal 1999 includes a non-recurring pre-tax charge of \$9.0 million, or \$.06 per share, related to litigation. See Note G of Notes to Consolidated Financial Statements.
- 2 Fiscal 1995 is a 53-week year; all other fiscal years have 52 weeks.
- 3 All per share information is adjusted to reflect the effect of the two-for-one stock splits effected in the form of 100% stock dividends paid on September 22, 1999 and March 5, 1997.

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SELECTED FINANCIAL DATA

(\$000, except per share data)	1999	1998	1997	1996	1995 (2)
<b>FINANCIAL POSITION</b>					
Merchandise inventory	\$500,494	\$466,460	\$418,825	\$373,689	\$295,965
Property and equipment, net	273,164	248,712	204,721	192,647	181,376
Total assets	947,678	870,306	737,953	659,478	541,152
Return on average assets(1)	17%	17%	17%	13%	8%
Working capital	190,724	170,795	174,678	134,802	121,692
Current ratio	1.5:1	1.4:1	1.5:1	1.4:1	1.6:1
Total debt	0	0	0	0	9,806
Total debt as a percent of total capitalization	0%	0%	0%	0%	3%
Stockholders' equity	473,431	424,703	380,681	328,843	291,516
Return on average stockholders' equity(1)	33%	33%	33%	26%	16%
Book value per common share outstanding at year-end(3)	\$5.33	\$4.59	\$3.97	\$3.33	\$2.96
<b>OPERATING STATISTICS</b>					
Number of stores opened	34	26	17	21	21
Number of stores closed	5	2	1	4	4
Number of stores at year-end	378	349	325	309	292
Comparable store sales increase (52-week basis)	6%	3%	10%	13%	2%
Sales per square foot of selling space (52-week basis)(4)	\$300	\$290	\$285	\$259	\$230
Square feet of selling space at year-end (000)	8,544	7,817	7,172	6,677	6,276
Number of employees at year-end	20,718	20,081	17,039	14,853	11,935
Number of common stockholders of record at year-end	827	818	813	826	1,022

- 1 Fiscal 1999 includes a non-recurring pre-tax charge of \$9.0 million, or \$.06 per share, related to litigation. See Note G of Notes to Consolidated Financial Statements.
- 2 Fiscal 1995 is a 53-week year; all other fiscal years have 52 weeks.
- 3 All per share information is adjusted to reflect the effect of the two-for-one stock splits effected in the form of 100% stock dividends paid on September 22, 1999 and March 5, 1997.
- 4 Based on average annual selling square footage.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The fiscal years ended January 29, 2000, January 30, 1999 and January 31, 1998 are referred to as 1999, 1998 and 1997, respectively.

RESULTS OF OPERATIONS

	Year Ended January 29, 2000	Year Ended January 30, 1999	Year Ended January 31, 1998
<b>SALES</b>			
Sales (\$000)	\$2,468,638	\$2,182,361	\$1,988,692
Sales growth	13%	10%	18%
Comparable store sales growth	6%	3%	10%
<b>COST AND EXPENSES (AS A PERCENT OF SALES)</b>			
Cost of goods sold and occupancy	69.0%	69.4%	69.8%
General, selling and administrative	19.2%	19.0%	18.8%
Depreciation and amortization	1.6%	1.5%	1.6%
Interest (income) expense	(0%)	0%	(0%)
Provision for litigation expense	0.4%		
<b>NET EARNINGS</b>	<b>6.1%</b>	<b>6.1%</b>	<b>5.9%</b>

**STORES.** Total stores open at the end of 1999, 1998 and 1997 were 378, 349 and 325, respectively. During 1999, the company opened 34 new stores and closed five stores. During 1998, the company opened 26 new stores and closed two stores. During 1997, the company opened 17 new stores and closed one store.

**SALES.** The increases in sales for 1999, 1998 and 1997 were due to a greater number of stores in operation and an increase in comparable store sales. The company anticipates that the competitive climate for apparel and off-price retailers will continue in 2000. Management expects to address that challenge by continuing to strengthen the merchandise organization, diversifying the merchandise mix, and more fully developing the organization and systems to strengthen regional merchandise offerings. Although the company's existing strategies and store expansion program contributed to sales and earnings gains in 1999, 1998 and 1997, there can be no assurance that these strategies will result in a continuation of revenue and profit growth.

**COST OF GOODS SOLD AND OCCUPANCY.** The reduction in the cost of goods sold and occupancy ratio in 1999 resulted primarily from an increase in the initial mark-up from purchasing more opportunistically, leverage on occupancy costs and lower markdowns as a percentage of sales. The reduction in the cost of goods sold and occupancy ratio in 1998 resulted primarily from an increase in the initial mark-up from purchasing more opportunistically and leverage on occupancy costs. There can be no assurance that the improvements experienced in 1999 and 1998 will continue in future years.

**GENERAL, SELLING AND ADMINISTRATIVE EXPENSES.** During 1999, general, selling and administrative expenses as a percentage of sales increased primarily due to higher benefit costs, credit card fees and management incentive plan expenses. During 1998, general, selling and administrative expenses as a percentage of sales increased primarily due to costs associated with the company's year 2000 remediation efforts.

The largest component of general, selling and administrative expenses is payroll. The total number of employees, including both full- and part-time, at year-end 1999, 1998 and 1997, was approximately 20,700, 20,100 and 17,000, respectively.

**DEPRECIATION AND AMORTIZATION.** Depreciation and amortization as a percentage

of sales have remained relatively constant over the last three years, due primarily to the consistent level of fixed assets in each store.

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PROVISION FOR LITIGATION EXPENSE. The company has reached a preliminary understanding to resolve a class action complaint alleging store managers and assistant managers in California are incorrectly classified as exempt from state overtime laws. As a result, in 1999 the company recorded a non-recurring pre-tax charge of \$9.0 million relating to this matter. When terms are completed, the company expects to execute a settlement agreement, without any admission of wrongdoing, which will be subject to subsequent judicial approval. See Note G of Notes to Consolidated Financial Statements.

TAXES ON EARNINGS. The company's effective rate for 1999, 1998 and 1997 was 39%, 39% and 40%, respectively, which represents the applicable federal and state statutory rates reduced by the federal benefit received for state taxes. During 2000, the company expects its effective tax rate to remain at approximately 39%. Additionally, the increase in income taxes paid in 1999 and the decrease in income taxes paid in 1998 from 1997 resulted primarily from an increase in pre-tax earnings and timing differences in the payment of taxes between the years.

#### FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES. During 1999, 1998 and 1997, liquidity and capital requirements were provided by cash flows from operations, bank credit facilities and trade credit. The company's store sites, certain warehouses and buying offices are leased and, except for certain leasehold improvements and equipment, do not represent long-term capital investments. Commitments related to operating leases are described in Note C of Notes to Consolidated Financial Statements. The company owns its distribution center and corporate headquarters in Newark, California, and its distribution center in Carlisle, Pennsylvania. Short-term trade credit represents a significant source of financing for investments in merchandise inventory. Trade credit arises from customary trade practices with the company's vendors. Management regularly reviews the adequacy of credit available to the company from all sources and has been able to maintain adequate lines to meet the capital and liquidity requirements of the company.

During 1999, the primary uses of cash, other than for operating expenditures, were for merchandise inventory, property and equipment to open 34 new stores, the relocation, remodeling or expansion of 14 stores, the repurchase in the open market of \$120.0 million of the company's common stock, and quarterly cash dividend payments. During 1998, the primary uses of cash, other than for operating expenditures, were for merchandise inventory, property and equipment to open 26 new stores, the relocation, remodeling or expansion of 20 stores, the repurchase in the open market of \$110.0 million of the company's common stock, the purchase of the company's Newark, California, distribution center and corporate headquarters for \$24.6 million, and quarterly cash dividend payments. During 1997, the primary uses of cash, other than for operating expenditures, were for merchandise inventory, property and equipment to open 17 new stores, the relocation or remodeling of six stores, the repurchase in the open market of \$98.1 million of the company's common stock and quarterly cash dividend payments. In 1999, 1998 and 1997, the company spent approximately \$74.0 million, \$78.5 million and \$33.3 million, respectively, for capital expenditures, net of leased equipment, that included fixtures and leasehold improvements to open new stores; relocate, remodel or expand existing stores; purchase previously leased equipment; and various other expenditures for existing stores and the central office.

The company currently anticipates opening approximately 30 stores, net of closures, in 2000 and an additional 35 to 40 stores, net of closures, in 2001. The company anticipates that this growth will be financed primarily from cash flows from operating activities and available credit facilities.

In January 2000, a 15% increase in the quarterly cash dividend payment from \$.0325 to \$.0375 per common share was declared by the company's Board of Directors, payable on or about April 3, 2000. The Board of Directors declared quarterly cash dividends of \$.0325 per common share in January, May, August and November 1999 and \$.0275 per common share in January, May, August and November 1998. The company uses cash flows from operating activities and available credit facilities to fund dividend payments.

In January 2000, the company announced that the Board of Directors authorized a new stock repurchase program of up to \$300.0 million over the next two years. The company anticipates funding this new program through cash flows from operating activities and available credit facilities. The company repurchased a total of \$120.0 million and \$110.0 million of common stock in 1999 and 1998, respectively.

The company has available under its principal bank credit agreement a \$160.0 million revolving credit facility and a \$30.0 million credit facility, the latter solely for the issuance of letters of credit, both of which expire in September 2002.

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Additionally, the company has uncommitted short-term bank lines of credit that at January 29, 2000 totaled \$45.0 million. At year-end 1999, 1998 and 1997, there were no outstanding balances under any credit facility. For additional information relating to these obligations, refer to Note B of Notes to Consolidated Financial Statements.

Working capital was \$190.7 million at the end of 1999, compared to \$170.8 million at the end of 1998 and \$174.7 million at the end of 1997. At year-end 1999, 1998 and 1997, the company's current ratios were 1.5:1, 1.4:1 and 1.5:1, respectively.

The company's primary source of liquidity is the sale of its merchandise inventory. Management regularly reviews the age and condition of the merchandise and is able to maintain current inventory in its stores through the replenishment processes and liquidation of non-current merchandise through markdowns and clearances.

In 1999, cash flows decreased primarily due to a lower accounts payable balance as a percentage of inventory. In 1998, cash flows increased mainly due to a higher accounts payable balance as a percentage of inventory at year-end. The company had no amounts outstanding on its line of credit at year-end 1999 or 1998.

The company estimates that cash flows from operations, bank credit lines and trade credit are adequate to meet operating cash needs as well as to provide for the two year stock repurchase program of up to \$300.0 million during 2000 and 2001, dividend payments and planned capital additions during the upcoming year.

#### NEW ACCOUNTING PRONOUNCEMENTS

In June 1998 and June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities" and Statement of Financial Accounting Standards No. 137 (SFAS 137), "Deferral of the Effective Date of SFAS 133," respectively. SFAS 133 and SFAS 137 require the recognition of all derivatives as either assets or liabilities in the statement of financial position, and to measure those instruments at fair value, and are effective for all fiscal years beginning after June 15, 2000 with earlier adoption encouraged. The company does not believe that implementation of SFAS 133 and 137 will have a material impact on its financial position and results of operations.

FORWARD-LOOKING STATEMENTS AND FACTORS AFFECTING FUTURE PERFORMANCE

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

The company's continued success depends, in part, upon its ability to increase sales at existing locations, to open new stores and to operate stores on a profitable basis. There can be no assurance that the company's existing strategies and store expansion program will result in a continuation of revenue and profit growth. Future economic and industry trends that could potentially impact revenue and profitability remain difficult to predict.

As a result, the forward-looking statements that are contained herein are subject to certain risks and uncertainties that could cause the company's actual results to differ materially from historical results or current expectations. These factors include, without limitation, ongoing competitive pressures in the apparel industry, obtaining acceptable store locations, the company's ability to continue to purchase attractive name-brand merchandise at desirable discounts, successful implementation of the company's merchandise diversification strategy, the company's ability to successfully extend its geographic reach, unseasonable weather trends, changes in the level of consumer spending on or preferences in apparel or home-related merchandise, the company's ability to complete the two-year \$300 million repurchase program in 2000 and 2001 at purchase prices that result in accretion to earnings per share in line with planned expectations, and greater than planned costs, including higher settlement costs than anticipated in the company's preliminary understanding to resolve a class action complaint alleging store managers and assistant managers in California are incorrectly classified as exempt from state overtime laws. In addition, the company's corporate headquarters, one of its distribution centers and 42% of its stores are located in California. Therefore, a downturn in the California economy or a major natural disaster there could significantly affect the company's operating results and financial condition.

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In addition to the above factors, the apparel industry is highly seasonal. The combined sales of the company for the third and fourth (holiday) fiscal quarters are historically higher than the combined sales for the first two fiscal quarters. The company has realized a significant portion of its profits in each fiscal year during the fourth quarter. If intensified price competition, lower than anticipated consumer demand or other factors were to occur during the third and fourth quarters, and in particular during the fourth quarter, the company's fiscal year results could be adversely affected.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management believes that the market risk associated with the company's ownership of market-risk sensitive financial instruments (including interest rate risk and equity price risk) as of January 29, 2000 is not material.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

CONSOLIDATED BALANCE SHEETS

	JANUARY 29, 2000	January 30, 1999
(\$000, except share and per share data)		
-----	-----	-----

## ASSETS

## CURRENT ASSETS

Cash and cash equivalents	\$79,329	\$80,083
Accounts receivable	15,689	11,566
Merchandise inventory	500,494	466,460
Prepaid expenses and other	17,682	15,825
	-----	-----
Total Current Assets	613,194	573,934

## PROPERTY AND EQUIPMENT

Land and buildings	49,919	48,789
Fixtures and equipment	262,022	217,629
Leasehold improvements	161,571	142,716
Construction-in-progress	26,040	32,023
	-----	-----
	499,552	441,157
Less accumulated depreciation and amortization	226,388	192,445
	-----	-----
	273,164	248,712

Deferred income taxes and other long-term assets	61,320	47,660
	-----	-----
Total Assets	\$947,678	\$870,306

## LIABILITIES AND STOCKHOLDERS' EQUITY

## CURRENT LIABILITIES

Accounts payable	\$254,293	\$248,103
Accrued expenses and other	102,178	95,059
Accrued payroll and benefits	48,283	40,885
Income taxes payable	17,716	19,092
	-----	-----
Total Current Liabilities	422,470	403,139
Long-term liabilities	51,777	42,464

## STOCKHOLDERS' EQUITY

Common stock, par value \$.01 per share		
Authorized 170,000,000 shares		
Issued and outstanding 88,774,000 and		
92,499,000 shares	888	925
Additional paid-in capital	234,635	215,368
Retained earnings	237,908	208,410
	-----	-----
	473,431	424,703

Total Liabilities and Stockholders' Equity	\$947,678	\$870,306
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The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF EARNINGS

	YEAR ENDED JANUARY 29, 2000	Year Ended January 30, 1999	Year Ended January 31, 1998
(\$000, except per share data)	-----	-----	-----
SALES	\$2,468,638	\$2,182,361	\$1,988,692
COSTS AND EXPENSES			
Cost of goods sold and occupancy	1,702,342	1,513,889	1,388,098
General, selling and administrative	472,822	415,284	374,119
Depreciation and amortization	38,317	33,514	30,951
Interest (income) expense	(322)	259	(265)
Provision for litigation expense	9,000		
	-----	-----	-----
	2,222,159	1,962,946	1,792,903
Earnings before taxes	246,479	219,415	195,789
Provision for taxes on earnings	96,373	85,572	78,315
	-----	-----	-----
Net earnings	\$150,106	\$133,843	\$117,474

EARNINGS PER SHARE			
Basic	\$1.66	\$1.42	\$1.20
Diluted	\$1.64	\$1.40	\$1.17

  

WEIGHTED AVERAGE SHARES OUTSTANDING (000)			
Basic	90,416	94,071	97,856
Diluted	91,671	95,700	100,003

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

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### CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(000, except share data)	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount			
BALANCE AT FEBRUARY 1, 1997	98,666	\$987	\$163,672	\$164,184	\$328,843
Common stock issued under stock plans, including tax benefit	3,167	31	41,703		41,734
Common stock repurchased	(6,000)	(60)	(10,292)	(87,794)	(98,146)
Net earnings				117,474	117,474
Dividends declared				(9,224)	(9,224)
BALANCE AT JANUARY 31, 1998	95,833	958	195,083	184,640	380,681
Common stock issued under stock plans, including tax benefit	2,301	23	30,874		30,897
Common stock repurchased	(5,635)	(56)	(10,589)	(99,353)	(109,998)
Net earnings				133,843	133,843
Dividends declared				(10,720)	(10,720)
BALANCE AT JANUARY 30, 1999	92,499	925	215,368	208,410	424,703
Common stock issued under stock plans, including tax benefit	1,711	17	30,690		30,707
Common stock repurchased	(5,436)	(54)	(11,423)	(108,523)	(120,000)
Net earnings				150,106	150,106
Dividends declared				(12,085)	(12,085)
BALANCE AT JANUARY 29, 2000	88,774	\$888	\$234,635	\$237,908	\$473,431

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

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### CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$000)	YEAR ENDED JANUARY 29, 2000	Year Ended January 30, 1999	Year Ended January 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	\$150,106	\$133,843	\$117,474
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	38,317	33,514	30,951
Other amortization	9,870	9,734	8,527
Deferred income taxes	(5,296)	(4,411)	(1,732)
Change in assets and liabilities:			
Merchandise inventory	(34,034)	(47,635)	(45,135)
Other current assets - net	(5,979)	(4,161)	(2,110)
Accounts payable	5,867	45,735	17,481
Other current liabilities - net	21,609	31,101	(10,379)
Other	2,906	2,780	2,685
Net cash provided by operating activities	183,366	200,500	117,762



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CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	(74,012)	(78,452)	(33,322)
Net cash used in investing activities	(74,012)	(78,452)	(33,322)
-----			
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term debt	0	0	0
Issuance of common stock related to stock plans	21,654	22,014	34,106
Repurchase of common stock	(120,000)	(109,998)	(98,146)
Dividends paid	(11,762)	(10,350)	(8,808)
Net cash used in financing activities	(110,108)	(98,334)	(72,848)
Net (decrease) increase in cash and cash equivalents	(754)	23,714	11,592
Cash and cash equivalents:			
Beginning of year	80,083	56,369	44,777
End of year	\$79,329	\$80,083	\$56,369
-----			
SUPPLEMENTAL CASH FLOW DISCLOSURES			
Interest paid	\$610	\$1,082	\$537
Income taxes paid	\$94,101	\$62,779	\$85,529
-----			

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

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The fiscal years ended January 29, 2000, January 30, 1999 and January 31, 1998 are referred to as 1999, 1998 and 1997, respectively.

#### NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BUSINESS.** The company is an off-price retailer of first quality, branded apparel, shoes and accessories for the entire family, as well as gift items, linens and other home-related merchandise. At January 29, 2000, the company operated 378 stores. The company's headquarters, one distribution center, three warehouses and 42% of its stores are located in California.

**PRINCIPLES OF CONSOLIDATION.** The consolidated financial statements include the accounts of all subsidiaries. Intercompany transactions and accounts have been eliminated. Certain reclassifications have been made in the 1998 and 1997 financial statements to conform to the 1999 presentation.

**USE OF ACCOUNTING ESTIMATES.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CASH EQUIVALENTS.** Cash equivalents are highly liquid, fixed income instruments purchased with a maturity of three months or less.

**REVENUE RECOGNITION.** The company recognizes revenue at the point of sale, net of actual returns, and maintains a provision for estimated future returns.

**MERCHANDISE INVENTORY.** Merchandise inventory is stated at the lower of weighted average cost or market.

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

ADVERTISING. Advertising costs are expensed in the period incurred.

DEFERRED RENT. Many of the company's leases signed since 1988 contain fixed escalations of the minimum annual lease payments during the original term of the lease. For these leases, the company recognizes rental expense on a straight-line basis and records the difference between the average rental amount charged to expense and the amount payable under the lease as deferred rent. At the end of 1999 and 1998, the balance of deferred rent was \$12.2 million and \$11.1 million, respectively, and is included in long-term liabilities.

PROPERTY AND EQUIPMENT. Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful life of the asset, typically ranging from five to 12 years for equipment and 20 to 40 years for real property. The cost of leasehold improvements is amortized over the useful life of the asset or the applicable lease term, whichever is less. Computer hardware and software costs are included in fixtures and equipment and are amortized over their estimated useful life of five years.

INTANGIBLE ASSETS. Included in other long-term assets are lease rights and interests, consisting of payments made to acquire store leases, which are amortized over the remaining applicable life of the lease. Also included in other long-term assets is the excess of cost over the acquired net assets, which is amortized on a straight-line basis over a period of 40 years.

IMPAIRMENT OF LONG-LIVED ASSETS. Long-lived assets and certain identifiable intangibles, including goodwill, held and used by the company, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Based on the company's review as of January 29, 2000 and January 30, 1999, no adjustments were recognized to the carrying value of such assets.

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ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS. The carrying value of cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximates their estimated fair value.

EFFECTS OF INFLATION AND OTHER CHANGES IN PRICES. The effects of inflation and other changes in prices are not material to the company's financial position and results of operations.

STOCK-BASED COMPENSATION. The company accounts for stock-based awards to employees using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

TAXES ON EARNINGS. Income taxes are accounted for under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the company's financial statements or tax returns. In estimating future tax consequences, the company generally considers all expected future events other than changes in the tax law or rates.

STOCK DIVIDEND. All share and per share information has been adjusted to reflect the effect of the company's two-for-one stock splits effected in the form of 100% stock dividends paid on September 22, 1999 and March 5, 1997.

EARNINGS PER SHARE (EPS). Basic EPS excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if options to issue common stock were exercised into common stock. There were no other securities that could potentially dilute basic EPS in the future that were excluded from the calculation of diluted EPS because their effect would have been antidilutive in the periods presented.

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

	Basic EPS	Effect of Dilutive Stock Options	Diluted EPS
1999			
Shares	90,416	1,255	91,671
Amount	\$1.66	\$ (.02)	\$1.64
1998			
Shares	94,071	1,629	95,700
Amount	\$1.42	\$ (.02)	\$1.40
1997			
Shares	97,856	2,147	100,003
Amount	\$1.20	\$ (.03)	\$1.17

SEGMENT REPORTING. The company accounts for its operations as one operating segment. The company's operations include only activities related to the sale of apparel and home accessories through similar stores throughout the United States and therefore comprise only one segment.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. In June 1998 and June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities" and Statement of Financial Accounting Standards No. 137 (SFAS 137), "Deferral of the Effective Date of SFAS 133," respectively. SFAS 133 and SFAS 137 require the recognition of all derivatives as either assets or liabilities in the statement of financial position, and to measure those instruments at fair value, and are effective for all fiscal years beginning after June 15, 2000 with earlier adoption encouraged. The company does not believe that implementation of SFAS 133 and SFAS 137 will have a material impact on its financial position and results of operations.

NOTE B: LONG-TERM DEBT

The company had no outstanding debt at year-end 1999 and 1998. The weighted average interest rates on borrowings during 1999, 1998 and 1997 were 5.5%, 5.8% and 5.8%, respectively.

BANK CREDIT FACILITIES. The company has available under its principal credit agreement a \$160.0 million revolving credit facility and a \$30.0 million credit facility, the latter solely for the issuance of letters of credit, both of which expire in September 2002. Interest is payable upon borrowing maturity but no less than quarterly. At year-end 1999 and 1998, the company had \$20.3 million and \$15.6 million, respectively, in outstanding letters of credit. Borrowing under the credit facilities is subject to the company's maintaining certain interest rate coverage and leverage ratios. As of January 29, 2000, the company was in compliance with these bank covenants.

In addition, the company has \$45.0 million in uncommitted short-term bank lines of credit. When utilized, interest is payable monthly.

Included in accounts payable are checks outstanding of approximately \$40.2 million and \$44.1 million at year-end 1999 and 1998, respectively. The company can utilize its revolving line of credit to cover payment of these checks as they clear the bank; however, no balances were outstanding under the revolving credit line at year-end 1999 and 1998. The company's cash

balances, net of the checks outstanding at year-end 1999 and 1998, were \$39.1 million and \$36.0 million, respectively.

NOTE C: LEASES

In June 1998, the company purchased its Newark, California, distribution center and corporate headquarters for \$24.6 million with funding provided by cash generated by operations and bank borrowings under the company's existing credit agreement. The company also leases five separate warehouse facilities in both Newark, California and Carlisle, Pennsylvania, with operating leases expiring in various years through 2003. These five leased facilities are being used primarily to store packaway merchandise. In addition, the company leases its store sites, selected computer and related equipment, and certain distribution center equipment under operating leases with original, noncancelable terms that in general range from three to fifteen years, expiring through 2015. Store leases typically contain provisions for three to four renewal options of five years each. Most store leases also provide for minimum annual rentals, with provisions for additional rent based on percentage of sales and for payment of certain expenses.

The aggregate future minimum annual lease payments under leases in effect at year-end 1999 are as follows:

----- (\$000) -----	AMOUNTS -----
2000	\$128,073
2001	122,523
2002	108,503
2003	96,201
2004	83,124
Later years	303,190
TOTAL	\$841,614 -----

Total rent expense for all operating leases is as follows:

----- (\$000) -----	1999	1998	1997
Minimum rentals	\$118,089	\$106,696	\$100,109 -----

NOTE D: TAXES ON EARNINGS

The provision for taxes consists of the following:

----- (\$000) -----	1999	1998	1997
-----	-----	-----	-----

CURRENT			
Federal	\$85,952	\$75,847	\$65,754
State	15,717	14,136	14,294
	-----	-----	-----
	101,669	89,983	80,048
DEFERRED			
Federal	(5,081)	(4,107)	(1,693)
State	(215)	(304)	(40)
	-----	-----	-----
	(5,296)	(4,411)	(1,733)
TOTAL	-----	-----	-----
	\$96,373	\$85,572	\$78,315
	-----	-----	-----

In 1999, 1998 and 1997, the company realized tax benefits of \$9.2 million, \$10.9 million and \$14.1 million, respectively, related to stock options exercised and the vesting of restricted stock that were credited to additional paid-in capital.

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

	1999	1998	1997
-----	-----	-----	-----
Federal income taxes at the statutory rate	35%	35%	35%
Increased income taxes resulting from state income taxes (net of federal benefit) and other, net	4%	4%	5%
	-----	-----	-----
	39%	39%	40%
-----	-----	-----	-----

The components of the net deferred tax assets at year-end are as follows:

(\$000)	1999	1998
-----	-----	-----
DEFERRED TAX ASSETS		
Deferred compensation	\$20,362	\$15,765
Non-deductible reserves	6,840	3,895
Straight-line rent	4,989	4,519
Employee benefits	4,782	6,610
California franchise taxes	3,367	2,657
Reserve for uninsured losses	553	2,049
All other	1,145	135
	-----	-----
	42,038	35,630
DEFERRED TAX LIABILITIES		
Depreciation	(18,938)	(18,210)
Inventory	(4,304)	(4,297)
Supplies	(2,006)	(1,849)
Prepaid expenses	(614)	(1,377)
All other	(1,174)	(191)
	-----	-----
	(27,036)	(25,924)
-----	-----	-----
NET DEFERRED TAX ASSETS	\$15,002	\$9,706

NOTE E: EMPLOYEE BENEFIT PLANS

The company has available to certain employees a profit sharing retirement plan. Under the plan, employee and company contributions and accumulated plan earnings qualify for favorable tax treatment under Section 401(k) of the Internal Revenue Code. This plan permits employees to make contributions up to the maximum limits allowable under the Internal Revenue Code. The company matches up to 3% of the employee's salary up to plan limits. Company contributions to the retirement plan were \$2.4 million, \$2.1 million and \$1.8 million in 1999, 1998 and 1997, respectively. The company has in place an Incentive Compensation Plan, which provides cash awards to key management employees based on the company's and the individual's performance. The company offers a Supplemental Retirement Plan, which allows eligible employees to purchase annuity contracts. The company makes available to management a Nonqualified Deferred Compensation Plan which allows management to make payroll contributions on a pre-tax basis in addition to the 401(k) Plan. This plan does not qualify under Section 401(k) of the Internal Revenue Code. Other long-term assets and other long-term liabilities include \$37.0 million and \$26.3 million in 1999 and 1998, respectively, related to the Nonqualified Deferred Compensation Plan.

NOTE F: STOCKHOLDERS' EQUITY

PREFERRED STOCK. The company has four million shares of preferred stock authorized, with a par value of \$.01 per share. No preferred stock has been issued or outstanding during the past three years.

COMMON STOCK. The company's Board of Directors has approved repurchase programs over the past several years that resulted in the buyback of 5.4 million shares at an average price of \$22.07 in 1999, 5.6 million shares at an average price of \$19.52 in 1998 and 6.0 million shares at an average price of \$16.36 in 1997. In January 2000, the company's Board of Directors approved a new stock repurchase program authorizing the buyback of up to \$300.0 million of the company's common stock over the next two years.

DIVIDENDS. The company's Board of Directors declared dividends of \$.0375 per common share in January 2000; \$.0325 per common share in January, May, August and November 1999; and \$.0275 per common share in January, May, August and November 1998.

STOCK-BASED COMPENSATION PLANS. At January 29, 2000, the company had four stock-based compensation plans, which are described below. Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," establishes a fair value method of accounting for stock options and other equity instruments. Had compensation cost for these stock option and stock purchase plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methods of SFAS 123, the company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

(\$000, except per share data)		1999	1998	1997
NET INCOME	As reported	\$150,106	\$133,843	\$117,474
	Pro forma	\$142,800	\$128,820	\$114,109
BASIC EARNINGS PER SHARE	As reported	\$1.66	\$1.42	\$1.20
	Pro forma	\$1.58	\$1.37	\$1.17
DILUTED EARNINGS PER SHARE	As reported	\$1.64	\$1.40	\$1.17
	Pro forma	\$1.57	\$1.36	\$1.15

The impact of outstanding non-vested stock options granted prior to 1995 has been excluded from the pro forma calculation; accordingly, the 1999, 1998 and 1997 pro forma adjustments are not indicative of future period pro forma adjustments, when the calculation will apply to all applicable stock options.

1992 STOCK OPTION PLAN. The company's 1992 Stock Option Plan allows for the granting of incentive and non-qualified stock options. Stock options are to be granted at prices not less than the fair market value of the common shares on the date the option is granted, expire ten years from the date of grant and normally vest over a period not exceeding four years from the date of grant. Options under the plan are exercisable upon grant, subject to the company's conditional right to repurchase unvested shares.

OUTSIDE DIRECTORS STOCK OPTION PLAN. The company's Outside Directors Stock Option Plan provides for the automatic grant of stock options at pre-established times and for fixed numbers of shares to each non-employee director. Stock options are to be granted at exercise prices not less than the fair market value of the common shares on the date the option is granted, expire ten years from the date of grant and normally vest over a period not exceeding three years from the date of the grant.

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A summary of the activity under the company's two option plans for 1999, 1998 and 1997 is presented below:

	Number of Shares (000)	Weighted Average Exercise Price
Outstanding and exercisable at February 1, 1997	6,466	\$ 4.95
Granted	2,050	\$13.32
Exercised	(2,310)	\$ 4.50
Forfeited	(497)	\$ 5.52
Outstanding and exercisable at January 31, 1998	5,709	\$ 8.09
Granted	2,254	\$19.68
Exercised	(1,400)	\$ 6.26
Forfeited	(307)	\$12.35
Outstanding and exercisable at January 30, 1999	6,256	\$12.46
Granted	1,574	\$21.80
Exercised	(1,162)	\$ 8.43
Forfeited	(253)	\$16.59
Outstanding and exercisable at January 29, 2000	6,415	\$15.32

At year-end 1999, 1998 and 1997, there were 4.4 million, 5.7 million and 3.1 million shares, respectively, available for future issuance under these plans.

The weighted average fair values per share of options granted during 1999, 1998 and 1997 were \$7.85, \$6.21 and \$3.99, respectively. For determining pro forma earnings per share, the fair values for each option granted were estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions for 1999, 1998 and 1997, respectively: (i) dividend yield of 0.7%, 0.6% and 0.6%; (ii) expected volatility of 46.1%, 45.8% and 43.0%; (iii) risk-free interest rate of 5.9%, 5.2% and 6.2%; and (iv) expected life of 3.2 years, 3.3 years and 3.3 years. The company's

calculations are based on a multiple option approach, and forfeitures are recognized as they occur.

The following table summarizes information about stock options outstanding and exercisable at January 29, 2000:

Range of Exercise Prices	Number of Shares (000)	Weighted Average	
		Remaining Contractual Life (Years)	Exercise Price
\$2.13 to \$6.78	1,418	4.42	\$ 4.64
\$6.81 to \$12.94	1,266	7.05	\$12.43
\$13.09 to \$20.97	1,031	8.65	\$17.12
\$21.00 to \$21.00	1,160	8.14	\$21.00
\$21.06 to \$21.66	1,105	9.12	\$21.60
\$21.66 to \$25.56	435	9.07	\$23.13
<b>TOTALS</b>	<b>6,415</b>	<b>7.42</b>	<b>\$15.32</b>

EMPLOYEE STOCK PURCHASE PLAN. Under the Employee Stock Purchase Plan, eligible full-time employees can choose to have up to 10% of their annual base earnings withheld to purchase the company's common stock. The purchase price of the stock is 85% of the lower of the beginning of the offering period or end of the offering period market price. During 1999, 1998 and 1997, employees purchased approximately 171,000, 149,000 and 171,000 shares, respectively, of the company's common stock under the plan at weighted average per-share prices of \$15.25, \$15.44 and \$10.90, respectively. Through January 29, 2000, approximately 3,367,000 shares had been issued under this plan and 633,000 shares remained available for future issuance.

The weighted average fair values of the 1999, 1998 and 1997 awards were \$6.49, \$6.27 and \$4.10 per share, respectively. For determining pro forma earnings per share, the fair value of the employees' purchase rights was estimated using the Black-Scholes option pricing model using the following assumptions for 1999, 1998 and 1997, respectively: (i) dividend yield of 0.6%, 0.6% and 0.6%; (ii) expected volatility of 44.7%, 49.3% and 43.1%; (iii) risk-free interest rate of 5.6%, 5.0% and 5.6%; and (iv) expected life of 1.0 year, 1.0 year and 1.0 year.

RESTRICTED STOCK PLAN. The company's Restricted Stock Plan provides for stock awards to officers and certain key employees. All awards under the plan entitle the participant to full dividend and voting rights. Unvested shares are restricted as to disposition and subject to forfeiture under certain circumstances. The market value of these shares at date of grant is amortized to expense ratably over the vesting period of generally two to five years. At year-end 1999, 1998 and 1997, the unamortized compensation expense was \$14.4 million, \$15.3 million and \$9.4 million, respectively. A summary of restricted stock award activity follows:

RESTRICTED STOCK PLAN (000)	1999	1998	1997
Shares available for grant beginning of year	4,297	5,059	5,744
Restricted shares granted	(403)	(814)	(781)
Restricted shares forfeited	27	52	96
Shares available for grant end of year	3,921	4,297	5,059
Weighted average market value per share on grant date	\$21.34	\$19.28	\$13.28



NOTE G: PROVISION FOR LITIGATION EXPENSE AND OTHER LEGAL PROCEEDINGS

The company has reached a preliminary understanding to resolve a class action complaint alleging store managers and assistant managers in California are incorrectly classified as exempt from state overtime laws. As a result, the company recorded a non-recurring pre-tax charge of \$9.0 million in 1999 relating to this matter. When terms are completed, the company expects to execute a settlement agreement, without any admission of wrongdoing, which will be subject to judicial approval.

The company is party to various other legal proceedings arising from normal business activities. In the opinion of management, resolution of these matters will not have a material adverse effect on the company's financial condition or results of operations.

