

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 31, 1999

OR

____ TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 0-14678

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

Delaware
(State or other jurisdiction of
incorporation or organization)

94-1390387
(I.R.S. Employer Identification No.)

8333 Central Avenue, Newark, California
(Address of principal executive offices)

94560-3433
(Zip Code)

Registrant's telephone number,
including area code

(510) 505-4400

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

N/A

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

The number of shares of Common Stock, with \$.01 par value, outstanding on August 28, 1999 was 45,235,261.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ROSS STORES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(\$000)	July 31, 1999	January 30, 1999	August 1, 1998
ASSETS	(Unaudited)	(Note A)	(Unaudited)

CURRENT ASSETS			
Cash and cash equivalents	\$ 30,119	\$ 80,083	\$ 31,972
Accounts receivable	14,824	11,566	11,722
Merchandise inventory	522,904	466,460	468,952
Prepaid expenses and other	16,177	15,825	15,440
Total Current Assets	<u>584,024</u>	<u>573,934</u>	<u>528,086</u>
PROPERTY AND EQUIPMENT			
Land and buildings	49,111	48,789	48,748
Fixtures and equipment	228,456	217,629	197,679
Leasehold improvements	147,488	142,716	132,306
Construction-in-progress	38,672	32,023	32,856
	<u>463,727</u>	<u>441,157</u>	<u>411,589</u>
Less accumulated depreciation and amortization	208,708	192,445	177,271
	<u>255,019</u>	<u>248,712</u>	<u>234,318</u>
Deferred income taxes and other assets	51,772	47,660	40,318
TOTAL ASSETS	<u>\$890,815</u>	<u>\$870,306</u>	<u>\$802,722</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$245,182	\$248,103	\$212,249
Accrued expenses and other	85,522	95,059	83,448
Accrued payroll and benefits	37,466	40,885	29,699
Income taxes payable	21,803	19,092	12,620
Short-term debt	17,200	-	27,500
Total Current Liabilities	<u>407,173</u>	<u>403,139</u>	<u>365,516</u>
Long-term debt	-	-	10,000
Long-term liabilities	47,703	42,464	41,119
STOCKHOLDERS' EQUITY			
Common stock	453	462	472
Additional paid-in capital	222,666	215,831	200,688
Retained earnings	212,820	208,410	184,927
	<u>435,939</u>	<u>424,703</u>	<u>386,087</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$890,815</u>	<u>\$870,306</u>	<u>\$802,722</u>

See notes to condensed consolidated financial statements.

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ROSS STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(\$000, except per share data, unaudited)	Three Months Ended		Six Months Ended	
	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998
Sales	\$614,576	\$536,975	\$1,165,401	\$1,021,251
Costs and Expenses				
Cost of goods sold and occupancy	424,143	371,996	803,521	708,812
General, selling and administrative	117,677	103,355	223,869	197,412
Depreciation and amortization	9,132	8,230	18,452	16,112
Interest expense	182	265	20	130
	<u>551,134</u>	<u>483,846</u>	<u>1,045,862</u>	<u>922,466</u>
Earnings before taxes	63,442	53,129	119,539	98,785
Provision for taxes on earnings	24,806	20,720	46,740	38,526
Net earnings	<u>\$ 38,636</u>	<u>\$ 32,409</u>	<u>\$ 72,799</u>	<u>\$ 60,259</u>

Net earnings per share:

Basic	\$.85	\$.68	\$ 1.59	\$ 1.26
Diluted	\$.83	\$.67	\$ 1.56	\$ 1.24

Weighted average shares outstanding:

Basic	45,566	47,455	45,765	47,652
Diluted	46,367	48,358	46,551	48,582

Stores open at end of period	363	339	363	339
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See notes to condensed consolidated financial statements.

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ROSS STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$000, unaudited)	Six Months Ended	
	July 31, 1999	August 1, 1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$72,799	\$60,259
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	18,452	16,112
Other amortization	4,984	4,663
Change in assets and liabilities:		
Merchandise inventory	(56,445)	(50,127)
Other current assets - net	(3,609)	(3,931)
Accounts payable	85	12,886
Other current liabilities - net	(1,066)	6,668
Other	2,201	3,109
Net cash provided by operating activities	<u>37,401</u>	<u>49,639</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(35,421)	(49,825)
Net cash used in investing activities	<u>(35,421)</u>	<u>(49,825)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing under lines of credit	17,200	27,500
Proceeds of long-term debt	-	10,000
Issuance of common stock related to stock plans	8,803	6,347
Repurchase of common stock	(71,988)	(62,825)
Dividends paid	(5,959)	(5,233)
Net cash used in financing activities	<u>(51,944)</u>	<u>(24,211)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(49,964)	(24,397)
Cash and cash equivalents:		
Beginning of year	80,083	56,369
End of quarter	<u>\$30,119</u>	<u>\$31,972</u>

SUPPLEMENTAL CASH FLOW DISCLOSURES

Interest paid	\$105	\$307
Income taxes paid	\$43,741	\$21,947

See notes to condensed consolidated financial statements.

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ROSS STORES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Three and Six Months Ended July 31, 1999 and August 1, 1998
(Unaudited)

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared from the records of the company without audit and, in the opinion of management, include all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position at July 31, 1999 and August 1, 1998; the results of operations for the three and six months ended July 31, 1999 and August 1, 1998; and changes in cash flows for the six months ended July 31, 1999 and August 1, 1998. The balance sheet at January 30, 1999, presented herein, has been derived from the audited financial statements of the company for the fiscal year then ended. Certain reclassifications have been made to the 1998 presentation to conform to the 1999 presentation.

Accounting policies followed by the company are described in Note A to the audited consolidated financial statements for the fiscal year ended January 30, 1999. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted for purposes of the interim condensed consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including notes thereto, for the year ended January 30, 1999.

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

NOTE B - SUBSEQUENT EVENT - STOCK SPLIT

On August 26, 1999, the company's Board of Directors approved a 2-for-1 split of the company's common stock, to be effected in the form of a 100% stock dividend paid on or about September 22, 1999, to all stockholders of record as of the close of business on September 7, 1999.

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INDEPENDENT ACCOUNTANTS' REPORT

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

We reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. (the "Company") as of July 31, 1999 and August 1, 1998, and the related condensed consolidated statements of earnings for the three-month and six-month periods then ended and the related condensed consolidated statements of cash flows for the six-month periods then ended. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Ross Stores, Inc. as of January 30, 1999, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 12, 1999, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 30, 1999 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/Deloitte & Touche LLP
 San Francisco, CA
 August 20, 1999

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

This section and other parts of this Form 10-Q contain forward-looking statements that involve risks and uncertainties. The Company's actual results may vary significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsection entitled "Forward-Looking Statements and Factors Affecting Future Performance" below. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Form 10-Q and the consolidated financial statements in the Company's 1998 Form 10-K. All information is based on the Company's fiscal calendar.

RESULTS OF OPERATIONS

PERCENTAGES OF SALES

	Three Months Ended		Six Months Ended	
	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998
SALES				
Sales (\$000)	\$614,576	\$536,975	\$1,165,401	\$1,021,251
Sales growth	14.5%	9.4%	14.1%	9.4%
Comparable store sales growth	7%	4%	7%	4%
Cost of goods sold and occupancy				
General, selling and administrative	69.0%	69.3%	68.9%	69.4%
Depreciation and amortization	19.1%	19.2%	19.2%	19.3%
Interest expense	1.5%	1.5%	1.6%	1.6%
	0.0%	0.0%	0.0%	0.0%
NET EARNINGS	6.3%	6.0%	6.2%	5.9%

Sales

The increase in sales for the three and six months ended July 31, 1999, compared to the same periods in the prior year, reflects an increase in the number of stores open during the current period as well as an increase in comparable store sales.

Costs and Expenses

Cost of goods sold and occupancy expenses as a percentage of sales for the three and six months ended July 31, 1999, decreased compared to the same periods in the prior year, primarily due to (i) leverage on occupancy costs realized from the increase in comparable store sales; and (ii) improved merchandise margins, mainly from higher initial markups.

The decrease in general, selling and administrative expenses as a percentage of sales for the three and six months ended July 31, 1999, compared to the same periods in the prior year, primarily reflects leverage realized from the increase in comparable store sales, partially offset by higher incentive plan costs.

Net Earnings

The increase in net earnings as a percentage of sales in the three and six months ended July 31, 1999, compared to the same periods in the prior year, is primarily due to the improvement in the cost of goods sold and occupancy expenses ratio.

Income Taxes Paid

The company paid \$43.7 million in income taxes in the six months ended July 31, 1999, versus \$21.9 million in the six months ended August 1, 1998. This increase in income taxes paid primarily resulted from the timing of certain tax deductions taken by the company related to its employee-related common stock plans, as well as higher earnings. The Company's effective tax rate in both periods was approximately 39%.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The primary uses of cash during the six months ended July 31, 1999 were for (i) the repurchase of the company's common stock; (ii) the purchase of inventory; and (iii) capital expenditures for new stores, improvements to existing locations, improvements in management information systems, and various expenditures to improve the central office and distribution centers.

Total consolidated inventories increased 12% at July 31, 1999 from August 1, 1998, due mainly to a 7% increase in the number of stores open at the end of each period and a planned increase in the level of packaway merchandise. The increase in accounts payable at July 31, 1999 from August 1, 1998 resulted mainly from the higher level of inventory purchases over the prior year.

In January 1999, the company announced a \$120 million common stock repurchase program. In the six months ended July 31, 1999, the company repurchased approximately 1,575,000 shares for an aggregate purchase price of approximately \$72 million.

The company believes it can fund its operating cash requirements and capital needs for the balance of this fiscal year (and for the next fiscal year) through internally generated cash, trade credit, established bank lines and lease financing.

YEAR 2000 MATTERS

The year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Certain information technology systems and their associated software ("IT Systems"), and certain equipment that uses programmable logic chips to control aspects of their operation ("embedded chip equipment"), may recognize "00" as a year other than the year 2000. Some IT Systems and embedded chip equipment used by the company and by third parties who do business with the company contain two-digit programming to define a year. The year 2000 issue could result, at the company and elsewhere, in system failures or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions or to engage in other normal business activities.

Readiness for Year 2000

The company has addressed its year 2000 issue, including efforts relating to IT Systems and embedded chip equipment used within the company, efforts to address issues the company faces if third parties who do business with the company are not prepared for the year 2000, and contingency planning. In 1997, the company created a corporation-

wide year 2000 task force representing all business and staff units with the goal of achieving an uninterrupted transition into the year 2000. The company used both internal and external resources to identify, correct,

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upgrade or replace and test its IT Systems and embedded chip equipment for year 2000 compliance.

The company uses a variety of IT Systems, internally developed and third-party provided software and embedded chip equipment, depending upon business function and location. For these IT Systems, software and embedded chip equipment, the company divided its year 2000 efforts into four phases: (i) identification and inventorying of IT Systems and embedded chip equipment with potential year 2000 problems; (ii) assessment of scope of year 2000 issues for, and assigning priorities to, each item based on its importance to the company's operations; (iii) remediation of year 2000 issues in accordance with assigned priorities, by correction, upgrade, replacement or retirement; (iv) testing for and validation of year 2000 compliance, including integration testing. Phases (i), (ii) and (iii) are complete across all business functions and locations. The company has categorized as "mission critical" those IT Systems and embedded chip equipment whose failure would cause cessation of store operations, or could otherwise have a sustained and significant detrimental financial impact on the company. Testing of embedded chip equipment has been completed through phase (iv). All mission critical IT Systems either are currently in phase (iv) or have been completed through phase (iv). As of August 1999, over 95% of the company's mission critical IT Systems were determined to be year 2000 compliant, or replacements, changes, upgrades or workarounds had been identified, tested and deployed. The company is in the process of conducting a comprehensive program of integration testing of its IT Systems in order to ensure that all systems still work together properly and without year 2000 problems. This integration testing began in the third quarter of 1998 and is expected to be completed by the end of September 1999.