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NOTE H: QUARTERLY FINANCIAL DATA (UNAUDITED)

(\$000, except per share data)	13 Weeks Ended May 1, 1999	13 Weeks Ended July 31, 1999	13 Weeks Ended October 30, 1999	13 Weeks Ended January 29, 2000	52 Weeks Ended January 29, 2000
Sales	\$580,825	\$614,576	\$608,720	\$694,517	\$2,468,638
Net earnings (1)	34,163	38,636	34,615	42,692	150,106
Net earnings per diluted share(1,2)	.36	.42	.38	.48	1.64
Dividends declared per share on common stock(2)		.0325	.0325	.07(3)	.135
Closing stock price(2,4)					
High	\$23.91	\$26.00	\$24.00	\$21.00	\$26.00
Low	\$20.16	\$22.09	\$18.59	\$12.25	\$12.25

(\$000, except per share data)	13 Weeks Ended May 2, 1998	13 Weeks Ended August 1, 1998	13 Weeks Ended October 31, 1998	13 Weeks Ended January 30, 1999	52 Weeks Ended January 30, 1999
Sales	\$484,276	\$536,975	\$531,139	\$629,971	\$2,182,361
Net earnings	27,850	32,409	28,005	45,579	133,843
Net earnings per diluted share(2)	.29	.33	.29	.49	1.40
Dividends declared per share on common stock(2)		.0275	.0275	.06(5)	.115
Closing stock price(2,4)					
High	\$24.16	\$24.84	\$22.00	\$20.34	\$24.84
Low	\$16.78	\$20.19	\$12.22	\$15.94	\$12.22

- 1 Fiscal 1999 includes a non-recurring pre-tax charge of \$9.0 million, or \$.06 per share, related to litigation. See Note G of Notes to Consolidated Financial Statements.
- 2 All per share information is adjusted to reflect the effect of the two-for-one stock split effected in the form of a stock dividend paid on September 22, 1999.
- 3 Includes \$.0325 per share dividend declared November 1999 and \$.0375 per share dividend declared January 2000.
- 4 Ross Stores, Inc. common stock trades on the Nasdaq National Market tier of The Nasdaq Stock MarketSM under the symbol ROST.
- 5 Includes \$.0275 per share dividend declared November 1998 and \$.0325 per share dividend declared January 1999.

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

We have audited the accompanying consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of January 29, 2000 and January 30, 1999, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended January 29, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 29, 2000 and January 30, 1999, and the results of its operations and its cash flows for each of the three years in the period ended January 29, 2000 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP  
SAN FRANCISCO, CALIFORNIA

MARCH 10, 2000

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this item is incorporated herein by reference to the sections entitled (i) "Executive Officers of the Registrant" at the end of Part I of this report; (ii) "Information Regarding Nominees and Incumbent Directors" of the Ross Stores, Inc. Proxy Statement for the Annual Meeting of Stockholders to be held on Wednesday, June 7, 2000 (the "Proxy Statement"); and (iii) "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the sections of the Proxy Statement entitled (i) "Compensation Committee Interlocks and Insider Participation"; (ii) "Compensation of Directors"; (iii) "Employment Contracts, Termination of Employment and Change-in-Control Arrangements"; and (iv) the following tables, and their footnotes: Summary Compensation, Option Grants in Last Fiscal Year and Aggregated Option Exercises and Year-End Values.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated herein by

reference to the section of the Proxy Statement entitled "Stock Ownership of Certain Beneficial Owners and Management".

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference to the sections of the Proxy Statement entitled (i) "Compensation of Directors" and (ii) "Certain Transactions".

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

1. List of Financial Statements.

The following consolidated financial statements included herein as Item 8:

Consolidated Balance Sheets at January 29, 2000 and January 30, 1999.

Consolidated Statements of Earnings for the years ended January 29, 2000, January 30, 1999 and January 31, 1998.

Consolidated Statements of Stockholders' Equity for the years ended January 29, 2000, January 30, 1999 and January 31, 1998.

Consolidated Statements of Cash Flows for the years ended January 29, 2000 January 30, 1999 and January 31, 1998.

Notes to Consolidated Financial Statements.  
Independent Auditors' Report.

2. List of Financial Statement Schedules.

Schedules are omitted because they are not required, not applicable, or shown in the financial statements or notes thereto which are contained in this Report.

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

Incorporated herein by reference to the list of Exhibits contained in the Exhibit Index which begins on page 33 of this Report.

(b) Reports on Form 8-K.

None.

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SIGNATURES

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

ROSS STORES, INC.

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(Registrant)

Date: April 26, 2000

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

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

SIGNATURE	TITLE	DATE
/s/Michael Balmuth Michael Balmuth	Vice Chairman and Chief Executive Officer	April 26, 2000
/s/J. Call John G. Call	Senior Vice President, Chief Financial Officer, Principal Accounting Officer and Corporate Secretary	April 26, 2000
/s/Norman A. Ferber Norman A. Ferber	Chairman of the Board	April 26, 2000
/s/Lawrence M. Higby Lawrence M. Higby	Director	April 26, 2000
/s/Stuart G. Moldaw Stuart G. Moldaw	Chairman Emeritus and Director	April 26, 2000
/s/G. Orban George P. Orban	Director	April 26, 2000
/s/Philip Schlein Philip Schlein	Director	April 26, 2000
/s/Donald H. Seiler Donald H. Seiler	Director	April 26, 2000
/s/D. L. Weaver Donna L. Weaver	Director	April 26, 2000

INDEX TO EXHIBITS

EXHIBIT NUMBER	EXHIBIT
3.1	Corrected First Restated Certificate of Incorporation of Ross Stores, Inc. ("Ross Stores"), dated and filed with the Delaware Secretary of State on March 17, 1999, incorporated by reference to Exhibit 3.1 to the Form 10-K filed by Ross Stores for the year ended January 30, 1999.
3.2	Amended By-laws, dated August 25, 1994, incorporated by reference to Exhibit 3.2 to the Form 10-Q filed by Ross Stores for its quarter ended July 30, 1994.
10.1	Credit Agreement, dated September 15, 1997, among Ross Stores, Bank of America, National Trust and Savings Association ("Bank of America") as Agent and the other financial institutions party thereto, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores for its quarter ended November 1, 1997.
10.2	Letter of Credit Agreement, dated September 15, 1997, between Ross Stores and Bank of America, incorporated by reference to Exhibit 10.3 to the Form 10-Q filed by Ross Stores for its quarter ended November 1, 1997.
10.3	Amendment to Credit Agreement, dated October 7, 1997, between Ross Stores and Bank of America, incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by Ross Stores for its quarter

ended November 1, 1997.

10.4 Second Amendment to Credit Agreement, dated January 30, 1998, between Ross Stores and Bank of America, incorporated by reference to Exhibit 10.5 to the Form 10-K filed by Ross Stores for its fiscal year ended January 31, 1998.

MANAGEMENT CONTRACTS AND COMPENSATORY PLANS (EXHIBITS 10.5 - 10.36)

10.5 Third Amended and Restated Ross Stores, Inc. 1992 Stock Option Plan

10.6 Amended and Restated 1992 Stock Option Plan, incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores for its quarter ended August 1, 1998.

10.7 Ross Stores, Inc. 2000 Equity Incentive Plan

10.8 Third Amended and Restated Ross Stores Employee Stock Purchase Plan, incorporated by reference to Exhibit 10.6 to the Form 10-K filed by Ross Stores for its year ended January 30, 1999.

10.9 Fourth Amended and Restated Ross Stores, Inc. 1988 Restricted Stock Plan

10.10 Third Amended and Restated Ross Stores 1988 Restricted Stock Plan, incorporated by reference to Exhibit 10.7 to the Form 10-K filed by Ross Stores for its year ended January 30, 1999.

10.11 Amended and Restated 1991 Outside Directors Stock Option Plan effective March 16, 2000

10.12 Amended and Restated 1991 Outside Directors Stock Option Plan, incorporated by reference to Exhibit 10.8 to the Form 10-K filed by Ross Stores for its year ended January 30, 1999.

10.13 1991 Outside Directors Stock Option Plan, as amended May 27, 1999, incorporated by reference to Exhibit 10.40 of the Form 10-Q filed by Ross Stores for its quarter ended July 31, 1999.

10.14 Ross Stores Executive Medical Plan, incorporated by reference to Exhibit 10.9 to the Form 10-K filed by Ross Stores for its year ended January 30, 1999.

EXHIBIT  
NUMBER

EXHIBIT

10.15 Ross Stores Executive Dental Plan, incorporated by reference to Exhibit 10.10 to the Form 10-K filed by Ross Stores for its year ended January 30, 1999.

10.16 Third Amended and Restated Ross Stores Executive Supplemental Retirement Plan, incorporated by reference to Exhibit 10.14 to the Form 10-K filed by Ross Stores for the fiscal year ended January 29, 1994.

10.17 Ross Stores Second Amended and Restated Non-Qualified Deferred Compensation Plan, incorporated by reference to Exhibit 10.12 to the Form 10-K filed by Ross Stores for its year ended January 30, 1999.

10.18 Amended and Restated Ross Stores, Inc. Incentive Compensation Plan

- 10.19 Ross Stores Incentive Compensation Plan, incorporated by reference to Exhibit 10.6 to the Form 10-K filed by Ross Stores for its year ended January 30, 1999
- 10.20 Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of June 1, 1995, incorporated by reference to Exhibit 10.17 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.21 Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, entered into July 29, 1996, incorporated by reference to Exhibit 10.17 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
- 10.22 Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber effective as of March 20, 1997, incorporated by reference to Exhibit 10.19 to the Form 10-Q filed by Ross Stores for its quarter ended May 3, 1997.
- 10.23 Third Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of April 15, 1997, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended May 3, 1997.
- 10.24 Fourth Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of November 20, 1997, incorporated by reference to Exhibit 10.18 to the Form 10-K filed by Ross Stores for its fiscal year ended January 31, 1998.
- 10.25 Fifth Amendment to Amended and Restated Employment Agreement between Ross Stores and Norman A. Ferber, effective as of December 16, 1998, incorporated by reference to Exhibit 10.19 to the Form 10-K filed by Ross Stores for its fiscal year ended January 30, 1999.
- 10.26 Employment Agreement between Ross Stores and Melvin A. Wilmore, effective as of March 15, 1994, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended April 30, 1994.
- 10.27 Amendment to Employment and Stock Grant Agreement by and between Ross Stores and Melvin A. Wilmore, effective as of March 16, 1995, incorporated by reference to Exhibit 10.20 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.
- 10.28 Second Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, effective as of June 1, 1995, incorporated by reference to Exhibit 10.21 to the Form 10-Q filed by Ross Stores for its quarter ended October 28, 1995.

EXHIBIT  
NUMBER

EXHIBIT

- 10.29 Third Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, entered into July 29, 1996, incorporated by reference to Exhibit 10.22 to the Form 10-Q filed by Ross Stores for its quarter ended August 3, 1996.
- 10.30 Fourth Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, entered into May 19, 1997, incorporated by reference to Exhibit 10.25 to the Form 10-Q filed by Ross Stores for

its quarter ended August 2, 1997.

- 10.31 Fifth Amendment to Employment Agreement by and between Ross Stores and Melvin A. Wilmore, entered into June 29, 1998, incorporated by reference to Exhibit 10.2 to the Form 10-Q filed by Ross Stores for its quarter ended August 1, 1998.
- 10.32 Letter of Agreement between Ross Stores and Melvin A. Wilmore, signed by both parties on January 27, 2000, amending the Employment Agreement as amended between Ross Stores and Melvin A. Wilmore.
- 10.33 Employment Agreement between Ross Stores and Michael Balmuth, effective as of February 3, 1999, incorporated by reference to Exhibit 10.26 to the Form 10-K filed by Ross Stores for its fiscal year ended January 30, 1999.
- 10.34 Amendment dated March 20, 2000 to Employment Agreement between Ross Stores and Michael Balmuth effective as of February 3, 1999.
- 10.35 Employment Agreement between Ross Stores and Barry S. Gluck, effective as of March 1, 1996, incorporated by reference to Exhibit 10.23 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
- 10.36 First Amendment to Employment Agreement between Ross Stores and Barry S. Gluck, dated September 1, 1996, incorporated by reference to Exhibit 10.28 to the Form 10-Q filed by Ross Stores for its quarter ended November 2, 1996.
- 10.37 Second Amendment to Employment Agreement between Ross Stores and Barry S. Gluck, dated March 1, 1998, incorporated by reference to Exhibit 10.30 to the Form 10-Q filed by Ross Stores for its quarter ended May 2, 1998.
- 10.38 Employment Agreement between Ross Stores and Irene A. Jamieson, effective as of March 1, 1996, incorporated by reference to Exhibit 10.24 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
- 10.39 First Amendment to Employment Agreement between Ross Stores and Irene A. Jamieson, dated September 1, 1996, incorporated by reference to Exhibit 10.30 to the Form 10-Q filed by Ross Stores for its quarter ended November 2, 1996.
- 10.40 Second Amendment to Employment Agreement between Ross Stores and Irene A. Jamieson dated March 1, 1998, incorporated by reference to Exhibit 10.33 to the Form 10-Q filed by Ross Stores for its quarter ended May 2, 1998.

EXHIBIT  
NUMBER

EXHIBIT

- 10.41 Employment Agreement between Ross Stores and Barbara Levy, effective as of March 1, 1996, incorporated by reference to Exhibit 10.25 to the Form 10-Q filed by Ross Stores for its quarter ended May 4, 1996.
- 10.42 First Amendment to Employment Agreement between Ross Stores and Barbara Levy, dated September 1, 1996, incorporated by reference to Exhibit 10.32 to the Form 10-Q filed by Ross Stores for its quarter ended November 2, 1996.

- 10.43 Second Amendment to Employment Agreement between Ross Stores and Barbara Levy, dated March 1, 1998, incorporated by reference to Exhibit 10.36 to the Form 10-Q filed by Ross Stores for its quarter ended May 2, 1998.
- 10.44 Consulting Agreement between Ross Stores and Stuart G. Moldaw, effective as of April 1, 1997, incorporated by reference to Exhibit 10.34 to the Form 10-Q filed by Ross Stores for its quarter ended May 3, 1997.
- 10.45 Consulting Agreement between Ross Stores and Stuart G. Moldaw, effective as of April 1, 1999 through March 31, 2002, incorporated by reference to Exhibit 10.36 to the Form 10-Q filed by Ross Stores for its quarter ended May 1, 1999.
- 10.46 Employment Agreement between Ross Stores and Michael Hamilton, effective as of March 1, 1999 through March 1, 2002, incorporated by reference to Exhibit 10.37 to the Form 10-Q filed by Ross Stores for its quarter ended May 1, 1999.
- 10.47 Employment Agreement between Ross Stores and James Fassio, effective as of April 1, 1999, incorporated by reference to Exhibit 10.38 to the Form 10-Q filed by Ross Stores for its quarter ended May 1, 1999.
- 10.48 Employment Agreement between Ross Stores and Michael Wilson, effective as of May 1, 1999, incorporated by reference to Exhibit 10.39 to the Form 10-Q filed by Ross Stores for its quarter ended July 31, 1999.
- 23 Independent Auditors' Consent.
- 27 Financial Data Schedules (submitted for SEC use only).



ROSS STORES, INC.  
FISCAL 1999 FORM 10-K  
EXHIBIT 10.5

THIRD AMENDED AND RESTATED  
ROSS STORES, INC.  
1992 STOCK OPTION PLAN

(EFFECTIVE AS OF MARCH 16, 2000)

1. ESTABLISHMENT, PURPOSE AND TERM OF PLAN.

1.1 ESTABLISHMENT. The Second Amended and Restated Ross Stores, Inc. 1992 Stock Option Plan is hereby amended and restated in its entirety as the Third Amended and Restated Ross Stores, Inc. 1992 Stock Option Plan (the "PLAN") effective as of March 16, 2000 (the "EFFECTIVE DATE").

1.2 PURPOSE. The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract, retain and reward persons performing services for the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group.

1.3 TERM OF PLAN. The Plan shall continue in effect until the earlier of its termination by the Board or the date on which all of the shares of Stock available for issuance under the Plan have been issued and all restrictions on such shares under the terms of the Plan and the agreements evidencing Options granted under the Plan have lapsed. However, all Options shall be granted, if at all, prior to March 16, 2002.

2. DEFINITIONS AND CONSTRUCTION.

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

(a) "BOARD" means the Board of Directors of the Company. If one or more Committees have been appointed by the Board to administer the Plan, "BOARD" also means such Committee(s).

(b) "CODE" means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(c) "CHANGE IN CONTROL" means the occurrence of any of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than (1) a trustee or other fiduciary holding stock of the Company under an employee benefit plan of a Participating Company or (2) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of stock of the Company representing more than fifty percent (50%) of the total combined voting power of the Company's then-outstanding voting stock; or

(ii) an Ownership Change Event or a series of related Ownership Change Events (collectively, a "TRANSACTION") wherein the

stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting stock of the Company or, in the event of a sale of assets, of the corporation or corporations to which the assets of the Company were transferred (the "TRANSFEREE CORPORATION(S)"); or

(iii) a liquidation or dissolution of the Company.

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

(d) "COMMITTEE" means the Compensation Committee or other committee of one or more members of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. Unless the powers of the Committee have been specifically limited, the Committee shall have all of the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

(e) "COMPANY" means Ross Stores, Inc. a Delaware corporation, or any successor corporation thereto.

(f) "CONSULTANT" means a person engaged to provide consulting or advisory services (other than as an Employee or a Director) to a Participating Company, provided that the identity of such person, the nature of such services or the entity to which such services are provided would not preclude the Company from offering or selling securities to such person pursuant to the Plan in reliance on registration on a Form S-8 Registration Statement under the Securities Act.

(g) "DIRECTOR" means a member of the Board.

(h) "DISABILITY" means the permanent and total disability of the Optionee within the meaning of Section 22(e)(3) of the Code.

(i) "EMPLOYEE" means any person treated as an employee (including an officer or a Director who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a Director nor payment of a director's fee shall be sufficient to constitute employment for purposes of the Plan.

(j) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(k) "FAIR MARKET VALUE" means, as of any date, the value of a share of Stock or other property as determined by the Board, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) If, on such date, the Stock is listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock (or the closing bid price of a share of Stock if the Stock is so quoted instead) as quoted on the Nasdaq National Market, The Nasdaq SmallCap Market or such other national or regional securities exchange or market system constituting

the primary market for the Stock, as reported in THE WALL STREET JOURNAL or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or market system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded prior to the relevant date, or such other appropriate day as shall be determined by the Board, in its discretion.

(ii) If, on such date, the Stock is not listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be as determined by the Board in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse.

(l) "INCENTIVE STOCK OPTION" means an Option intended to be (as set forth in the Option Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.