The company's operations are also dependent on the year 2000 readiness of third parties that do business with the company. In particular, the company's IT Systems interact with commercial electronic transaction processing systems to handle customer credit card purchases and other point-of-sale transactions, and the company is dependent on third-party suppliers of such infrastructure elements as, but not limited to, telecommunications services, electric power, water and banking facilities. The company does not depend to any significant degree on any single merchandise vendor or upon electronic transaction processing with individual vendors for merchandise purchases. The company has identified and completed formal communications with these third parties to determine the extent to which the company will be vulnerable to such parties' failure to resolve their own year 2000 issues. The company has received responses from all of those suppliers and merchandise vendors that it believes are highly critical to its year 2000-remediation efforts. The company sought to determine whether the supplier is taking appropriate steps to achieve year 2000 readiness and to be prepared to continue functioning effectively as a supplier in accordance with the company's business needs. The company is assessing its risks with respect to failure by third parties to be year 2000 compliant and intends to seek to mitigate those risks. The company has also developed contingency plans, discussed below, to address issues related to suppliers the company determines are not making sufficient progress toward becoming year 2000 compliant.

Costs

The company estimates that its IT Systems and embedded chip equipment will be year 2000 compliant by the end of September 1999. Aggregate costs for work related to year 2000 efforts in fiscal 1998 and 1999 currently are anticipated to total approximately \$12.0 million, including about \$6.0 million for capital investments in IT Systems and embedded chip equipment, and will be funded through operating cash flows. Operating costs related to year 2000 compliance projects will be incurred over several quarters and will be expensed as incurred. In

1998, the company incurred approximately \$4.0 million in expenses related to year 2000, with approximately \$2.0 million expected in fiscal 1999. Capital expenditures in 1998 totaled approximately \$4.0 million with approximately \$2.0 million in capital expenditures expected in fiscal 1999.

The company's estimates of the costs of achieving year 2000 compliance and the date by which year 2000 compliance will be achieved are based on management's best estimates, which were

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derived using numerous assumptions about future events including the continued availability of certain resources, third-party modification plans and other factors. However, there can be no assurance that these estimates will be achieved, and actual results could differ materially from these estimates. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in year 2000 remediation work, the ability to locate and correct all relevant computer codes, the success achieved by the company's suppliers in reaching year 2000 readiness, the timely availability of necessary replacement items and similar uncertainties.

Risks

The company expects to implement the changes necessary to address the year 2000 issue for IT Systems and embedded chip equipment used within the company. The company presently believes that, with modifications to existing software, conversions to new software, and appropriate remediation of embedded chip equipment, the year 2000 issue with respect to the company's IT Systems and embedded chip equipment is not reasonably likely to pose significant operational problems for the company. However, if unforeseen difficulties arise or such modifications, conversions and replacements are not completed timely, or if the company's vendors' or suppliers' systems are not modified to become year 2000 compliant, the year 2000 issue may have a material impact on the results of operations and financial condition of the company.

The company is presently unable to assess the likelihood that the company will experience significant operational problems due to unresolved year 2000 problems of third parties that do business with the company. Although the company has not been put on notice that any known third-party problem will not be timely resolved, the company has limited information and no assurance of additional information concerning the year 2000 readiness of third parties. The resulting risks to the company's business are very difficult to assess due to the large number of variables involved. If third parties fail to achieve year 2000 compliance, year 2000 problems could have a material impact on the company's operations. Similarly, there can be no assurance that the company can timely mitigate its risks related to a supplier's failure to resolve its year 2000 issues. If such mitigation is not achievable, year 2000 problems could have a material impact on the company's operations.

Contingency Plans

The company presently believes that its most reasonably likely worst-case year 2000 scenarios would relate to the possible failure in one or more geographic regions of third party systems over which the company has no control and for which the company has no ready substitute, such as, but not limited to, power and telecommunications services. For example, if such services were to fail, it could be necessary for the company to temporarily close stores in the affected geographic areas. The company has in place a business resumption plan that addresses recovery from various kinds of disasters, including recovery from significant interruptions to data flows and distribution capabilities at the company's major data systems centers and major distribution centers. The company used that plan as a starting point for developing specific year 2000 contingency plans, which generally emphasized locating alternate sources of supply, methods of distribution and ways of processing information. The company's year

2000 contingency plans are substantially complete. During the third and fourth quarter of 1999, the company intends to make necessary preparations to be ready to execute the contingency plans, if needed. However, there can be no assurance that the company will be able to complete its contingency preparations on that schedule.

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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" 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 and greater than planned costs, including those that could be related to necessary modifications to or replacements of the company's IT Systems and embedded chip equipment to enable them to process information with dates or date ranges spanning the year 2000 and beyond. If unforeseen difficulties arise or such modifications and replacements are not completed timely, or if the company's vendors' or suppliers' IT Systems and embedded chip equipment are not modified to become year 2000 compliant, the year 2000 issue may have a material impact on the operations of the company. In addition, the company's corporate headquarters, one of its distribution centers and 43% 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.

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. Intensified price competition, lower than anticipated consumer demand or other factors, if they were to occur during the third and fourth quarters, and in particular during the fourth quarter, could adversely affect the company's fiscal year results.

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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 July 31, 1999 and January 30, 1999 is not material.

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PART II. OTHER INFORMATION

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

At the Annual Meeting of Stockholders held on May 27, 1999 (the "1999 Annual Meeting"), the stockholders of the company voted on and approved the following proposals:

Proposal 1 to elect three Class I directors (Stuart G. Moldaw, George P. Orban and Donald H. Seiler) for a three-year term.

Proposal 2 to amend the 1991 Outside Directors Stock Option Plan to adjust (i) the size of option grants to reflect changes in the company's capital structure, and (ii) the date of annual option grants.

Proposal 3 to ratify the appointment of Deloitte & Touche as the company's independent certified public accountants for the fiscal year ended January 29, 2000.

1999 ANNUAL MEETING ELECTION RESULTS -

PROPOSAL 1: ELECTION OF DIRECTORS

DIRECTOR	IN FAVOR	WITHHELD	BROKER NON-VOTE
Stuart G. Moldaw	40,692,242	322,514	N/A
George P. Orban	40,841,870	122,886	N/A
Donald H. Seiler	40,777,498	237,258	N/A

PROPOSAL 2: AMENDMENTS TO THE 1991 OUTSIDE DIRECTORS STOCK OPTION PLAN

IN FAVOR	AGAINST	ABSTAIN	BROKER NON-VOTE
37,434,571	3,255,714	41,813	282,658

PROPOSAL 3: RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE AS INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDED JANUARY 29, 2000

IN FAVOR	AGAINST	ABSTAIN	BROKER NON-VOTE
40,990,094	7,550	17,112	0

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Incorporated herein by reference to the list of Exhibits contained in the Exhibit Index that begins on page 14 of this Report.

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed by the undersigned thereunto duly authorized.

ROSS STORES, INC.
Registrant

Date: September 10, 1999 /s/John G. Call
John G. Call, Senior Vice President, Chief
Financial Officer, Corporate Secretary and
Principal Accounting Officer

INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Corrected First Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to the Form 10-K filed by Ross Stores for its 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.
10.39	Employment Agreement between Ross Stores, Inc. and Michael Wilson, effective as of May 1, 1999, through January 31, 2003.
10.40	1991 Outside Directors Stock Option Plan, as amended May 27, 1999.
15	Letter re: Unaudited Interim Financial Information.
27	Financial Data Schedules (submitted for SEC use only).

EXHIBIT 15

September 10, 1999

Ross Stores, Inc.
Newark, California

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim condensed consolidated financial statements of Ross Stores, Inc. for the three-month and six-month periods ended July 31, 1999 and August 1, 1998, as indicated in our independent accountants' report dated August 20, 1999; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended July 31, 1999 is incorporated by reference in Registration Statements Nos. 33-61373, 33-51916, 33-51896, 33-51898, 33-41415, 33-41413, 33-29600, 333-56831, and 333-06119 of Ross Stores, Inc. on Form S-8.

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

Yours truly,

/s/Deloitte & Touche LLP
San Francisco, California

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made effective as of May 1, 1999, by and between Ross Stores, Inc. (the "Company") and Michael Wilson (the "Executive").

1. Term. The employment of the EXECUTIVE by the Company will commence as of the effective date hereof and end on January 31, 2003, unless extended or terminated in accordance with this Agreement. For so long as the EXECUTIVE is employed by the Company, upon the written request of the EXECUTIVE, the Company's Chief Executive Officer shall request that the Board of Directors of the Company ("Board") consider extending the EXECUTIVE's employment with the Company. The initial such request must be delivered to the Chief Executive Officer no later than February 1, 2001 and subsequent requests must be delivered at least twelve months before the end of any extended term of this Agreement. The Chief Executive Officer shall advise the EXECUTIVE, in writing, within thirty (30) days following the EXECUTIVE's written request, whether the requested extension has been approved. The failure of the Chief Executive Officer to provide such written advice shall constitute approval of the EXECUTIVE's request for extension. If the EXECUTIVE's request for an extension is approved, this Agreement shall be extended two additional years.

2. Position and Duties. The EXECUTIVE shall serve as the Senior Vice President, Distribution and Transportation of the Company. The EXECUTIVE shall report directly to the Company's Chief Executive Officer. The EXECUTIVE shall devote substantially all of his working time and efforts to the business and affairs of the Company. During the term of his employment, the EXECUTIVE may engage in outside activities provided those activities do not conflict with his duties and responsibilities hereunder, and provided further that the EXECUTIVE gives written notice to the Board of any significant outside business activity in which he plans to become involved, whether or not such activity is pursued for profit. The EXECUTIVE may not render services to or invest in any business competitive with any existing or contemplated business of the Company except with respect to personal investments in securities, limited partnerships or similar passive investment interests that are publicly traded subject to the restrictions set forth in paragraph 9.

3. Place of Performance. Initially, the EXECUTIVE shall be employed at the Company's Carlisle, Pennsylvania Distribution Center except for required travel on the Company's business. The EXECUTIVE acknowledges that the Company will be planning for and establishing a third distribution center (the "New DC") and that EXECUTIVE will be involved in such planning of the New DC. It is anticipated that upon completion of the New DC and at the request of the Company, the Executive will relocate his residence to the proximate geographical area of the New DC. Within six (6) months after the Company has determined the geographic location of the New DC, the EXECUTIVE agrees to provide the Company with written confirmation (the "Relocation Confirmation Notice"), that the EXECUTIVE will relocate his residence upon completion of the New DC.

4. Compensation and Related Matters.

a. Salary. During his employment the Company shall pay the EXECUTIVE a monthly salary of \$27,083.33, less applicable withholding (\$325,000 on an annualized basis). This salary shall be payable in equal installments in accordance with the Company's normal payroll practices applicable to senior officers. Subject to the first sentence of this paragraph, the EXECUTIVE's salary may be adjusted upward from time to time by the Company in accordance with normal business practices of the Company. In the event of the occurrence of a Change of Control (as defined in paragraph 6(f) hereof), then during the period commencing on the effective date of the Change of Control and expiring two years

thereafter (the "Remaining Term"), the EXECUTIVE shall receive in addition to the monthly salary provided pursuant to the first sentence of this paragraph the aggregate amount of \$500,000 per year (the "Additional Salary") which shall be payable in equal installments during the Remaining Term in accordance with the Company's normal payroll policies applicable for senior officers at the time immediately prior to the Change of Control. The provisions of paragraph 1 ("Term") of the Agreement notwithstanding, in the event of a Change of Control, the EXECUTIVE's employment by the Company under this Agreement shall continue at least until the later of (a) the expiration of the Remaining Term or (b) the expiration of any extension pursuant to paragraph 1. If any portion of the Additional Salary is subject to the tax ("Excise Tax") imposed by Section 4999 of the Internal Revenue Code, the Company shall reimburse the EXECUTIVE in such amounts so that, after deduction of any Excise Taxes paid by the EXECUTIVE and any federal, state or local income tax and Excise Taxes paid upon such reimbursements, the net amounts retained by the EXECUTIVE are equal to the Additional Salary. For all purposes of paragraph 8 hereof ("Compensation and Benefits Upon Termination"), the Additional Salary shall be included within the term "salary" as used in such paragraph 8. The EXECUTIVE's entitlement to this Additional Salary is expressly conditioned upon the EXECUTIVE's substantial performance of his duties pursuant to this Agreement as measured by EXECUTIVE's performance prior to the effective date of the Change of Control.