(m) "INSIDER" means an officer of the Company, Director or any other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(n) "NON-EMPLOYEE DIRECTOR" means a Director who (i) is not a current employee or officer of a Participating Company; (ii) does not receive compensation, either directly or indirectly, from a Participating Company for services rendered as a consultant or in any capacity other than as a Director, except for an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Item 404(a) of Regulation S-K under

the Securities Act ("REGULATION S-K"); (iii) does not possess an interest in any other transaction for which disclosure would be required pursuant to Item 404(a) of Regulation S-K; and (iv) is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K.

(o) "NONSTATUTORY STOCK OPTION" means an Option not intended to be (as set forth in the Option Agreement) or which does not qualify as an Incentive Stock Option.

(p) "OPTION" means a right to purchase Stock (subject to adjustment as provided in Section 4.2) pursuant to the terms and conditions of the Plan. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.

(q) "OPTION AGREEMENT" means a written agreement between the Company and an Optionee setting forth the terms, conditions and restrictions of the Option granted to the Optionee and any shares acquired upon the exercise thereof.

(r) "OPTIONEE" means a person who has been granted one or more Options.

(s) "OUTSIDE DIRECTOR" means a Director who (i) is not a current employee of the Company or a member of an affiliated group of corporations within the meaning of Section 162(m) of the Code (together with the Company, the "AFFILIATED GROUP"); (ii) is not a former employee of the Affiliated Group who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year; (iii) has not been an officer of the Affiliated Group; and (iv) does not receive remuneration within the meaning of Section 162(m) of the Code from the Affiliated Group, either directly or indirectly, in any capacity other than as a Director.

(t) "OWNERSHIP CHANGE EVENT" means the occurrence of any

of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company.

(u) "PARENT CORPORATION" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(v) "PARTICIPATING COMPANY" means the Company or any Parent Corporation or Subsidiary Corporation.

(w) "PARTICIPATING COMPANY GROUP" means, at any point in time, all corporations collectively which are then Participating Companies.

(x) "RULE 16b-3" means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(y) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(z) "SERVICE" means an Optionee's employment or service with the Participating Company Group, whether in the capacity of an Employee, a Director or a Consultant. An Optionee's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Optionee renders Service to the Participating Company Group or a change in the Participating Company for which the Optionee renders such Service, provided that there is no interruption or termination of the Optionee's Service. Furthermore, an Optionee's Service shall not be deemed to have terminated if the Optionee takes any military leave, sick leave, or other bona fide leave of absence approved by the Company; provided, however, that if any such leave exceeds ninety (90) days, on the one hundred eighty-first (181st) day following the commencement of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and instead shall be treated thereafter as a Nonstatutory Stock Option unless the Optionee's right to return to Service with the Participating Company Group is guaranteed by statute or contract. Unless otherwise provided by the Board in the grant of an Option and set forth in the Option Agreement evidencing such Option, an approved leave of absence shall be treated as Service for purposes of determining vesting under the Option. The Optionee's Service shall be deemed to have terminated either upon an actual termination of Service or upon the corporation for which the Optionee performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Optionee's Service has terminated and the effective date of such termination.

(aa) "STOCK" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.2.

(bb) "SUBSIDIARY CORPORATION" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

(cc) "TEN PERCENT OWNER OPTIONEE" means an Optionee who, at the time an Option is granted to the Optionee, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company within the meaning of Section 422(b)(6) of the Code.

2.2 CONSTRUCTION. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

3. ADMINISTRATION.

3.1 ADMINISTRATION BY THE BOARD. The Plan shall be administered by the Board. All questions of interpretation of the Plan or of any Option shall be determined by the

Board, and such determinations shall be final and binding upon all persons having an interest in the Plan or such Option.

3.2 AUTHORITY OF OFFICERS. Any officer of a Participating Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the officer has apparent authority with respect to such matter, right, obligation, determination or election.

3.3 POWERS OF THE BOARD. In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Board shall have the full and final power and authority, in its discretion:

(a) to determine the persons to whom, and the time or times at which, Options shall be granted and the number of shares of Stock to be subject to each Option;

(b) to designate Options as Incentive Stock Options or Nonstatutory Stock Options;

(c) to determine the Fair Market Value of shares of Stock or other property;

(d) to determine the terms, conditions and restrictions applicable to each Option (which need not be identical) and any shares acquired upon the exercise thereof, including, without limitation, (i) the exercise price of the Option, (ii) the method of payment for shares purchased upon the exercise of the Option, (iii) the method for satisfaction of any tax withholding obligation arising in connection with the Option or such shares, including by the withholding or delivery of shares of stock, (iv) the timing, terms and conditions of the exercisability of the Option or the vesting of any shares acquired upon the exercise thereof, (v) the time of the expiration of the Option, (vi) the effect of the Optionee's termination of Service with the Participating Company Group on any of the foregoing, and (vii) all other terms, conditions and restrictions applicable to the Option or such shares not inconsistent with the terms of the Plan;

(e) to approve one or more forms of Option Agreement;

(f) to amend, modify, extend, cancel or renew any Option or to waive any restrictions or conditions applicable to any Option or any shares acquired upon the exercise thereof;

(g) to accelerate, continue, extend or defer the exercisability of any Option or the vesting of any shares acquired upon the exercise thereof, including with respect to the period following an Optionee's termination of Service with the Participating Company Group;

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

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

3.4 ADMINISTRATION WITH RESPECT TO INSIDERS. With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3. For this purpose, the Board may delegate authority to administer the Plan to a Committee composed solely of two or more Non-Employee Directors.

3.5 ADMINISTRATION IN COMPLIANCE WITH SECTION 162(m). The Board may establish a Committee composed solely of two or more Outside Directors to approve the grant of any Option which might reasonably be anticipated to result in the payment of employee remuneration that would otherwise exceed the limit on employee remuneration deductible for income tax purposes pursuant to Section 162(m) of the Code.

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

#### 4. SHARES SUBJECT TO PLAN.

4.1 MAXIMUM NUMBER OF SHARES ISSUABLE. Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be thirty-five million (35,000,000) (1) and shall consist of authorized but

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(1) As adjusted through the two-for-one stock split effective on September 22, 1999.

unissued or reacquired shares of Stock or any combination thereof. If an outstanding Option for any reason expires or is terminated or canceled or if shares of Stock are acquired upon the exercise of an Option subject to a Company repurchase option and are repurchased by the Company at the Optionee's exercise price, the shares of Stock allocable to the unexercised portion of such Option or such repurchased shares of Stock shall again be available for issuance under the Plan; provided, however, that in no event shall more than 35,000,000 shares of Stock be available for issuance pursuant to the exercise of Incentive Stock Options (the "ISO SHARE ISSUANCE LIMIT").

4.2 ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE. In the event of any stock dividend, stock split, reverse stock split, recapitalization, merger, combination, exchange of shares, reclassification or similar change in the capital structure of the Company, appropriate

adjustments shall be made in the number and class of shares subject to the Plan and to any outstanding Options, in the Section 162(m) Grant Limit set forth in Section 5.4, in the ISO Share Issuance Limit set forth in Section 4.1, and in the exercise price per share of any outstanding Options. If a majority of the shares which are of the same class as the shares that are subject to outstanding Options are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "NEW SHARES"), the Board may unilaterally amend the outstanding Options to provide that such Options are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the outstanding Options shall be adjusted in a fair and equitable manner as determined by the Board, in its discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number, and in no event may the exercise price of any Option be decreased to an amount less than the par value, if any, of the stock subject to the Option. The adjustments determined by the Board pursuant to this Section 4.2 shall be final, binding and conclusive.

## 5. ELIGIBILITY AND OPTION LIMITATIONS.

5.1 PERSONS ELIGIBLE FOR OPTIONS. Options may be granted only to Employees (including Directors who are also Employees) and Consultants. For purposes of the foregoing sentence, the term "Employees" shall include persons who become Employees within thirty (30) days of the date of grant of an Option to such person. Eligible persons may be granted more than one (1) Option.

5.2 OPTION GRANT RESTRICTIONS. Any person who is not an Employee on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option. An Incentive Stock Option granted to a prospective Employee upon the condition that such person become an Employee shall be deemed granted effective on the date such person commences Service, with an exercise price determined as of such date in accordance with Section 6.1. Notwithstanding the foregoing, no Director who is not also an Employee shall be eligible to be granted an Option, even if such person is also a Consultant.

5.3 FAIR MARKET VALUE LIMITATION. To the extent that options designated as Incentive Stock Options (granted under all stock option plans of the Participating Company

Group, including the Plan) become exercisable by an Optionee for the first time during any calendar year for stock having a Fair Market Value greater than One Hundred Thousand Dollars (\$100,000), the portions of such options which exceed such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section 5.3, options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of stock shall be determined as of the time the option with respect to such stock is granted. If the Code is amended to provide for a different limitation from that set forth in this Section 5.3, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section 5.3, the Optionee may designate which portion of such Option the Optionee is exercising. In the absence of such designation, the Optionee shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Separate certificates representing each such portion shall be issued upon the exercise of the Option.

5.4 SECTION 162(m) GRANT LIMIT. Subject to adjustment as provided in Section 4.2, no person shall be granted one or more Options within any calendar year which in the aggregate are for the purchase of more than 1,970,622 shares(2) (representing that number of shares equal to 2% of

the number of shares of Stock issued and outstanding at the close of business on the records of the Company's transfer agent on April 10, 1995) (the "SECTION 162(m) GRANT LIMIT"). An Option which is canceled in the same calendar year of the Company in which it was granted shall continue to be counted against the Section 162(m) Grant Limit for such period.

6. TERMS AND CONDITIONS OF OPTIONS.

Options shall be evidenced by Option Agreements specifying the number of shares of Stock covered thereby, in such form as the Board shall from time to time establish. No Option or purported Option shall be a valid and binding obligation of the Company unless evidenced by a fully executed Option Agreement. Option Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 EXERCISE PRICE. The exercise price for each Option shall be established in the discretion of the Board; provided, however, that (a) the exercise price per share for any Option shall be not less than one hundred percent (100%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Option granted to a Ten Percent Owner Optionee shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory

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(2) On April 10, 1995, a total of 24,632,786 shares of common stock were outstanding, two percent of which is 492,655 shares. Under Section 4.2, this limit was adjusted to 985,311 shares to reflect a two-for-one stock split on March 5, 1997 (2% of 49,265,572 shares), and to 1,970,622 shares to reflect a two-for-one stock split on September 22, 1999 (2% of 98,531,144 shares).

Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Section 424(a) of the Code.

6.2 EXERCISABILITY AND TERM OF OPTIONS. Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Board and set forth in the Option Agreement evidencing such Option; provided, however, that (a) no Incentive Stock Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (b) no Incentive Stock Option granted to a Ten Percent Owner Optionee shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option, and (c) no Nonstatutory Stock Option shall be exercisable after the expiration of ten (10) years and one (1) month after the effective date of grant of such Option. Subject to the foregoing, unless otherwise specified by the Board in the grant of an Option, any Option granted hereunder shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions.

6.3 PAYMENT OF EXERCISE PRICE.

(a) FORMS OF CONSIDERATION AUTHORIZED. Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash or by check, (ii) by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Optionee having a Fair Market Value (as determined by the Company without regard to any restrictions on transferability applicable to such stock by reason of federal or state securities laws or agreements with an underwriter for the Company) not less than the exercise price, (iii) by delivery of a properly executed notice together with irrevocable instructions to a broker providing for the



assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System) (a "CASHLESS EXERCISE"), (iv) provided that the Optionee is an Employee (unless otherwise not prohibited by law, including, without limitation, any regulation promulgated by the Board of Governors of the Federal Reserve System) and in the Company's sole discretion at the time the Option is exercised, by delivery of the Optionee's promissory note in a form approved by the Company for the aggregate exercise price, provided that, if the Company is incorporated in the State of Delaware, the Optionee shall pay in cash that portion of the aggregate exercise price not less than the par value of the shares being acquired, (v) by such other consideration as may be approved by the Board from time to time to the extent permitted by applicable law, or (vi) by any combination thereof. The Board may at any time or from time to time, by approval of or by amendment to the standard forms of Option Agreement described in Section 7, or by other means, grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

(b) LIMITATIONS ON FORMS OF CONSIDERATION.

(i) TENDER OF STOCK. Notwithstanding the foregoing, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. Unless otherwise provided by the Board, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Optionee for more than six (6) months or were not acquired, directly or indirectly, from the Company.

(ii) CASHLESS EXERCISE. The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or terminate any program or procedures for the exercise of Options by means of a Cashless Exercise.

(iii) PAYMENT BY PROMISSORY NOTE. No promissory note shall be permitted if the exercise of an Option using a promissory note would be a violation of any law. Any permitted promissory note shall be on such terms as the Board shall determine at the time the Option is granted. The Board shall have the authority to permit or require the Optionee to secure any promissory note used to exercise an Option with the shares of Stock acquired upon the exercise of the Option or with other collateral acceptable to the Company. Unless otherwise provided by the Board, if the Company at any time is subject to the regulations promulgated by the Board of Governors of the Federal Reserve System or any other governmental entity affecting the extension of credit in connection with the Company's securities, any promissory note shall comply with such applicable regulations, and the Optionee shall pay the unpaid principal and accrued interest, if any, to the extent necessary to comply with such applicable regulations.

6.4 TAX WITHHOLDING. The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable upon the exercise of an Option, or to accept from the Optionee the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the federal, state, local and foreign taxes, if any, required by law to be withheld by the Participating Company Group with respect to such Option or the shares acquired upon the exercise thereof. Alternatively or in addition, in its discretion, the Company shall have the right to require the Optionee, through payroll withholding, cash payment or otherwise, including by means of a Cashless Exercise, to make adequate provision for any such tax withholding obligations of the Participating Company Group arising in connection with the Option or the shares acquired upon the exercise thereof. The Fair Market Value of any

shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates. The Company shall have no obligation to deliver shares of Stock or to release shares of Stock from an escrow established pursuant to the Option Agreement until the Participating Company Group's tax withholding obligations have been satisfied by the Optionee.

6.5 REPURCHASE RIGHTS. Shares issued under the Plan may be subject to one or more repurchase options or other conditions and restrictions as determined by the Board in its discretion at the time the Option is granted. The Company shall have the right to assign at any

time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Optionee shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

#### 6.6 EFFECT OF TERMINATION OF SERVICE.

(a) OPTION EXERCISABILITY. Subject to earlier termination of the Option as otherwise provided herein and unless otherwise provided by the Board in the grant of an Option and set forth in the Option Agreement, an Option shall be exercisable after an Optionee's termination of Service only during the applicable time period determined in accordance with this Section 6.6 and thereafter shall terminate:

(i) DISABILITY. If the Optionee's Service terminates because of the Disability of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee's Service terminated, may be exercised by the Optionee (or the Optionee's guardian or legal representative) at any time prior to the expiration of twelve (12) months (or such longer period of time as determined by the Board, in its discretion) after the date on which the Optionee's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Option Agreement evidencing such Option (the "OPTION EXPIRATION DATE").

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

(iii) TERMINATION FOR CAUSE. Notwithstanding any other provision of the Plan to the contrary, if the Optionee's Service is terminated for Cause, as defined by the Optionee's Option Agreement or contract of employment or service (or, if not defined in any of the foregoing, as defined below), the Option, to the extent unexercised and exercisable by the Optionee on the date on which the Optionee's Service terminated, may be exercised by the Optionee at any time prior to the expiration of three (3) months after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date. Unless otherwise defined by the Optionee's Option Agreement or contract of employment or service, for purposes of this Section 6.6(a)(iii) "CAUSE" shall mean any of the following: (1) the Optionee's theft, dishonesty, or

falsification of any Participating Company documents or records; (2) the Optionee's improper use or disclosure of a Participating Company's confidential

or proprietary information; (3) any action by the Optionee which has a detrimental effect on a Participating Company's reputation or business; (4) the Optionee's failure or inability to perform any reasonable assigned duties after written notice from a Participating Company of, and a reasonable opportunity to cure, such failure or inability; (5) any material breach by the Optionee of any employment or service agreement between the Optionee and a Participating Company, which breach is not cured pursuant to the terms of such agreement; or (6) the Optionee's conviction (including any plea of guilty or nolo contendere) of any criminal act which impairs the Optionee's ability to perform his or her duties with a Participating Company.

(iv) OTHER TERMINATION OF SERVICE. If the Optionee's Service terminates for any reason, except Disability, death or Cause, the Option, to the extent unexercised and exercisable by the Optionee on the date on which the Optionee's Service terminated, may be exercised by the Optionee at any time prior to the expiration of three (3) months (or such longer period of time as determined by the Board, in its discretion, or as provided by the Option Agreement evidencing such Option) after the date on which the Optionee's Service terminated, but in any event no later than the Option Expiration Date.

(b) EXTENSION IF EXERCISE PREVENTED BY LAW. Notwithstanding the foregoing other than termination of an Optionee's Service for Cause, if the exercise of an Option within the applicable time periods set forth in Section 6.6(a) is prevented by the provisions of Section 9 below, the Option shall remain exercisable until three (3) months (or such longer period of time as determined by the Board, in its discretion) after the date the Optionee is notified by the Company that the Option is exercisable, but in any event no later than the Option Expiration Date.

(c) EXTENSION IF OPTIONEE SUBJECT TO SECTION 16(b). Notwithstanding the foregoing other than termination of an Optionee's Service for Cause, if a sale within the applicable time periods set forth in Section 6.6(a) of shares acquired upon the exercise of the Option would subject the Optionee to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (i) the tenth (10th) day following the date on which a sale of such shares by the Optionee would no longer be subject to such suit, (ii) the one hundred and ninetieth (190th) day after the Optionee's termination of Service, or (iii) the Option Expiration Date.

6.7 TRANSFERABILITY OF OPTIONS. During the lifetime of the Optionee, an Option shall be exercisable only by the Optionee or the Optionee's guardian or legal representative. No Option shall be assignable or transferable by the Optionee, except by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Board, in its discretion, and set forth in the Option Agreement evidencing such Option, a Nonstatutory Stock Option shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to the Form S-8 Registration Statement under the Securities Act.

## 7. STANDARD FORMS OF OPTION AGREEMENT.

7.1 OPTION AGREEMENT. Unless otherwise provided by the Board at the time the Option is granted, an Option shall comply with and be subject to the terms and conditions set forth in the form of Option Agreement approved by the Board concurrently with its adoption of the Plan and as amended from time to time.

7.2 AUTHORITY TO VARY TERMS. The Board shall have the authority from time to time to vary the terms of any standard form of Option Agreement described in this Section 7 either in connection with the grant or amendment of an individual Option or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Option Agreement are not inconsistent with the terms of the Plan.

8. EFFECT OF CHANGE IN CONTROL.

Except as otherwise provided by the Board in the grant of any Option and set forth in the Option Agreement evidencing such Option, in the event of a Change in Control, the Board, in its discretion, shall either (a) arrange for the surviving, continuing, successor, or purchasing corporation or parent corporation thereof, as the case may be (the "ACQUIRING CORPORATION"), to either assume the Company's rights and obligations under outstanding Options or substitute for outstanding Options substantially equivalent options for the Acquiring Corporation's stock, or (b) provide that any unexercisable or unvested portion of such outstanding Option and any shares acquired upon the exercise thereof held by an Optionee whose Service has not terminated prior to such date shall be immediately exercisable and vested in full as of the date ten (10) days prior to the Change in Control. Furthermore, the Board may, in its discretion, provide in any Option Agreement or employment or other agreement between the Optionee and a Participating Company that if the Optionee's Service ceases as a result of a "Termination After Change in Control" (as defined in such agreement) then the exercisability and vesting of any Option held by such Optionee and any shares acquired upon the exercise thereof shall be accelerated effective as of the date on which the Optionee's Service terminated to such extent, if any, as shall have been determined by the Board, in its discretion, and set forth in such agreement. The exercise or vesting of any Option and any shares acquired upon the exercise thereof that was permissible solely by reason of this Section 8 shall be conditioned upon the consummation of the Change in Control. Any Options which are neither assumed or substituted for by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control.

9. COMPLIANCE WITH SECURITIES LAW.

The grant of Options and the issuance of shares of Stock upon exercise of Options shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. Options may not be exercised if the issuance of shares of Stock upon exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system

upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of any Option, the Company may require the Optionee 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.

10. TERMINATION OR AMENDMENT OF PLAN.

The Board may terminate or amend the Plan at any time. However, subject to changes in applicable law, regulations or rules that would permit otherwise, without the approval of the Company's stockholders,

there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.2), (b) no change in the class of persons eligible to receive Incentive Stock Options, and (c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule. No termination or amendment of the Plan shall affect any then outstanding Option unless expressly provided by the Board. In any event, no termination or amendment of the Plan may adversely affect any then outstanding Option without the consent of the Optionee, unless such termination or amendment is required to enable an Option designated as an Incentive Stock Option to qualify as an Incentive Stock Option or is necessary to comply with any applicable law, regulation or rule.

11. MISCELLANEOUS PROVISIONS.

11.1 PROVISION OF INFORMATION. Each Optionee shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

11.2 BENEFICIARY DESIGNATION. Each Optionee may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Optionee is entitled in the event of such Optionee's death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Optionee, shall be in a form prescribed by the Company, and will be effective only when filed by the Optionee in writing with the Company during the Optionee's lifetime. If a married Optionee designates a beneficiary other than the Optionee's spouse, the effectiveness of such designation shall be subject to the consent of the Optionee's spouse.

11.3 RIGHTS AS A STOCKHOLDER. An Optionee shall have no rights as a stockholder with respect to any shares covered by an Option 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 4.2 or another provision of the Plan.

11.4 RIGHTS AS EMPLOYEE, CONSULTANT OR DIRECTOR. No person, even though eligible pursuant to Section 5, shall have a right to be granted an Option, or, having been granted an Option, to be granted an additional Option. Nothing in the Plan or any Option Agreement shall confer on any Optionee a right to remain an Employee, Consultant or Director, or interfere with or limit in any way the right of a Participating Company to terminate the Optionee's Service at any time.

11.5 CONTINUATION OF PRIOR VERSIONS OF THE PLAN AS TO OUTSTANDING OPTIONS. Notwithstanding any other provision of the Plan to the contrary, each Option outstanding prior to the Effective Date shall continue to be governed by the terms of the applicable version of the Plan as in effect on the date of grant of such Option. For purposes of the preceding sentence, such prior versions of the Plan include the Ross Stores, Inc. 1984 Stock Option Plan adopted on February 24, 1984; the Amended and Restated Ross Stores, Inc. 1984 Stock Option Plan adopted on February 19, 1987; the Second Amended and Restated Ross Stores, Inc. 1984 Stock Option Plan adopted on March 14, 1988; the Third Amended and Restated Ross Stores, Inc. 1984 Stock Option Plan adopted on March 17, 1989; the Fourth Amended and Restated Ross Stores, Inc. 1984 Stock Option Plan adopted on March 18, 1991; the Ross Stores, Inc. 1992 Stock Option Plan adopted on March 16, 1992; the Amended and Restated Ross Stores, Inc. 1992 Stock Option Plan adopted on March 16, 1995; and the Second Amended and Restated Ross Stores, Inc. 1992 Stock Option Plan adopted on May 28, 1998.

IN WITNESS WHEREOF, the undersigned Secretary of the Company

certifies that the foregoing sets forth the Third Amended and Restated Ross Stores, Inc. 1992 Stock Option Plan as duly adopted by the Board on March 16, 2000.

-----  
Secretary

ROSS STORES, INC.  
FISCAL 1999 FORM 10-K  
EXHIBIT 10.7

ROSS STORES, INC.

2000 EQUITY INCENTIVE PLAN

ADOPTED [MARCH 16, 2000]

1. PURPOSES.

(a) ELIGIBLE STOCK AWARD RECIPIENTS. The persons eligible to receive Stock Awards are the Employees, Directors and Consultants of the Company and its Affiliates.

(b) AVAILABLE STOCK AWARDS. The purpose of the Plan is to provide a means by which eligible recipients of Stock Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of the following Stock Awards: (i) Nonstatutory Stock Options, (ii) restricted stock bonus awards and (iii) rights to acquire restricted stock.

(c) GENERAL PURPOSE. The Company, by means of the Plan, seeks to retain the services of the group of persons eligible to receive Stock Awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. DEFINITIONS.

(a) "AFFILIATE" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(b) "BOARD" means the Board of Directors of the Company.

(c) "CAUSE" means any of the following: (i) the Optionholder's theft, dishonesty, or falsification of any Company or Affiliate documents or records; (ii) the Optionholder's improper use or disclosure of the Company's or an Affiliate's confidential or proprietary information; (iii) any action by the Optionholder which has a detrimental effect on the Company's or an Affiliate's reputation or business; (iv) the Optionholder's failure or inability to perform any reasonable assigned duties after written notice from the Company or an Affiliate of, and thirty (30) days to cure, such failure or inability; (v) any material breach by the Optionholder of any employment or service agreement between the Optionholder and the Company or an Affiliate, which breach is not cured pursuant to the terms of such agreement; or (vi) the Optionholder's conviction (including any plea of guilty or nolo contendere) of any criminal act which impairs the Optionholder's ability to perform his or her duties with the Company or an Affiliate.

(d) "CHANGE IN CONTROL" means the occurrence of any of the following:

(i) any "person" (as such term is used in Section 13(d) and 14(d) of the Exchange Act), other than (1) a trustee or other fiduciary holding stock of the Company under an employee benefit plan of the Company or an Affiliate or (2) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of the stock of the Company, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of the stock of the Company representing more than fifty percent

(50%) of the total combined voting power of the Company's then-outstanding voting stock; or

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

(iii) a liquidation or dissolution of the Company.

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

(e) "CODE" means the Internal Revenue Code of 1986, as amended.

(f) "COMMITTEE" means a committee of one or more members of the Board appointed by the Board in accordance with subsection 3(c).

(g) "COMMON STOCK" means the common stock of the Company.

(h) "COMPANY" means Ross Stores, Inc., a Delaware corporation.

(i) "CONSULTANT" means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services. However, the term "Consultant" shall not include either Directors who are not compensated by the Company for their services as Directors or Directors who are merely paid a director's fee by the Company for their services as Directors.

(j) "CONTINUOUS SERVICE" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant

renders such service, provided that there is no interruption or termination of the Participant's Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(k) "COVERED EMPLOYEE" means the chief executive officer and the four (4) other highest compensated officers of the Company for whom total compensation is required to be reported to shareholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

(l) "DIRECTOR" means a member of the Board of Directors of the Company.

(m) "DISABILITY" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(n) "EMPLOYEE" means any person employed by the Company or an



Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

(o) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(p) "FAIR MARKET VALUE" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of grant, or if the date of grant is not a market trading day, then the last market trading day prior to the date of grant, as reported in THE WALL STREET JOURNAL or such other source as the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(q) "NON-EMPLOYEE DIRECTOR" means a Director who either (i) is not a current Employee or Officer of the Company or its parent or a subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or a subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("Regulation S-K")), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(r) "NONSTATUTORY STOCK OPTION" means an Option not intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(s) "OFFICER" means a person who possesses the authority of an "officer" as that term is used in Rule 4460(i)(1)(A) of the Rules of the National Association of Securities Dealers, Inc. For purposes of the Plan, a person in the position of "Vice President" or higher shall be classified as an "Officer" unless the Board or Committee expressly finds that such person does not possess the authority of an "officer" as that term is used in Rule 4460(i)(1)(A) of the Rules of the National Association of Securities Dealers, Inc.

(t) "OPTION" means a Nonstatutory Stock Option granted pursuant to the Plan.

(u) "OPTION AGREEMENT" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(v) "OPTIONHOLDER" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(w) "OWNERSHIP CHANGE EVENT" means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; or

(iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company.

(x) "PARTICIPANT" means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(y) "PLAN" means this Ross Stores, Inc. 2000 Equity Incentive Plan.

(z) "RULE 16b-3" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(aa) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(bb) "STOCK AWARD" means any right granted under the Plan, including an Option, a stock purchase award and a restricted stock bonus award.

(cc) "STOCK AWARD AGREEMENT" means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

### 3. ADMINISTRATION.

(a) ADMINISTRATION BY BOARD. The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

(b) POWERS OF BOARD. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; what type or combination of types of Stock Award shall be granted; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive Common Stock pursuant to a Stock Award; and the number of shares of Common Stock with respect to which a Stock Award shall be granted to each such person.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or a Stock Award as provided in Section 12.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company which are not in conflict with the provisions of the Plan.

### (c) DELEGATION TO COMMITTEE.

(i) GENERAL. The Board may delegate administration of the Plan to a Committee or Committees of one (1) or more members of the Board, and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to

time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan.

(ii) COMMITTEE COMPOSITION WHEN COMMON STOCK IS PUBLICLY TRADED. At such time as the Common Stock is publicly traded, in the discretion of the Board, a Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. Within the scope of such authority, the Board or the Committee may (1) delegate to a committee of one or more members of the Board who are not Outside Directors the authority to grant Stock Awards to eligible persons who are either (a) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Stock Award or (b) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code and/or (2) delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Stock Awards to eligible persons who are not then subject to Section 16 of the Exchange Act.

(d) EFFECT OF BOARD'S DECISION. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

#### 4. SHARES SUBJECT TO THE PLAN.

(a) SHARE RESERVE. Subject to the provisions of Section 11 relating to adjustments upon changes in Common Stock, the Common Stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate four million (4,000,000) shares of Common Stock.

(b) REVERSION OF SHARES TO THE SHARE RESERVE. If any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the shares of Common Stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan.

(c) SOURCE OF SHARES. The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

#### 5. ELIGIBILITY.

(a) ELIGIBILITY FOR SPECIFIC STOCK AWARDS. Stock Awards may be granted to Employees, Directors and Consultants.

(b) RESTRICTIONS ON ELIGIBILITY. Notwithstanding the foregoing, the aggregate number of shares issued pursuant to Stock Awards granted to Officers and Directors cannot exceed forty percent (40%) of the number of shares reserved for issuance under the Plan as determined at the time of each such issuance to an Officer or Director, except that there shall be excluded from this calculation shares issued to Officers not previously employed by the Company pursuant to Stock Awards granted as an inducement essential to such individuals entering into employment contracts with the Company.

#### (c) CONSULTANTS.

(i) A Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act ("Form S-8") is not available to register either the offer or the sale of the Company's securities to such Consultant because of the nature of the services that the Consultant is providing to the Company, or because the Consultant is not a natural person, or as otherwise provided by the rules governing the use of Form S-8, unless the Company determines both (i) that such grant (A) shall be registered in another manner under the Securities Act (E.G., on a Form S-3 Registration Statement) or (B) does not require registration under the Securities Act in order to comply with the

requirements of the Securities Act, if applicable, and (ii) that such grant complies with the securities laws of all other relevant jurisdictions.

(ii) Form S-8 generally is available to consultants and advisors only if (i) they are natural persons; (ii) they provide bona fide services to the issuer, its parents, its majority-owned subsidiaries or majority-owned subsidiaries of the issuer's parent; and (iii) the services are

not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the issuer's securities.

#### 6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) TERM. The term of an Option shall be the term determined by the Board, either at the time of grant of the Option or as the Option may be amended thereafter.

(b) EXERCISE PRICE OF A NONSTATUTORY STOCK OPTION. The exercise price of each Nonstatutory Stock Option shall be not less than eighty-five percent (85%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, a Nonstatutory Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) CONSIDERATION. The purchase price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised or (ii) at the discretion of the Board at the time of the grant of the Option (or subsequently in the case of a Nonstatutory Stock Option) (1) by delivery to the Company of other Common Stock, (2) according to a deferred payment or other similar arrangement with the Optionholder or (3) in any other form of legal consideration that may be acceptable to the Board. Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). At any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

(d) TRANSFERABILITY OF A NONSTATUTORY STOCK OPTION. A Nonstatutory Stock Option shall be transferable to the extent provided in the Option Agreement. If the Nonstatutory Stock Option does not provide for transferability, then the Nonstatutory Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form

satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(e) VESTING GENERALLY. The total number of shares of Common Stock subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this subsection 6(e) are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised.

(f) TERMINATION OF CONTINUOUS SERVICE. In the event an Optionholder's Continuous Service terminates for any reason other than upon the Optionholder's death or Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service (or such longer or shorter period specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(g) EXTENSION OF TERMINATION DATE. An Optionholder's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in the Option Agreement, or (ii) the expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(h) DISABILITY OF OPTIONHOLDER. In the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period specified in the Option Agreement) or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(i) DEATH OF OPTIONHOLDER. In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death

pursuant to subsection 6(d), but only within the period ending on the earlier of (1) the date twelve (12) months following the date of death (or such longer or shorter period specified in the Option Agreement) or (2) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

(j) EARLY EXERCISE. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Any unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate. The Company will not exercise its repurchase option until at least six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes) have elapsed following exercise of the Option unless the Board otherwise specifically provides in the Option.

(k) RE-LOAD OPTIONS.

(i) Without in any way limiting the authority of the Board to make or not to make grants of Options hereunder, the Board shall have the authority (but not an obligation) to include as part of any Option Agreement a provision entitling the Optionholder to a further Option (a "Re-Load Option") in the event the Optionholder exercises the Option evidenced by the Option Agreement, in whole or in part, by surrendering other shares of Common Stock in accordance with this Plan and the terms and conditions of the Option Agreement. Unless otherwise specifically provided in the Option, the Optionholder shall not surrender shares of Common Stock acquired, directly or indirectly from the Company, unless such shares have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes).

(ii) Any such Re-Load Option shall (1) provide for a number of shares of Common Stock equal to the number of shares of Common Stock surrendered as part or all of the exercise price of such Option; (2) have an expiration date which is the same as the expiration date of the Option the exercise of which gave rise to such Re-Load Option; and (3) have an exercise price which is equal to one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Re-Load Option on the date of exercise of the original Option. Notwithstanding the foregoing, a Re-Load Option shall be subject to the same exercise price and term provisions heretofore described for Options under the Plan.

(iii) There shall be no Re-Load Options on a Re-Load Option. Any such Re-Load Option shall be subject to the availability of sufficient shares of Common Stock under subsection 4(a) and shall be subject to such other terms and conditions as the Board may determine which are not inconsistent with the express provisions of the Plan regarding the terms of Options.

7. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS.

(a) RESTRICTED STOCK BONUS AWARDS. Each restricted stock bonus agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of restricted stock bonus agreements may change from time to time, and the terms and conditions of separate restricted stock bonus agreements need not be identical, but each restricted stock bonus agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) CONSIDERATION. A restricted stock bonus award may be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit.

(ii) VESTING. Shares of Common Stock awarded under the restricted stock bonus agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iii) TERMINATION OF PARTICIPANT'S CONTINUOUS SERVICE. In the

event a Participant's Continuous Service terminates, the Company may reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the restricted stock bonus agreement.

(iv) TRANSFERABILITY. Rights to acquire shares of Common Stock under the restricted stock bonus agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the restricted stock bonus agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the restricted stock bonus agreement remains subject to the terms of the restricted stock bonus agreement.

(b) STOCK PURCHASE AWARDS. Each stock purchase agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the stock purchase agreements may change from time to time, and the terms and conditions of separate stock purchase agreements need not be identical, but each stock purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) PURCHASE PRICE. The purchase price under each stock purchase agreement shall be such amount as the Board shall determine and designate in such stock purchase agreement. The purchase price shall not be less than eighty-five percent (85%) of the Common Stock's Fair Market Value on the date such award is made or at the time the purchase is consummated.

(ii) CONSIDERATION. The purchase price of Common Stock acquired pursuant to the stock purchase agreement shall be paid either: (i) in cash at the time of purchase; (ii) at the discretion of the Board, according to a deferred payment or other similar arrangement with the Participant; or (iii) in any other form of legal consideration that may be acceptable to the Board in its discretion; provided, however, that at any time that the Company is incorporated in Delaware, then payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

(iii) VESTING. Shares of Common Stock acquired under the stock purchase agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iv) TERMINATION OF PARTICIPANT'S CONTINUOUS SERVICE. In the event a Participant's Continuous Service terminates, the Company may repurchase or otherwise reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the stock purchase agreement.

(v) TRANSFERABILITY. Rights to acquire shares of Common Stock under the stock purchase agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the stock purchase agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the stock purchase agreement remains subject to the terms of the stock purchase agreement.