b. Bonus. During his employment the Company shall pay the EXECUTIVE an annual bonus in accordance with the terms of a bonus incentive plan that covers the EXECUTIVE (or any replacement plan of substantially equivalent or greater value that may subsequently be established and in effect at the time for such action). In addition to the annual bonus described in the preceding sentence, EXECUTIVE shall be entitled to a signing bonus in the amount of \$100,000, payable on the effective date of this Agreement. In the event EXECUTIVE terminates his employment without cause, pursuant to Paragraph 6(d), within the first 24 months of the effective date of this Agreement, he shall reimburse the Company for the net amount of the signing bonus.

c. Expenses. During his employment the EXECUTIVE shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by him in performing services hereunder, including all reasonable expenses of travel and living while away from home, provided that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company. Upon completion of the New DC, the Company shall reimburse the EXECUTIVE for all expenses incurred in relocating his residence in accordance with the Company's Executive Relocation Policy.

d. Other Benefits. The EXECUTIVE shall be entitled to participate in all of the Company's employee benefit plans and arrangements in effect on the date hereof in which other executives of the Company, at the same executive level as the EXECUTIVE, participate (including without limitation each pension and retirement plan and arrangement, supplemental pension and retirement plan, deferred compensation plan, short-term and long-term incentive plan, stock option plan, life insurance and health-and-accident plan and arrangement, medical insurance plan, physical examination program, dental care plan, accidental death and disability plan, survivor income plan, relocation plan, financial, tax and legal counseling programs, and vacation plan). The Company shall not make any changes in such plans or arrangements which would adversely affect the EXECUTIVE's rights or benefits thereunder, unless such change occurs pursuant to a program applicable to all senior executives of the Company and does not result in a proportionately greater reduction in the rights of, or benefits to, the EXECUTIVE as compared with any other senior executive of the Company. The EXECUTIVE shall be entitled to participate in or receive benefits under any employee benefit plan or arrangement made available by the Company in the future to its executives and key management employees, subject to, and on a basis consistent with, the terms, conditions and overall administration of such plans and arrangements. Except as

otherwise specifically provided herein, nothing paid to the EXECUTIVE under any plan or arrangement presently in effect or made available in the future shall be in lieu of the salary or bonus payable under subsections (a) and (b).

e. Vacations. The EXECUTIVE shall be entitled to the number of vacation days in each calendar year, and to compensation in respect of earned but unused vacation days, determined in accordance with the Company's vacation plan. The EXECUTIVE shall also be entitled to all paid holidays given by the Company to its executives. Unused vacation days shall not be forfeited once they have been earned and, if still unused at the time of the EXECUTIVE's termination of employment with the Company, shall be promptly paid to the EXECUTIVE at their then-current value, based on the EXECUTIVE's rate of pay at the time of his termination of employment.

f. Services Furnished. The Company shall furnish the EXECUTIVE with office space and such services as are suitable to the EXECUTIVE's position and adequate for the performance of his duties.

5. Confidential Information.

a. The EXECUTIVE agrees not to disclose, either while in the Company's employ or at any time thereafter, to any person not employed by the Company, or not engaged to render services to the Company, any confidential information obtained while in the employ of the Company, including, without limitation, any of the Company's inventions, processes, methods of distribution or customers or trade secrets; provided, however, that this provision shall not preclude the EXECUTIVE from use or disclosure of information known generally to the public or from disclosure required by law or court order.

b. The EXECUTIVE agrees that upon leaving the Company's employ, he will make himself reasonably available to answer questions from Company officers regarding his former duties and responsibilities and the knowledge he obtained in connection therewith. In addition, he will not take with him, without the prior written consent of any officer authorized to act in the matter by the Board, any study, memoranda, drawing, blueprint, specification or other document of the Company, its subsidiaries, affiliates and divisions, which is of a confidential nature relating to the Company, its subsidiaries, affiliates and divisions.

c. The EXECUTIVE understands and agrees that his obligation pursuant to this paragraph 5 shall survive the termination of this Agreement and his termination of employment for any reason under this Agreement.

6. Termination. The EXECUTIVE's employment may be terminated during the term of this Agreement only as follows:

a. Death. The EXECUTIVE's employment shall terminate upon his death.

b. Disability. If, as a result of the EXECUTIVE's incapacity due to physical or mental illness, the EXECUTIVE shall have been absent from his duties hereunder on a full-time basis for the entire period of six consecutive months, and within thirty days after written notice of termination is given by the Company or the EXECUTIVE (which may occur before or after the end of such six-month period), the EXECUTIVE shall not have returned to the performance of his duties hereunder on a full-time basis, the EXECUTIVE's employment shall terminate. A termination of employment pursuant to this paragraph 6(b) shall be deemed an involuntary termination for purposes of this Agreement or any plan or practice of the Company.

c. Cause. The Company may terminate the EXECUTIVE's employment for Cause. The Company shall have "Cause" to terminate the EXECUTIVE's employment upon (A) the continued failure by the EXECUTIVE to substantially perform his duties hereunder (other

than a failure resulting from a disability as defined in subsection (b)) after written notice is delivered by the Company that specifically identifies the manner in which the EXECUTIVE has not substantially performed his duties, and EXECUTIVE does not cure his failure to substantially perform his duties within ten days of such written notice, or (B) the engaging by the EXECUTIVE in knowing, illegal or grossly negligent conduct which is materially injurious to the Company monetarily or otherwise.

d. Without Cause. The Company may terminate the EXECUTIVE's employment at any time without cause. A termination "without cause" is a termination of the EXECUTIVE's employment by the Company for any reason other than those set forth in subsections (a) [Death], (b) [Disability] or (c) [For Cause] of this paragraph.

e. Termination by Executive for Good Reason. The EXECUTIVE may terminate his employment with the Company for Good Reason which shall be deemed to occur if he terminates his employment within six months after (i) written notice of a failure by the Company to comply with any material provision of this Agreement which failure has not been cured within ten days after such written notice of noncompliance has been given by the EXECUTIVE to the Company; (ii) a significant diminishment in the nature or scope of the authority, power, function or duty attached to the position which the EXECUTIVE currently maintains without the express written consent of the EXECUTIVE; or (iii) the Company requires that the EXECUTIVE relocate his place of employment or residence outside of Central Pennsylvania.

f. Termination Following Change of Control. The EXECUTIVE may terminate his employment with the Company within six months after a Change of Control, which shall be deemed to have occurred in the event of: (i) the direct or indirect sale or exchange by the stockholders of the Company of all or substantially all of the stock of the Company, in a single or series of related transactions, after which sale or exchange the stockholders of the Company immediately prior to such transactions do not retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the Company; (ii) a merger in which the Company is a party after which merger the stockholders of the Company do not retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the surviving company; or (iii) the sale, exchange, or transfer of all or substantially all of the Company's assets (other than a sale, exchange, or transfer to one or more corporations where the stockholders of the Company before such sale, exchange, or transfer retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the corporation(s) to which the assets were transferred). Provided, however, that the EXECUTIVE shall not be entitled to terminate his employment under this subsection in the event that the purchaser of the Company, or any successor by merger, consolidation or otherwise, or the entity to which all or a significant portion of the Company's assets have been transferred, shall have expressly assumed in writing all duties and obligations of the Company under this Agreement.

g. Voluntary Termination. The EXECUTIVE may voluntarily terminate his employment with the Company at any time. A termination of employment by the EXECUTIVE pursuant to paragraph 6(e) [For Good Reason] or (f) [Change of Control] shall not be deemed a voluntary termination by the EXECUTIVE for purposes of this Agreement or any plan or practice of the Company but shall be deemed an involuntary termination.

h. Non-Renewal. If the EXECUTIVE fails to request an extension of this Agreement in accordance with paragraph 1, or if the Board shall fail to approve such request, this Agreement shall automatically expire at the end of its term. Such expiration shall not entitle the EXECUTIVE to any compensation or benefits except as earned by the EXECUTIVE through the date of expiration of this Agreement and set forth in paragraph 8(e). The parties shall have no further obligations to each other thereafter except as set forth in paragraphs 5 and 11.

7. Notice and Effective Date of Termination.

a. Notice. Any termination of the EXECUTIVE's employment by the Company or by the EXECUTIVE during the term of this Agreement (other than as a result of death) shall be communicated by written notice of termination to the other party hereto. Such notice shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the EXECUTIVE's employment under that provision.

b. Date of Termination. The date of termination shall be:

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

(ii) if the EXECUTIVE's employment is terminated pursuant to paragraph 6(b) [Disability] or 6(d) [Without Cause], the date of termination shall be the 31st day following delivery of the notice of termination;

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

(iv) if the Agreement expires pursuant to paragraph 6(h) [Non-Renewal], the parties' employment relationship shall terminate on the last day of the term of this Agreement without any notice.

8. Compensation and Benefits Upon Termination.

a. Disability, Without Cause or For Good Reason. If the EXECUTIVE's employment terminates pursuant to paragraph 6(b) [Disability], (d) [Without Cause] or (e) [For Good Reason], the Company shall:

(i) Salary: continue to pay the EXECUTIVE his then-current salary through the remaining term of this Agreement as defined in paragraph 1;

(ii) Bonus: continue to pay the EXECUTIVE an annual bonus(es) throughout such remaining term; each such bonus shall be in an amount equal to the greater of (A) the EXECUTIVE's bonus during the year prior to his termination or (B) the bonus that the EXECUTIVE would have earned under the Company's bonus plan in the year that he was terminated had he remained in its employment; provided, however, that such post-termination bonuses shall not exceed the lesser of the 100% targeted amounts for those bonus payments in the prior and then-current year, and such bonuses shall not be paid until due under the Company's present bonus plan;

(iii) Stock Options: with respect to any stock options granted to the EXECUTIVE by the Company, the EXECUTIVE shall immediately become vested in any unvested stock options upon such termination; and

(iv) Restricted Stock: with respect to any restricted stock granted to the EXECUTIVE by the Company which has not become vested as of such termination, the EXECUTIVE shall immediately become vested in a pro rata portion of such unvested stock determined on the basis of the number of full months that have elapsed from the date of grant of such restricted stock. Such pro rata vesting shall be determined separately with respect to each portion of any restricted stock grant that is subject to a different restriction lapse date. That is, for each portion of any restricted stock grant that is subject to a different restriction lapse date, the EXECUTIVE shall immediately become vested in the number of shares that equals (i) the quantity A divided by B times C minus (ii) the number of shares that have previously vested $[(A/B \times C) - D]$, where A is the number of full months that have elapsed from the date of grant to and including the date of termination, B is the number of months between the date of grant and the restriction lapse date, C is the number of shares that would otherwise become vested on that restriction

lapse date and D is the number of shares that have previously vested. As a hypothetical example, presume the EXECUTIVE had been granted 30,000 shares of restricted stock on April 1, 1999, and that the restrictions on that grant lapse as to 10,000 shares on April 1, 2000, 5,000 shares on April 1, 2001, and 15,000 shares on April 1, 2002. If the EXECUTIVE's employment terminated pursuant to paragraph 6(b) on September 1, 1999 (i.e., at a time when no shares had previously vested), the EXECUTIVE would immediately become vested under this subsection (iv) in 5,000 of the shares whose restrictions were to lapse on April 1, 2000, 1,250 of the shares whose restrictions were to lapse on April 1, 2001, and 2,500 of the shares whose restrictions were to lapse on April 1, 2002.