## 8. COVENANTS OF THE COMPANY.

(a) AVAILABILITY OF SHARES. During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

(b) SECURITIES LAW COMPLIANCE. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking shall not require the Company to register under the

Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained.

9. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

10. MISCELLANEOUS.

(a) ACCELERATION OF EXERCISABILITY AND VESTING. The Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(b) SHAREHOLDER RIGHTS. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such

Stock Award unless and until such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

(c) NO EMPLOYMENT OR OTHER SERVICE RIGHTS. Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(i) INVESTMENT ASSURANCES. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (1) the issuance of the shares of Common Stock upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act or (2) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(d) WITHHOLDING OBLIGATIONS. To the extent provided by the terms of



a Stock Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under a Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Stock Award, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of Common Stock.

11. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) CAPITALIZATION ADJUSTMENTS. If any change is made in the Common Stock subject to the Plan, or subject to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to subsection 4(a), and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of Common Stock subject to such outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) EFFECT OF CHANGE IN CONTROL. Except as otherwise provided by the Board in the grant of any Stock Award and set forth in the Stock Award Agreement evidencing such Stock Award, in the event of a Change in Control, the Board, in its discretion, shall either (a) arrange for the surviving, continuing, successor, or purchasing corporation or parent corporation thereof, as the case may be (the "Acquiring Corporation"), to either assume the Company's rights and obligations under outstanding Stock Awards or substitute for outstanding Stock Awards substantially equivalent stock awards for the Acquiring Corporation's stock, or (b) provide that any unexercisable or unvested portion of such outstanding Stock Awards and any shares acquired upon the exercise thereof held by a Participant whose Continuous Service has not terminated prior to such date shall be immediately exercisable and vested in full as of the date ten (10) days prior to the Change in Control. Furthermore, the Board may, in its discretion, provide in any Stock Award Agreement or employment or other agreement between the Participant and a the Company or an Affiliate that if the Participant's Continuous Service ceases as a result of a Change in Control then the exercisability and vesting of any Stock Award held by such Participant and any shares acquired upon the exercise thereof shall be accelerated effective as of the date on which the Participant's Continuous Service terminated to such extent, if any, as shall have been determined by the Board, in its discretion, and set forth in such agreement. The exercise or vesting of any Stock Award and any shares of Common Stock acquired upon the exercise thereof that was permissible solely by reason of this Section 11(b) shall be conditioned upon the consummation of the Change in Control. Any Stock Awards which are neither assumed or substituted for by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control.

12. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) AMENDMENT OF PLAN. The Board at any time, and from time to time, may amend the Plan.

(b) SHAREHOLDER APPROVAL. The Board may, in its sole discretion, submit any amendment to the Plan for shareholder approval, including, but not limited

to, amendments to the Plan intended to satisfy the requirements of Section 422 of the Code, Rule 16b-3, any Nasdaq

or securities exchange listing requirements or Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) CONTEMPLATED AMENDMENTS. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder and/or to bring the Plan and/or Options into compliance therewith.

(d) NO IMPAIRMENT OF RIGHTS. Rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

(e) AMENDMENT OF STOCK AWARDS. The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; provided, however, that the rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

13. TERMINATION OR SUSPENSION OF THE PLAN.

(a) PLAN TERM. The Board may suspend or terminate the Plan at any time. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) NO IMPAIRMENT OF RIGHTS. Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the Participant.

14. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as determined by the Board.

15. CHOICE OF LAW.

The law of the State of California shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.

ROSS STORES, INC.  
FISCAL 1999 FORM 10-K

EXHIBIT 10.9

FOURTH AMENDED AND RESTATED  
ROSS STORES, INC.

1988 RESTRICTED STOCK PLAN

(EFFECTIVE AS OF MARCH 16, 2000)

1. ESTABLISHMENT, PURPOSE AND TERM OF PLAN.

1.1 ESTABLISHMENT. The Third Amended and Restated Ross Stores, Inc. 1988 Restricted Stock Plan is hereby amended and restated in its entirety as the Fourth Amended and Restated Ross Stores, Inc. 1988 Restricted Stock Plan (the "PLAN") effective as of March 16, 2000 (the "EFFECTIVE DATE").

1.2 PURPOSE. The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract, retain and reward selected employees of the Participating Company Group and by motivating such persons to contribute to the success of the Participating Company Group.

1.3 TERM OF PLAN. The Plan shall continue in effect until the earlier of its termination by the Board or the date on which all of the shares of Stock available for issuance under the Plan have been issued and all restrictions on such shares under the terms of the Plan and the agreements pursuant to which such shares were granted have lapsed.

2. DEFINITIONS AND CONSTRUCTION.

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

(a) "AWARD" means any award of Stock under the Plan.

(b) "AWARD AGREEMENT" means a written agreement between the Company and a Participant setting forth the terms, conditions and restrictions of an Award granted to the Participant.

(c) "BOARD" means the Board of Directors of the Company. If one or more Committees have been appointed by the Board to administer the Plan, "BOARD" also means such Committee(s).

(d) "CHANGE IN CONTROL" means the occurrence of any of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than (1) a trustee or other fiduciary holding stock of the Company under an employee benefit plan of a Participating Company or (2) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of stock of the Company representing more than fifty percent (50%) of the total combined voting power of the Company's then-outstanding voting stock; or

(ii) an Ownership Change Event or a series of related Ownership Change Events (collectively, a "TRANSACTION") wherein the stockholders of the Company immediately before the Transaction do not retain

immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting stock of the Company or, in the event of a sale of assets, of the corporation or corporations to which the assets of the Company were transferred (the "TRANSFeree CORPORATION(S)"); or

(iii) a liquidation or dissolution of the Company.

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

(e) "CODE" means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(f) "COMMITTEE" means the Compensation Committee or other committee of one or more members of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. Unless the powers of the Committee have been specifically limited, the Committee shall have all of the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

(g) "COMPANY" means Ross Stores, Inc., a Delaware corporation, or any successor corporation thereto.

(h) "EMPLOYEE" means any person treated as an employee (including an officer or a member of the Board who is also treated as an employee) in the records of a Participating Company; provided, however, that neither service as a member of the Board nor payment of a director's fee shall be sufficient to constitute employment for purposes of the Plan.

(i) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(j) "INSIDER" means an officer of the Company, member of the Board or any other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(k) "NON-EMPLOYEE DIRECTOR" means a Director who (i) is not a current employee or officer of a Participating Company; (ii) does not receive compensation, either directly or indirectly, from a Participating Company for services rendered as a consultant or in any capacity other than as a Director, except for an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Item 404(a) of Regulation S-K under the Securities Act ("REGULATION S-K"); (iii) does not possess an interest in any other transaction for which disclosure would be required pursuant to Item 404(a) of Regulation S-K; and (iv) is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K.

(l) "OWNERSHIP CHANGE EVENT" means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company.

(m) "PARENT CORPORATION" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(n) "PARTICIPANT" means a person who has been granted one or more Awards.

(o) "PARTICIPATING COMPANY" means the Company or any Parent Corporation or Subsidiary Corporation.

(p) "PARTICIPATING COMPANY GROUP" means, at any point in time, all corporations collectively which are then Participating Companies.

(q) "RULE 16B-3" means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(r) "SERVICE" means a Participant's employment or service with the Participating Company Group, whether in the capacity of an Employee, a member of the Board or a consultant or advisor, unless otherwise provided in the Participant's Award Agreement. Unless otherwise provided in a Participant's Award Agreement, the Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders Service to the Participating Company Group or a change in the Participating Company for which the Participant renders such Service, provided that there is no interruption or termination

of the Participant's Service. Furthermore, a Participant's Service with the Participating Company Group shall not be deemed to have terminated if the Participant takes any bona fide leave of absence approved by the Company; provided, however, that unless otherwise designated by the Board or required by law, a leave of absence shall not be treated as Service for purposes of determining the Vesting under the Participant's Award Agreement. The Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the corporation for which the Participant performs Service ceasing to be a Participating Company. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(s) "STOCK" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.2.

(t) "SUBSIDIARY CORPORATION" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

(u) "VEST, " "VESTED" and "VESTING" refer to the right of a Participant, earned through continued Service and/or satisfaction of other conditions specified by the Plan or the Board to hold the securities acquired pursuant to an Award free of any substantial risk of forfeiture.

2.2 CONSTRUCTION. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

### 3. ADMINISTRATION.

3.1 ADMINISTRATION BY THE BOARD. The Plan shall be administered by the Board. All questions of interpretation of the Plan or of any Award shall be determined by the Board, and such determinations shall be final and binding upon all persons having an interest in the Plan or such Award.

3.2 AUTHORITY OF OFFICERS. Any officer of a Participating Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the

officer has apparent authority with respect to such matter, right, obligation, determination or election.

3.3 POWERS OF THE BOARD. In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Board shall have the full and final power and authority, in its discretion:

(a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock to be subject to each Award;

(b) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical);

(c) to approve one or more forms of Award Agreement;

(d) to amend or modify any Award Agreement or to waive any restrictions or conditions applicable to any Award;

(e) to accelerate, continue, extend or defer the Vesting of any shares acquired under the Plan, including with respect to the period following a Participant's termination of Service;

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

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

3.4 ADMINISTRATION WITH RESPECT TO INSIDERS. With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3. For this purpose, the Board may delegate authority to administer the Plan to a Committee composed solely of two or more Non-Employee Directors.

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

4. SHARES SUBJECT TO PLAN.

4.1 MAXIMUM NUMBER OF SHARES ISSUABLE. Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be fourteen million six hundred thousand (14,600,000) (1) and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof. If shares of Stock issued pursuant to the Plan are reacquired by the Company under the terms of the Plan, such shares of Stock shall again be available for issuance under the Plan.

4.2 ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE. In the event of any stock dividend, stock split, reverse stock split, recapitalization, merger, combination, exchange of shares, reclassification or similar change in the capital structure of the Company, appropriate adjustments shall be made in the number and class of shares subject to the Plan and to any outstanding Award. If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "NEW SHARES"), the Board may unilaterally amend the outstanding Awards to provide that such Awards shall be for New Shares. In the event of any such amendment, the number of shares subject to the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Board, in its discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number. The adjustments determined by the Board pursuant to this Section 4.2 shall be final, binding and conclusive.

5. ELIGIBILITY.

Awards may be granted only to Employees. Awards are granted solely at the discretion of the Board. Eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

6. TERMS AND CONDITIONS OF AWARDS.

Awards shall be evidenced by Award Agreements specifying the number of shares of Stock subject to and the other terms, conditions and restrictions of the Award, and shall be in such form as the Board shall from time to time establish. No Award or purported Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

6.1 PAYMENT FOR SHARES. No monetary payment (other than applicable tax withholding) shall be required as a condition of receiving shares of Stock pursuant to an Award, the consideration for which shall be past services actually rendered or future services to be rendered to a Participating Company or for its benefit, as determined by the Board in its discretion; provided, however, that to the extent that newly issued shares of Stock are awarded to

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(1) As adjusted through the two-for-one stock split effective on September 12, 1999.

a Participant, the Participant shall have provided past services to a Participating Company or for its benefit having a value not less than the par value of such shares.

6.2 VESTING AND RESTRICTIONS ON TRANSFER. Shares of Stock issued pursuant to any Award shall Vest upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, if any, as

shall be established by the Board and set forth in the Award Agreement evidencing such Award. During any period (the "RESTRICTION PERIOD") in which shares acquired pursuant to an Award have not Vested, such shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than pursuant to an Ownership Change Event or as provided in Section 6.5. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

6.3 VOTING RIGHTS; DIVIDENDS. Except as provided in this Section and Section 6.2, during the Restriction Period applicable to shares acquired by a Participant pursuant to an Award, the Participant shall have all of the rights of a stockholder of the Company holding shares of Stock, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares; provided, however, that if any such dividends or distributions are paid in shares of Stock, such shares shall be subject to the same Vesting conditions as the shares subject to the Award with respect to which the dividends or distributions were paid.

6.4 EFFECT OF TERMINATION OF SERVICE. Unless otherwise provided in the grant of an Award to a Participant and set forth in the Award Agreement evidencing such Award or unless otherwise provided in an employment agreement between a Participating Company and the Participant, if a Participant's Service with the Participating Company Group terminates for any reason, whether voluntary or involuntary (including as a result of the Participant's death or disability), then the Participant shall forfeit to the Company and the Company shall automatically reacquire without any payment therefor to the Participant any and all shares acquired by the Participant pursuant to the Award which have not Vested as of the date of the Participant's termination of Service.

6.5 NONTRANSFERABILITY OF AWARD RIGHTS. Rights to acquire shares of Stock pursuant to an Award may not be assigned or transferred in any manner except by will or the laws of descent and distribution, and, during the lifetime of the Participant, shall be exercisable only by the Participant.

#### 6.6 TAX WITHHOLDING.

(a) IN GENERAL. The Company shall have the right to require the Participant, through payroll withholding, cash payment or otherwise, to make adequate provision for the federal, state, local and foreign taxes, if any, required by law to be withheld by the Participating Company Group with respect to an Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Stock or to release shares of Stock

from an escrow established pursuant to an Award Agreement until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

(b) WITHHOLDING IN SHARES. The Board may permit a Participant to satisfy all or any portion of the Participating Company Group's tax withholding obligations by requesting the Company to withhold a number of whole, Vested shares of Stock otherwise deliverable to the Participant pursuant to the Award or by tendering to the Company a number of whole, Vested shares of Stock acquired pursuant to the Award or otherwise having in any such case a fair market value, as determined by the Company as of the date on which the tax withholding obligations arise, not in excess of the amount of such tax withholding obligations determined by the applicable minimum statutory withholding rates. Any adverse consequences to the Participant resulting from the procedure permitted under this Section, including, without limitation, tax consequences, shall be the sole



responsibility of the Participant.

7. STANDARD FORM OF AWARD AGREEMENT.

7.1 RESTRICTED STOCK AGREEMENT. Unless otherwise provided by the Board at the time an Award is granted, each Award shall comply with and be subject to the terms and conditions set forth in the form of Restricted Stock Agreement approved by the Board concurrently with its adoption of the Plan and as amended from time to time.

7.2 AUTHORITY TO VARY TERMS. The Board shall have the authority from time to time to vary the terms of any standard form of Restricted Stock Agreement described in this Section 7 either in connection with the grant or amendment of an individual Award or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Restricted Stock Agreement are not inconsistent with the terms of the Plan.

8. EFFECT OF CHANGE IN CONTROL.

In the event of a Change in Control, the Vesting of shares subject to each then outstanding Award held by a Participant whose Service has not terminated prior to the date of the Change in Control shall be accelerated in full effective as of the date of the Change in Control.

9. COMPLIANCE WITH SECURITIES LAW.

The issuance of shares of Stock pursuant to an Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. Shares of Stock may not be issued if such issuance would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any shares hereunder 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 grant of any 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.

10. TERMINATION OR AMENDMENT OF PLAN.

The Board may terminate or amend the Plan at any time; provided, however, that without the approval of the Company's stockholders, there shall be no amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule. No termination or amendment of the Plan shall affect any then outstanding Award unless expressly provided by the Board. In any event, no termination or amendment of the Plan may adversely affect any then outstanding Award without the consent of the Participant.

11. MISCELLANEOUS PROVISIONS.

11.1 PROVISION OF INFORMATION. Each Participant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders so long as the Participant remains a stockholder.

11.2 RIGHTS AS A STOCKHOLDER. A Participant shall have no rights as a stockholder with respect to any shares covered by an Award until the date of the issuance of 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 4.2 or another provision of the Plan.

11.3 RIGHTS AS EMPLOYEE, CONSULTANT OR BOARD MEMBER. No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee, a member of the Board or a consultant or advisor, or interfere with or limit in any way the right of a Participating Company to terminate the Participant's Service at any time.

11.4 CONTINUATION OF PRIOR VERSIONS OF THE PLAN AS TO OUTSTANDING AWARDS. Notwithstanding any other provision of the Plan to the contrary, each Award outstanding prior to the Effective Date shall continue to be governed by the terms of the applicable version of the Plan as in effect on the date of grant of such Award. For purposes of the preceding sentence, such prior versions of the Plan include the Ross Stores, Inc. 1988 Restricted Stock Plan adopted on March 14, 1988; the Amended and Restated Ross Stores, Inc. 1988 Restricted Stock Plan adopted on March 17, 1989; the Second Amended and Restated Ross Stores, Inc. 1988 Restricted Stock Plan adopted on March 18, 1991; and the Third Amended and Restated Ross Stores, Inc. 1988 Restricted Stock Plan adopted on March 16, 1992.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the Fourth Amended and Restated Ross Stores, Inc. 1988 Restricted Stock Plan as duly adopted by the Board on March 16, 2000.

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Secretary

ROSS STORES, INC.  
FISCAL 1999 FORM 10-K  
EXHIBIT 10.11

AMENDED AND RESTATED  
ROSS STORES, INC.

1991 OUTSIDE DIRECTORS STOCK OPTION PLAN

(EFFECTIVE AS OF MARCH 16, 2000)

1. ESTABLISHMENT, PURPOSE AND TERM OF PLAN.

1.1 ESTABLISHMENT. The Ross Stores, Inc. 1991 Outside Directors Stock Option Plan is hereby amended and restated in its entirety as the Amended and Restated Ross Stores, Inc. 1991 Outside Directors Stock Option Plan (the "PLAN") effective as of March 16, 2000 (the "EFFECTIVE DATE").

1.2 PURPOSE. The purpose of the Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward persons performing services as Outside Directors of the Company and by motivating such persons to contribute to the growth and profitability of the Company.

1.3 TERM OF PLAN. The Plan shall continue in effect until terminated by the Board.

2. DEFINITIONS AND CONSTRUCTION.

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

(a) "BOARD" means the Board of Directors of the Company. If one or more Committees have been appointed by the Board to administer the Plan, "BOARD" also means such Committee(s).

(b) "CODE" means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(c) "CHANGE IN CONTROL" means the occurrence of any of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than (1) a trustee or other fiduciary holding stock of the Company under an employee benefit plan of the Company or any Parent Corporation or Subsidiary Corporation, or (2) a corporation owned directly or indirectly by the stockholders of

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the Company in substantially the same proportions as their ownership of the stock of the Company, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of stock of the Company representing more than fifty percent (50%) of the total combined voting power of the Company's then-outstanding voting stock; or

(ii) an Ownership Change Event or a series of related Ownership Change Events (collectively, a "TRANSACTION") wherein the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting stock of the Company or, in the event of a sale of assets, of the corporation or corporations to which the assets of the Company were transferred (the "TRANSFERRED CORPORATION(S)"); or

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

(d) "COMMITTEE" means the Compensation Committee or other committee of one or members of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. Unless the powers of the Committee have been specifically limited, the Committee shall have all of the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

(e) "COMPANY" means Ross Stores, Inc. a Delaware corporation, or any successor corporation thereto.