The Company shall have no further obligations to the EXECUTIVE as a result of such termination except as set forth in paragraph 11.

b. For Cause. If the EXECUTIVE's employment is terminated for cause as defined in paragraph 6(c) (A) [Failure to Perform], the EXECUTIVE shall receive the post-termination compensation and benefits described in paragraph 8(a) [Compensation and Benefits Upon Disability, Termination Without Cause or For Good Reason]. If the EXECUTIVE's employment is terminated for cause as defined in paragraph 6(c) (B) [Materially Injurious Conduct], he shall only receive the post-termination compensation and benefits described in paragraph 8(d) [Compensation and Benefits Upon Voluntary Termination].

c. Change of Control. Upon a Change of Control (whether or not the EXECUTIVE's employment terminates), the EXECUTIVE shall immediately become vested in any shares of restricted stock granted to the EXECUTIVE by the Company which had not vested prior to the Change of Control. In addition, if the EXECUTIVE's employment terminates pursuant to paragraph 6(f) [Change of Control], the Company shall:

(i) Salary: continue to pay the EXECUTIVE his then-current salary through the remaining term of this Agreement as defined in paragraph 1;

(ii) Bonus: continue to pay the EXECUTIVE his annual bonus(es) throughout such remaining term; each such bonus shall be in an amount equal to the greater of (A) the EXECUTIVE's bonus during the year prior to his termination or (B) the bonus that the EXECUTIVE would have earned under the Company's bonus plan in the year that he was terminated had he remained in its employment; provided, however, that such post-termination bonuses shall not exceed the lesser of the 100% targeted amounts for those bonus payments in the prior and then-current year, and such bonuses shall not be paid until due under the Company's present bonus plan; and

(iii) Stock Options: with respect to any stock options granted to the EXECUTIVE by the Company, the EXECUTIVE shall immediately become vested in any unvested stock options upon such termination.

The Company shall reimburse the EXECUTIVE for any excise taxes paid by the EXECUTIVE pursuant to Internal Revenue Code section 4999 as a result of any "excess parachute payments" that he receives from the Company as determined under section 280G of said Code. This reimbursement shall not include any additional amount to cover the EXECUTIVE's income or other taxes on such reimbursement. The Company shall have no further obligations to the EXECUTIVE as a result of such termination except as set forth in paragraph 11.

d. Death or Voluntary Termination. If the EXECUTIVE's employment terminates pursuant to paragraph 6(a) [Death] or 6(g) [Voluntary Termination], he (or his designee or his estate) shall be paid his salary through his termination date and not thereafter. He (or his designee or his estate) shall not be entitled to any bonus payments which were not fully earned prior to his termination date, and he (or his designee or his estate) shall not be entitled to any pro-rated bonus payment for the year

in which his employment terminates. Any stock options granted to the EXECUTIVE by the Company will continue to vest only through the date on which his employment terminates (provided, however, that if the EXECUTIVE's employment terminates as a result of his voluntary termination (but not as a result of his death) within six months after a Change of Control, the EXECUTIVE shall immediately become fully-vested in any unvested stock options previously granted to him by the Company) and any restricted stock that was granted to the EXECUTIVE by the Company that is unvested as of the date on which his employment terminates will automatically be reacquired by the Company and the EXECUTIVE (or his designee or his estate) shall have no further rights with respect to such restricted stock. The Company shall have no further obligations to the EXECUTIVE as a result of the termination of his employment pursuant to paragraph 6(a) [Death] or 6(g) [Voluntary Termination] except as set forth in paragraph 11.

e. Non-Renewal. If the Agreement expires as set forth in paragraph 6(h) [Non-Renewal], then except as set forth in paragraph 8(e), the Company shall have no further obligations to the EXECUTIVE except as set forth in paragraph 11 and except that with respect to any restricted stock granted to the EXECUTIVE by the Company which has not become vested as of such expiration date, the EXECUTIVE shall immediately become vested in a pro rata portion of such unvested stock determined on the basis of the number of full months that have elapsed from the date of grant of such restricted stock (as described more fully in paragraph 8(a) (iv)). The provision of this paragraph 8(e) notwithstanding, if, after providing the Company with the Relocation Confirmation Notice, the Company advises the EXECUTIVE that it does not wish him to relocate his residence (upon completion of the New DC), then, upon expiration of this Agreement as set forth in paragraph 6(h) [Non-Renewal], and for the six (6) month period after such expiration, the Company will pay all reasonable costs incurred by the EXECUTIVE in relocating his residence to another location in the Continental United States, including all reasonable expenses of travel and living while away from home, provided that such expenses are incurred and accounted for in accordance with the policies and procedures established by the Company.

9. Employment and Post-Employment Restrictions. The Company and the EXECUTIVE acknowledge that the Company has a special interest in and derives significant benefit from the unique skills and experience of the EXECUTIVE. In addition, the EXECUTIVE will use and have access to some of the Company's proprietary and valuable Confidential Information during the course of the EXECUTIVE's employment. Accordingly, except as hereafter noted, during the term of the EXECUTIVE's employment with the Company and in the event that the EXECUTIVE voluntarily terminates his employment with the Company prior to March 1, 2002, the EXECUTIVE agrees that for a period of three years following his voluntary termination pursuant to paragraph 6(g), he shall not provide any labor, work, services or assistance to (whether as an officer, director, employee, partner, agent, owner, independent contractor, stockholder or otherwise) Burlington Coat Factory Warehouse Corporation, Dillard Department Stores, Inc., Filene's Basement Corp., The Federated Stores, The May Department Stores Company, The TJX Companies, Inc. and Value City Department Stores, Inc. as well as all subsidiaries, divisions and/or the surviving entity of any of the above that do business in the retail industry in the case of a merger or acquisition. However, this subsection shall not prohibit the EXECUTIVE from making any investment of 1% or less of the equity securities of any publicly-traded corporation that is engaged in any business of the type or character engaged in by the Company. The restrictions contained in the preceding sentence shall have no force and effect in the event that (i) the EXECUTIVE's employment with the Company is terminated (1) by the Company pursuant to paragraph 6(b) [Disability], paragraph 6(c) [with Cause], 6(d) [without Cause] or (2) by the EXECUTIVE pursuant to either paragraph 6(e) [Termination by the Executive for Good Reason] or paragraph 6(f) [Termination Following Change of Control] or (ii) the Company fails to approve or grant an extension of this Agreement in accordance with paragraph 1

hereof.