(f) "DIRECTOR" means a member of the Board.

(g) "DISABILITY" means the permanent and total disability of the Optionee within the meaning of Section 22(e)(3) of the Code.

(h) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(i) "FAIR MARKET VALUE" means, as of any date, the value of a share of Stock or other property as determined by the Board, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

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(i) If, on such date, the Stock is listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock (or the closing bid price of a share of Stock if the Stock is so quoted instead) as quoted on the Nasdaq National Market, The Nasdaq SmallCap Market or such other national or regional securities exchange or market system constituting the primary market for the Stock, as reported in THE WALL STREET JOURNAL or such other source as the Company deems reliable. If the relevant date does not fall on a day on which the Stock has traded on such securities exchange or market system, the date on which the Fair Market Value shall be established shall be the last day on which the Stock was so traded prior to the relevant date, or such other appropriate day as shall be determined by the Board, in its discretion.

(ii) If, on such date, the Stock is not listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be as determined by the Board in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse.

(j) "NON-EMPLOYEE DIRECTOR" means a Director who (i) is not a current employee or officer of the Company or any Parent Corporation or Subsidiary Corporation; (ii) does not receive compensation, either directly or indirectly, from the Company or any Parent Corporation or Subsidiary Corporation for services rendered as a consultant or in any capacity other than as a Director, except for an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Item 404(a) of Regulation S-K under the Securities Act ("REGULATION S-K"); (iii) does not possess an interest in any other transaction for which disclosure would be required pursuant to Item 404(a) of Regulation S-K; and (iv) is not engaged

in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K.

(k) "OPTION" means a right to purchase Stock (subject to adjustment as provided in Section 4.2) pursuant to the terms and conditions of the Plan. Each Option shall be a nonstatutory stock option; that is, an option not intended to qualify as an incentive stock option within the meaning of Section 422(b) of the Code.

(l) "OPTION AGREEMENT" means a written agreement between the Company and an Optionee setting forth the terms, conditions and restrictions of the Option granted to the Optionee and any shares acquired upon the exercise thereof.

(m) "OPTIONEE" means a person who has been granted one or more Options.

(n) "OUTSIDE DIRECTOR" means a Director who is not an employee of the Company or of any Parent Corporation or Subsidiary Corporation.

(o) "OWNERSHIP CHANGE EVENT" means the occurrence of any of the following with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company

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is a party; or (iii) the sale, exchange, or transfer of all or substantially all of the assets of the Company.

(p) "PARENT CORPORATION" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(q) "RULE 16b-3" means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(r) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(s) "SERVICE" means an Optionee's service with the Company as a Director. An Optionee's Service shall be deemed to have terminated if the Optionee ceases to be a Director, even if the Optionee continues to render service to the Company in a capacity other than as a Director or commences rendering service to a Parent Corporation or Subsidiary Corporation. An Optionee's Service shall not be deemed to have terminated if the Optionee takes any bona fide leave of absence approved by the Company. Unless otherwise provided by the Board in the grant of an Option and set forth in the Option Agreement evidencing such Option, an approved leave of absence shall be treated as Service for purposes of determining vesting under the Option. Subject to the foregoing, the Company, in its discretion, shall determine whether the Optionee's Service has terminated and the effective date of such termination.

(t) "STOCK" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.2.

(u) "SUBSIDIARY CORPORATION" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

2.2 CONSTRUCTION. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context

clearly requires otherwise.

### 3. ADMINISTRATION.

3.1 ADMINISTRATION BY THE BOARD. The Plan shall be administered by the Board. All questions of interpretation of the Plan or of any Option shall be determined by the Board, and such determinations shall be final and binding upon all persons having an interest in the Plan or such Option. At any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3. For this purpose, the Board may delegate authority to administer the Plan to a Committee composed solely of two or more Non-Employee Directors.

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3.2 AUTHORITY OF OFFICERS. Any officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the officer has apparent authority with respect to such matter, right, obligation, determination or election.

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

### 4. SHARES SUBJECT TO PLAN.

4.1 MAXIMUM NUMBER OF SHARES ISSUABLE. Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be seven hundred thousand (700,000) (1) and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof. If an outstanding Option for any reason expires or is terminated or canceled or if shares of Stock are acquired upon the exercise of an Option subject to a Company repurchase option and are repurchased by the Company, the shares of Stock allocable to the unexercised portion of such Option or such repurchased shares of Stock shall again be available for issuance under the Plan.

4.2 ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE. In the event of any stock dividend, stock split, reverse stock split, recapitalization, merger, combination, exchange of shares, reclassification or similar change in the capital structure of the Company, appropriate adjustments shall be made in the number and class of shares subject to the Plan, to the Options to be granted automatically pursuant to Section 6.1 and to any outstanding Options, and in the exercise price per share of any outstanding Options. If a majority of the shares which are of the same class as the shares that are subject to outstanding Options are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event)

shares of another corporation (the "NEW SHARES"), the Board may unilaterally amend the outstanding Options to provide that such Options are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the outstanding

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(1) As adjusted through the two-for-one stock split effective on September 22, 1999.

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Options shall be adjusted in a fair and equitable manner as determined by the Board, in its discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number, and in no event may the exercise price of any Option be decreased to an amount less than the par value, if any, of the stock subject to the Option. The adjustments determined by the Board pursuant to this Section 4.2 shall be final, binding and conclusive.

5. ELIGIBILITY.

Options shall be granted only to those persons who, at the time of grant, are serving as Outside Directors.

6. TERMS AND CONDITIONS OF OPTIONS.

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

6.1 AUTOMATIC GRANT. Subject to the execution by an Outside Director of an appropriate Option Agreement, Options shall be granted automatically and without further action of the Board, as follows:

(a) INITIAL OPTION. Each person who first becomes an Outside Director on or after the Effective Date shall be granted on the date such person first becomes an Outside Director an Option to purchase twenty thousand (20,000) (2) shares of Stock (an "INITIAL OPTION").

(b) ANNUAL OPTION. Each Outside Director shall be granted on the date of each annual meeting of the stockholders of the Company which occurs on or after the Effective Date (an "ANNUAL MEETING") immediately following which such person remains an Outside Director an Option to purchase four thousand (4,000) (2) shares of Stock (an "ANNUAL OPTION"); provided, however, that an Outside Director granted an Initial Option after the December 1 immediately preceding the date of an Annual Meeting shall not be granted an Annual Option pursuant to this Section with respect to the same Annual Meeting.

(c) RIGHT TO DECLINE OPTION. Notwithstanding the foregoing, any person may elect not to receive an Option by delivering written notice of such election to the Board no later than the day prior to the date such Option would otherwise be granted. A person so declining an Option shall receive no payment or other consideration in lieu of such declined Option. A person who has declined an Option may revoke such election by delivering written notice of such revocation to the Board no later than the day prior to the date such Option would be granted pursuant to Section 6.1(a) or (b), as the case may be.

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(2) As adjusted for the two-for-one stock split effective on September 22, 1999.

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6.2 EXERCISE PRICE. The exercise price per share of Stock subject to an Option shall be the Fair Market Value of a share of Stock on the date of grant of the Option. Notwithstanding the foregoing, an Option may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Section 424(a) of the Code.

6.3 EXERCISABILITY AND TERM OF OPTIONS. Except as otherwise provided in the Plan or in the Option Agreement evidencing an Option and provided that the Optionee's Service has not terminated prior to the relevant date, each Option shall vest and become exercisable as to one-sixth (1/6) of the shares initially subject thereto on the date occurring six (6) months after the date of grant and as to one thirty-sixth (1/36) of the shares initially subject thereto following each full month of the Optionee's continuous Service thereafter until the Option is fully vested. Unless earlier terminated in accordance with the terms of the Plan or the Option Agreement evidencing an Option, each Option shall terminate and cease to be exercisable on the tenth (10th) anniversary of the date of grant of the Option.

#### 6.4 PAYMENT OF EXERCISE PRICE.

(a) FORMS OF CONSIDERATION AUTHORIZED. Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash or by check, (ii) by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Optionee having a Fair Market Value (as determined by the Company without regard to any restrictions on transferability applicable to such stock by reason of federal or state securities laws or agreements with an underwriter for the Company) not less than the exercise price, (iii) by delivery of a properly executed notice together with irrevocable instructions to a broker providing for the assignment to the Company of the proceeds of a sale or loan with respect to some or all of the shares being acquired upon the exercise of the Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System) (a "CASHLESS EXERCISE"), or (iv) by any combination thereof.

#### (b) LIMITATIONS ON FORMS OF CONSIDERATION.

(i) TENDER OF STOCK. Notwithstanding the foregoing, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's stock. Unless otherwise provided by the Board, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock unless such shares either have been owned by the Optionee for more than six (6) months or were not acquired, directly or indirectly, from the Company.

(ii) CASHLESS EXERCISE. The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve or

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terminate any program or procedures for the exercise of Options by means of a Cashless Exercise.

6.5 TAX WITHHOLDING. The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable upon the exercise of an Option, or to accept from the Optionee the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the federal, state, local and foreign taxes, if



any, required by law to be withheld by the Company with respect to such Option or the shares acquired upon the exercise thereof. Alternatively or in addition, in its discretion, the Company shall have the right to require the Optionee, by cash payment or otherwise, including by means of a Cashless Exercise, to make adequate provision for any such tax withholding obligations of the Company arising in connection with the Option or the shares acquired upon the exercise thereof. The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates. The Company shall have no obligation to deliver shares of Stock until the Company's tax withholding obligations have been satisfied by the Optionee.

#### 6.6 EFFECT OF TERMINATION OF SERVICE.

(a) OPTION EXERCISABILITY. Subject to earlier termination of the Option as otherwise provided herein, an Option shall be exercisable after an Optionee's termination of Service only during the applicable time period determined in accordance with this Section 6.6 and thereafter shall terminate:

(i) DISABILITY. If the Optionee's Service terminates because of the Disability of the Optionee, the Option, to the extent unexercised and exercisable on the date on which the Optionee's Service terminated, may be exercised by the Optionee (or the Optionee's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Optionee's Service terminated, but in any event no later than the date of expiration of the Option's term as set forth in the Option Agreement evidencing such Option (the "OPTION EXPIRATION DATE").

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

(iii) OTHER TERMINATION OF SERVICE. If the Optionee's Service terminates for any reason, except Disability or death, the Option, to the extent unexercised and exercisable by the Optionee on the date on which the Optionee's Service terminated, may be exercised by the Optionee at any time prior to the expiration of six (6) months after the date on

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which the Optionee's Service terminated, but in any event no later than the Option Expiration Date.

(b) EXTENSION IF EXERCISE PREVENTED BY LAW. Notwithstanding the foregoing, if the exercise of an Option within the applicable time periods set forth in Section 6.6(a) is prevented by the provisions of Section 9 below, the Option shall remain exercisable until three (3) months after the date the Optionee is notified by the Company that the Option is exercisable, but in any event no later than the Option Expiration Date.

(c) EXTENSION IF OPTIONEE SUBJECT TO SECTION 16(b). Notwithstanding the foregoing, if a sale within the applicable time periods set forth in Section 6.6(a) of shares acquired upon the exercise of the Option would subject the Optionee to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (i) the tenth (10th) day following the date on which a sale of such shares by the Optionee would no longer be subject to such suit, (ii) the one hundred and ninetieth (190th) day after the Optionee's termination of Service, or (iii)

the Option Expiration Date.

#### 6.7 TRANSFERABILITY OF OPTIONS.

(a) Except as provided in Section 6.7(b), an Option may be exercised during the lifetime of the Optionee only by the Optionee or the Optionee's guardian or legal representative and may not be assigned or transferred in any manner except by will or by the laws of descent and distribution. Following the death of an Optionee, the Option, to the extent provided in Section 6.6, may be exercised by the Optionee's legal representative or by any person empowered to do so under the deceased Optionee's will or under the then applicable laws of descent and distribution.

(b) With the consent of the Board and subject to any conditions or restrictions as the Board may impose, in its discretion, an Optionee may transfer during the Optionee's lifetime and prior to the Optionee's termination of Service all or any portion of the Option to one or more of such persons (each a "PERMITTED TRANSFEREE") as permitted in accordance with the applicable limitations, if any, described in the General Instructions to the Form S-8 Registration Statement under the Securities Act. No transfer or purported transfer of the Option shall be effective unless and until: (i) the Optionee has delivered to the Company a written request describing the terms and conditions of the proposed transfer in such form as the Company may require, (ii) the Optionee has made adequate provision, in the sole determination of the Company, for satisfaction of the tax withholding obligations of the Company as provided in Section 6.5 that may arise with respect to the transferred portion of the Option, (iii) the Board has approved the requested transfer, and (iv) the Optionee has delivered to the Company written documentation of the transfer in such form as the Company may require. With respect to the transferred portion of the Option, all of the terms and conditions of the Plan and the Option Agreement shall apply to the Permitted Transferee and not to the original Optionee, except for (i) the Optionee's rendering of Service, (ii) provision for the Company's tax withholding obligations, if any, and (iii) any subsequent transfer of the Option by the Permitted Transferee, which shall be prohibited except as provided in Section 6.7(a), unless otherwise permitted by the Board, in its sole discretion. The Company shall have no obligation to notify a Permitted

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Transferee of any expiration, termination, lapse or acceleration of the transferred Option, including, without limitation, an early termination of the transferred Option resulting from the termination of Service of the original Optionee. Exercise of the transferred Option by a Permitted Transferee shall be subject to compliance with all applicable federal, state and foreign securities laws; however, the Company shall have no obligation to register with any federal, state or foreign securities commission or agency such transferred Option or any shares that may be issuable upon the exercise of the transferred Option by the Permitted Transferee.

#### 7. STANDARD FORMS OF OPTION AGREEMENT.

7.1 OPTION AGREEMENT. Each Option shall comply with and be subject to the terms and conditions set forth in the form of Option Agreement approved by the Board concurrently with its adoption of the Plan and as amended from time to time.

7.2 AUTHORITY TO VARY TERMS. The Board shall have the authority from time to time to vary the terms of any standard form of Option Agreement described in this Section 7 either in connection with the grant or amendment of an individual Option or in connection with the authorization of a new standard form or forms; provided, however, that the terms and conditions of any such new, revised or amended standard form or forms of Option Agreement are not inconsistent with the terms of the Plan. Such authority shall include, but not by way of limitation, the authority to grant Options which are immediately exercisable subject to the Company's right to repurchase any unvested shares of Stock acquired by the Optionee on exercise of an Option in

the event such Optionee's Service is terminated for any reason.

8. EFFECT OF CHANGE IN CONTROL.

In the event of a Change in Control, any unexercisable or unvested portions of outstanding Options and any shares acquired upon the exercise thereof shall be immediately exercisable and vested in full as of the date ten (10) days prior to the date of the Change in Control. The exercise or vesting of any Option and any shares acquired upon the exercise thereof that was permissible solely by reason of this Section 8 shall be conditioned upon the consummation of the Change in Control. In addition, the surviving, continuing, successor, or purchasing corporation or parent corporation thereof, as the case may be (the "ACQUIRING CORPORATION"), may either assume the Company's rights and obligations under outstanding Options or substitute for outstanding Options substantially equivalent options for the Acquiring Corporation's stock. Any Options which are neither assumed or substituted for by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control.

9. COMPLIANCE WITH SECURITIES LAW.

The grant of Options and the issuance of shares of Stock upon exercise of Options shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. Options may not be exercised if the issuance of shares of Stock upon exercise would constitute a violation of any applicable federal, state or foreign securities

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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 and sale of any shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to the exercise of any Option, the Company may require the Optionee 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.

10. TERMINATION OR AMENDMENT OF PLAN.

The Board may terminate or amend the Plan at any time. However, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.2), (b) no material change in the class of persons eligible to receive Options, and (c) no material change in the amount, timing or exercise price formula of automatic grants of Options pursuant to Section 6.1 above. No termination or amendment of the Plan shall affect any then outstanding Option unless expressly provided by the Board. In any event, no termination or amendment of the Plan may adversely affect any then outstanding Option without the consent of the Optionee.

11. MISCELLANEOUS PROVISIONS.

11.1 PROVISION OF INFORMATION. Each Optionee shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

11.2 BENEFICIARY DESIGNATION. Each Optionee may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Optionee is entitled in the event of such Optionee's death before he or she receives any or all of such benefit. Each

designation will revoke all prior designations by the same Optionee, shall be in a form prescribed by the Company, and will be effective only when filed by the Optionee in writing with the Company during the Optionee's lifetime. If a married Optionee designates a beneficiary other than the Optionee's spouse, the effectiveness of such designation shall be subject to the consent of the Optionee's spouse.

11.3 RIGHTS AS A STOCKHOLDER. An Optionee shall have no rights as a stockholder with respect to any shares covered by an Option 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 4.2 or another provision of the Plan.

11.4 CONTINUATION OF PRIOR VERSION OF THE PLAN AS TO OUTSTANDING OPTIONS. Notwithstanding any other provision of the Plan to the contrary, each Option outstanding prior to

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the Effective Date shall continue to be governed by the terms of the version of the Plan as in effect on the date of grant of such Option. For purposes of the preceding sentence, such prior version of the Plan means the Ross Stores, Inc. 1991 Outside Directors Stock Option Plan adopted on March 18, 1991 and amended from time to time.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the Amended and Restated Ross Stores, Inc. Outside Directors Stock Option Plan as duly adopted by the Board on March 16, 2000.

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Secretary

ROSS STORES, INC.  
FISCAL 1999 FORM 10-K  
EXHIBIT 10.18

AMENDED AND RESTATED  
ROSS STORES, INC.  
INCENTIVE COMPENSATION PLAN

(AS AMENDED EFFECTIVE MARCH 16, 2000)

1. ESTABLISHMENT, PURPOSE, TERM OF PLAN.

1.1 ESTABLISHMENT. The Ross Stores, Inc. Incentive Compensation Plan is hereby amended and restated in its entirety as the Amended and Restated Ross Stores, Inc. Incentive Compensation Plan (the "PLAN") effective as of March 16, 2000 (the "EFFECTIVE DATE").

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

1.3 TERM OF PLAN. The Plan shall continue in effect until its termination by the Committee.

2. DEFINITIONS AND CONSTRUCTION.

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

(a) "AWARD" means an incentive award granted under the Plan.

(b) "AWARD FORMULA" means, for any Award granted to a Participant, a formula or table establishing the percentage of the Participant's base salary, as in effect on the last day of the Fiscal Year with respect to which such Award was granted, that will become payable (except as otherwise provided by the Plan) as a cash bonus at one or more specified thresholds of attainment of the Performance Goal for the Fiscal Year.

(c) "BOARD" means the Board of Directors of the Company.

(d) "CAUSE" means, unless otherwise defined by a contract of employment between the Participant and the Company, any of the following: (i) the Participant's theft, dishonesty, or falsification of any Company documents or records; (ii) the Participant's improper use or disclosure of the Company's confidential or proprietary information; (iii) any

action by the Participant which has a detrimental effect on the Company's reputation or business; (iv) the Participant's failure or inability to perform any reasonable assigned duties after written notice from the Company of, and a reasonable opportunity to cure, such failure or inability; (v) any material breach by the Participant of any employment agreement between the Participant and the Company, which breach is not cured pursuant to the terms of such agreement; or (vi) the Participant's conviction (including any plea of guilty or nolo contendere) of any criminal act which impairs the Participant's ability to perform his or her duties with the Company.

(e) "CODE" means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(f) "CHANGE IN CONTROL" means the occurrence of any of the following:

(i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT")), other than (1) a trustee or other fiduciary holding stock of the Company under an employee benefit plan of a Participating Company or (2) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, becomes the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of stock of the Company representing more than fifty percent (50%) of the total combined voting power of the Company's then-outstanding voting stock; or

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

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

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

(h) "COMPANY" means Ross Stores, Inc. a Delaware corporation, or any successor corporation thereto.

(i) "DISABILITY" means a long-term disability as defined by the long-term disability plan established by the Company for its employees.

(j) "EMPLOYEE" means any person treated as an employee (including an officer or a member of the Board who is also treated as an employee) in the records of the Company.

(k) "EXECUTIVE OFFICER" mean a person who, on the last day of a Fiscal Year, is then serving as the Chief Executive Officer, the President, an Executive Vice President or a Senior Vice President of the Company.

(l) "FISCAL YEAR" means a fiscal year of the Company.

(m) "OUTSIDE DIRECTOR" means a member of the Board who (i) is not a current employee of the Company or a member of an affiliated group of corporations within the meaning of Section 162(m) of the Code (together with the Company, the "AFFILIATED GROUP"); (ii) is not a former employee of the Affiliated Group who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year; (iii) has not been an officer of the Affiliated Group; and (iv)

does not receive remuneration within the meaning of Section 162(m) of the Code from the Affiliated Group, either directly or indirectly, in any capacity other than as a member of the Board.

(n) "PARTICIPANT" means a person who has been granted one or more Awards.

(o) "PERFORMANCE GOAL" means a target level of the pretax earnings of the Company determined in accordance with generally accepted accounting principles but prior to the accrual or payment of any Award and excluding the impact (whether positive or negative) thereon of any change in accounting standards or extraordinary, unusual or nonrecurring item, as determined by the Committee.

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

2.2 CONSTRUCTION. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall

include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

### 3. ADMINISTRATION.

3.1 ADMINISTRATION BY THE COMMITTEE. The Plan shall be administered by the Committee. All questions of interpretation of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final and binding upon all persons having an interest in the Plan or such Award.

3.2 ADMINISTRATION IN COMPLIANCE WITH SECTION 162(m). The Board shall establish a Committee of composed solely of two or more Outside Directors to administer the Plan with respect to any Award which might reasonably be anticipated to result in the payment of employee remuneration that would otherwise exceed the limit on employee remuneration deductible for income tax purposes pursuant to Section 162(m) of the Code.

3.3 AUTHORITY OF OFFICERS. Any Executive Officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the Executive Officer has apparent authority with respect to such matter, right, obligation, determination or election.

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

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

(b) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical);

(c) to amend or modify any Award or to waive any restrictions or conditions applicable to any Award;

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

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

3.5 INDEMNIFICATION. In addition to such other rights of indemnification as they may have as members of the Board or officers or employees of the Company, members of

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

#### 4. ELIGIBILITY AND AWARD LIMITATION.

4.1 PERSONS ELIGIBLE FOR AWARDS. Awards may be granted only to Employees who are officers of the Company or who are designated as District Managers, Directors, Buyers, Counselors, Regional Area Managers, Key Employees, First Line Employees or are otherwise Employees selected by the Committee. No person whose Service commences or recommences after October 31 of any Fiscal Year shall be eligible to be granted an Award with respect to such Fiscal Year.

4.2 MAXIMUM AWARD. No Participant may be granted an Award which would result in the Participant receiving in settlement of the Award for any Fiscal Year an amount in excess of \$1,522,000, representing 200% of the salary of the Chief Executive Officer of the Company as in effect on May 30, 1996, the date of approval of the Plan by the Company's stockholders.

#### 5. GRANT OF AWARDS.

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

5.1 ESTABLISHMENT OF PERFORMANCE GOAL AND AWARD FORMULAS. For each Fiscal Year in which an Award is to be granted, the Committee shall establish in writing (a) the Performance Goal applicable to any and all Awards which may be granted for such Fiscal Year and (b) the respective Award Formula to be applicable to each Award which may be granted for such Fiscal Year. The Committee may, in its discretion, establish different Award



Formulas applicable to different classes, categories, positions or organizational levels of Participants or to individual Participants. In establishing the Performance Goal and Award Formulas, the Committee shall take into account the recommendations of the Management Committee of the Company. Unless otherwise permitted in compliance with the requirements under Section 162(m) of the Code with respect to "performance-based compensation," the Committee shall establish the Performance Goal applicable to a Fiscal Year and the applicable Award Formulas no later than the earlier of (a) the date ninety (90) days after the commencement of the Fiscal

Year or (b) the date on which 25% of the Fiscal Year has elapsed, and, in any event, at a time when the outcome of the Performance Goal remains substantially uncertain. Once established for a Fiscal Year, the Performance Goal and Award Formulas (except as provided in Section 5.2 or Section 6.2) shall not be changed.

5.2 DISCRETIONARY ADJUSTMENT OF AWARD FORMULAS. In its discretion, the Committee may, either at the time it grants an Award or at any time thereafter, provide for the adjustment of the Award Formula applicable to an Award granted to any Participant who is not an Executive Officer to reflect such Participant's individual performance in his or her position with the Company or such other factors as the Committee may determine. However, once established in accordance with Section 5.1, the Committee shall have no discretion to alter an Award Formula applicable to any Award granted to an Executive Officer.

5.3 NEW OR PROMOTED EMPLOYEES. Any Award granted by the Committee to an Employee who becomes eligible to participate in the Plan following the commencement of a Fiscal Year, whether as a result of hiring or promotion, shall provide for an Award Formula prorated on the basis the length of the Fiscal Year remaining from the date on which the Employee becomes eligible to participate. If a Participant previously granted an Award for a Fiscal Year is promoted to a position within a category of Participants for which the Committee has established a more favorable Award Formula, the more favorable Award Formula shall be applied on a pro rata basis to that portion of the Fiscal Year remaining from the date of the Employee's promotion, and the original Award Formula shall be applied on a pro rata basis to that portion of the Fiscal Year preceding the date of promotion. Notwithstanding the foregoing, no discretionary adjustment pursuant to Section 5.2 or Section 6.2 may be made to any Award held by a Participant who is promoted to a position of Executive Officer following the commencement of a Fiscal Year.

5.4 NOTICE TO PARTICIPANTS. The Company shall notify each Participant of the terms of the Award granted to him or her for the Fiscal Year, including the Performance Goal and Award Formula.

## 6. SETTLEMENT OF AWARDS.

6.1 DETERMINATION OF FINAL AWARD VALUES. As soon as practicable following the completion of each Fiscal Year, the Committee shall certify in writing the extent to which the applicable Performance Goal has been attained and the resulting final values of the Awards for such Fiscal Year earned by the Participants and to be paid upon settlement of the Awards in accordance with the applicable Award Formula. Except as provided in Section 6.2, the Committee shall have no discretion to increase the value of an Award payable upon its settlement in excess of the amount called for by the terms of the applicable Award Formula on the basis of the degree of attainment of the Performance Goal as certified by the Committee.

6.2 ADJUSTMENT FOR EXCEPTIONAL INDIVIDUAL PERFORMANCE. In the event that the Performance Goal is not attained for a Fiscal Year, but the Company is profitable in the judgment of the Committee, those Participants who are not Executive Officers and who have received an individual performance appraisal rating of "exceptional" shall be eligible to receive the amount of the final Award value that would have become payable to

the Participant under the

applicable Award Formula had 100% of the Performance Goal been attained and had the Participant received an individual performance appraisal rating of "good."

6.3 EFFECT OF LEAVES OF ABSENCE. Unless otherwise required by law, payment of the final value of an Award held by a Participant who has taken in excess of seven (7) days of military leave, sick leave or other approved leaves of absence during the Fiscal Year shall be prorated on the basis of the number of days of the Participant's Service during the Fiscal Year during which the Participant was not on a leave of absence.

6.4 NOTICE TO PARTICIPANTS. As soon as practicable following the Committee's determination and certification in accordance with Section 6.1, the Company shall notify each Participant of the determination of the Committee.

6.5 PAYMENT IN SETTLEMENT OF AWARDS. As soon as practicable following the Committee's determination and certification in accordance with Section 6.1, payment shall be made to each eligible Participant of the resulting final value, if any, of such Participant's Award (subject to applicable tax withholding). Except as otherwise provided in Section 7, no Participant shall be eligible to receive a payment under any Award unless the Participant remains an active, full-time Employee on the last day of the Fiscal Year applicable to such Award. For this purpose, a Participant on an approved leave of absence shall be deemed to be an active Employee. All such payments shall be made in cash or by check.

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

## 7. EFFECT OF TERMINATION OF SERVICE.

7.1 DEATH OR DISABILITY. If a Participant's Service terminates because of the death or Disability of the Participant prior to the completion of the Fiscal Year applicable to an Award held by the Participant, the final value of the Award shall be determined under the Award Formula by the extent to which the applicable Performance Goal is attained with respect to the entire Fiscal Year and by assuming for the purpose of this determination that the Participant (if not an Executive Officer) has received an individual performance rating of "good;" provided, however, that the resulting amount shall be prorated on the basis of the number of days of the Participant's Service during the Fiscal Year. Payment shall be made following the end of the Fiscal Year in the manner provided in Section 6.

7.2 INVOLUNTARY TERMINATION. If a Participant's Service is involuntarily terminated by the Company for any reason other than Cause (an "INVOLUNTARY TERMINATION") prior to the completion of the Fiscal Year applicable to an Award held by the Participant, the final value of the Award shall be determined under the Award Formula by the extent to which the applicable Performance Goal is attained with respect to the entire Fiscal Year and by assuming for the purpose of this determination that the Participant (if not an Executive Officer) has received an individual performance rating of "good;" provided, however, that the resulting amount shall be prorated on the basis of the number of days of the Participant's Service during

the Fiscal Year. Payment shall be made following the end of the Fiscal Year in the manner provided in Section 6.

7.3 OTHER TERMINATION OF SERVICE. If a Participant's

Service terminates for any reason other than death, Disability or Involuntary Termination prior to the completion of the Fiscal Year applicable to an Award held by the Participant, the Participant shall immediately forfeit the Award and shall be entitled to receive no payment therefor.

8. CHANGE IN CONTROL.

8.1 EFFECT OF CHANGE IN CONTROL. Unless otherwise provided by a contract of employment between the Participant and the Company, in the event of the consummation of a Change in Control prior to the completion of the Fiscal Year applicable to the Participant's Award, then the Award shall become payable, effective as of the date of the Change in Control, in the amount that would constitute the final value of the Award determined in accordance with the Award Formula had 100% of the Performance Goal for the Fiscal Year been attained and had the Participant (if not an Executive Officer) received an individual performance rating of "good;" provided, however, that such amount shall be prorated on the basis of the number of days of the Participant's Service during the Fiscal Year prior to the date of the Change in Control. Subject to Section 8.2, payment pursuant to this Section 8.1 (subject to applicable tax withholding) shall be made in cash or by check as soon as practicable following the date of the Change in Control.

8.2 FEDERAL EXCISE TAX UNDER SECTION 4999 OF THE CODE.

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

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

9. AMENDMENT OR TERMINATION OF THE PLAN.

The Plan, as set forth in this document, represents the general guidelines the Company presently intends to utilize to determine what Awards, if any, will be granted and paid. If, however, at the sole discretion of the Committee, the Company's best interest is served by applying different guidelines to certain individuals, or to individuals under special or unusual circumstances, it reserves the right to do so by notice to such individuals at any time, or from time to time. To the extent that such applications are contrary to any provisions of the Plan, the Plan will be deemed amended to such extent. The Committee may terminate or amend the Plan at any time; provided, however, that in amending the Plan the Committee shall take into account whether the approval of the Company's stockholders of such amendment may be required in order to continue to qualify amounts paid pursuant to the Plan as "performance-based compensation" within the meaning of Section 162(m)

of the Code.

10. MISCELLANEOUS PROVISIONS.

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

10.2 RIGHTS AS EMPLOYEE. No person, even though eligible pursuant to Section 4, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee or interfere with or limit in any way the right of the Company to terminate the Participant's Service at any time.

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

10.4 UNFUNDED OBLIGATION. Any amounts payable to Participants pursuant to the Plan shall be unfunded obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974. The Company shall not be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship

between the Committee or the Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of the Company. The Participants shall have no claim against the Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan.

10.5 APPLICABLE LAW. The Plan shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California.

10.6 CONTINUATION OF PRIOR VERSION OF THE PLAN AS TO OUTSTANDING AWARDS. Notwithstanding any other provision of the Plan to the contrary, each Award outstanding prior to the Effective Date shall continue to be governed by the terms of the version of the Plan as in effect on the date of grant of such Award. For purposes of the preceding sentence, such prior version of the Plan includes the Ross Stores, Inc. Incentive Compensation Plan adopted on May 30, 1996.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the Amended and Restated Ross Stores, Inc. Incentive Compensation Plan as duly adopted by the Board on March 16, 2000.

-----  
Secretary

Ross Stores, Inc.  
Fiscal 1999 Form 10-K  
Exhibit 10.32

January 26, 2000

Mel Wilmore  
President, COO  
Ross Stores, Inc.

8333 Central Avenue  
Newark, CA 94560

Dear Mel:

Your contract shall be amended as follows:

1. The first sentence in Paragraph 5.vii, shall now say "Until both the death of the Executive and the death of his spouse (strike "or the date of his 65th birthday, whichever occurs first"), the Executive shall be entitled to continue to participate (at no cost to the Executive) in the following Company employee benefit plans and arrangements in effect on the date hereof (or other benefit plans or arrangements providing substantially similar benefits) in which the Executive now participates: executive medical, dental, vision and mental health insurance.
2. After amending the first sentence, another sentence will be added to Paragraph 5.vii stating "Until his death, the Executive shall be entitled to continue to participate (at no cost to the Executive) in the following Company employee benefit plans and arrangements in effect on the date hereof (or other benefit plans or arrangements providing substantially similar benefits) in which the Executive now participates: life insurance; accidental death and dismemberment insurance; travel insurance; group excess personal liability insurance; and matching of Executive's 401(k) and supplemental 401(k) contributions (the "Matching Contributions").
3. Paragraph 5.ix, shall now say "Until his death (strike "or the date of his 65th birthday, whichever occurs first"), the Executive shall be reimbursed by the Company for any estate planning fees or expenses actually incurred by the Executive, up to the current annual limit of \$10,000 (strike "up to a maximum annual reimbursement of \$5000"); provided, however, that such annual limit shall be increased from time to time consistent with increases in similar benefits provided to Norman Ferber.

Your signature below indicates that you agree with the amendments noted above.

/s/ Melvin A. Wilmore

/s/ Michael A. Balmuth

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Melvin A. Wilmore

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Michael A. Balmuth

President and Chief Operating Officer

Vice Chairman and Chief Executive Officer

Date: January 27, 2000

Date: January 27, 2000

ROSS STORES, INC.  
FISCAL 1999 FORM 10-K

EXHIBIT 10.34

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT TO EMPLOYMENT AGREEMENT (the "Amendment") is made effective as of February 25, 2000, by and between Ross Stores, Inc. (the "Company") and Michael Balmuth (the "Executive"). The Executive and the Company previously entered into an Employment Agreement dated as of February 3, 1999 (the "Agreement") and now intend to amend the Agreement to clarify certain terms and conditions of the Agreement, as set forth below.

I. The Agreement is hereby amended as follows:

A. MITIGATION NOT REQUIRED. Paragraph 17 [Mitigation Not Required] of the Agreement is amended in its entirety as follows:

If the Executive's employment with the Company is terminated for any reason, the Executive shall not be obligated to seek other employment following such termination; provided, however, that the amount of salary and bonus to which the Executive will be entitled under paragraph 9 hereof shall be reduced by the amount of salary and/or bonus earned by the Executive for services performed for another employer during the period that the Executive is entitled to receive continued salary or bonus payments under paragraph 9 hereof.

B. NO OTHER MODIFICATIONS. Except as modified by this Amendment, the Agreement shall remain in full force and effect.

ROSS STORES, INC.

EXECUTIVE

By: /s/ Norman A. Ferber

/s/ Michael Balmuth

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Chairman of the Board

-----  
Michael Balmuth

March 20, 2000

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-61373, 33-51916, 33-51896, 33-51898, 33-41415, 33-41413, 33-29600 and 333-56831 of Ross Stores, Inc. on Form S-8 of our report dated March 10, 2000, appearing in this Annual Report on Form 10-K of Ross Stores, Inc. for the year ended January 29, 2000.

DELOITTE & TOUCHE LLP  
San Francisco, CA  
April 28, 2000



<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS FOR THE TWELVE MONTHS ENDED JANUARY 29, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS

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