During the term of the EXECUTIVE's employment with the Company and for a period of three years following the termination of that employment for any reason, the EXECUTIVE shall not directly or indirectly solicit any other employee of the Company to terminate his or her employment with the Company.

10. Exercise of Stock Options Following Termination. If the EXECUTIVE's employment terminates pursuant to paragraph 6(a)[Death] or (b)[Disability], he (or his estate) may exercise his right to purchase any vested stock under the stock options granted to him by the Company for up to one year following the date of his termination, but not later than the termination date of such options. In all other instances, he may exercise that right for up to three months following the date of his termination, but not later than the termination date of such options. All such purchases must be made by the EXECUTIVE in accordance with the applicable stock option plans and agreements between the parties.

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

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

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

If to the EXECUTIVE: Michael Wilson
 c/o Ross Stores, Inc.

If to the Company: Ross Stores, Inc.
 8333 Central Avenue
 Newark, CA 94560-3433
 Attention: Corporate Secretary

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

14. Modification or Waiver; Entire Agreement. No provision of this Agreement may be modified or waived except in a document signed by the EXECUTIVE and the chairman of the Compensation Committee of the Board or such other person as may be designated by the Board. This Agreement, along with any stock option or restricted stock agreements between the parties, constitute the entire agreement between the parties regarding their employment relationship. No agreements or representations, oral or

otherwise, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

15. Governing Law; Severability. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Pennsylvania. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

16. Mitigation. In the event the EXECUTIVE's employment with the Company terminates for any reason other than death, the EXECUTIVE shall be obligated to seek other employment that is at a level of responsibility and complexity similar to the position and duties assumed by the EXECUTIVE pursuant to this Agreement and that is consistent with the EXECUTIVE's level of education, experience, and training, following such termination in order to mitigate payments that the Company may be required to make to him or for his benefit hereunder. Such obligation shall not apply during any period in which the EXECUTIVE is disabled. If the EXECUTIVE obtains other employment during any period in which he is entitled to receive continued salary or bonus payments under paragraph 8, any salary or bonus payments earned by the EXECUTIVE during such period shall reduce the Company's obligation to pay continued salary and/or bonus payments under paragraph 8 by the amount of the salary and/or bonus payments so earned by the EXECUTIVE.

17. Withholding. All payments required to be made by the Company hereunder to the EXECUTIVE or his estate or beneficiaries shall be subject to the withholding of such amounts as the Company may reasonably determine it should withhold pursuant to any applicable law regarding mandatory withholding. To the extent permitted, the EXECUTIVE may provide all or any part of any necessary withholding by contributing Company stock with value, determined on the date such withholding is due, equal to the number of shares contributed multiplied by the closing Nasdaq price on the date preceding the date the withholding is determined.

18. Arbitration. In the event of any dispute or claim relating to or arising out of the parties' employment relationship or this Agreement (including, but not limited to, any claims of breach of contract, wrongful termination or age, race, sex, disability or other discrimination), all such disputes shall be fully, finally and exclusively resolved by binding arbitration conducted by the American Arbitration Association in New York, New York; provided, however, that this arbitration provision shall not apply to any disputes or claims relating to or arising out of the misuse or misappropriation of the Company's trade secrets or proprietary information or to any disputes or claims relating to or arising out of the EXECUTIVE's failure to comply with the requirements of paragraph 9 regarding Employment and Post-Employment Restrictions.

19. Attorneys' Fees. Each party shall bear its own attorneys' fees and costs incurred in any action or dispute arising out of this Agreement.

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

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

ROSS STORES, INC.

/s/ Michael Wilson
Michael Wilson

By: /s/ Melvin A. Wilmore

Title: President & COO

ROSS STORES, INC.

1991 OUTSIDE DIRECTORS STOCK OPTION PLAN

(As Amended Through May 27, 1999)

1. Purpose. The Ross Stores, Inc. 1991 Outside Directors Stock Option Plan (the "Plan") is established effective as of March 18, 1991 (the "Effective Date") to create additional incentive for the non-employee directors of Ross Stores, Inc. and any successor corporation thereto (collectively referred to as the "Company"), to promote the financial success and progress of the Company.

2. Administration. The Plan shall be administered by the Board of Directors of the Company (the "Board") and/or by a duly appointed committee of the Board having such powers as shall be specified by the Board. Any subsequent references herein to the Board shall also mean the committee if such committee has been appointed and, 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 terminate or amend the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law. All questions of interpretation of the Plan or of any options granted under the Plan (an "Option") shall be determined by the Board, and such determinations shall be final and binding upon all persons having an interest in the Plan and/or any Option. Any officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the officer has apparent authority with respect to such matter, right, obligation, or election.

3. Eligibility and Type of Option. Options may be granted only to directors of the Company who are not employees of the Company or any parent and/or subsidiary corporations of the Company. Options granted to eligible directors of the Company ("Outside Directors") shall be nonqualified stock options; that is, options which are not treated as having been granted under section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). For purposes of the Plan, a parent corporation and a subsidiary corporation shall be as defined in sections 424(e) and 424(f) of the Code. A person granted an Option is hereinafter referred to as an "Optionee."

4. Shares Subject to Option. Options shall be options for the purchase of the authorized but unissued common stock of the Company (the "Stock"), subject to adjustment as provided in paragraph 7 below. The maximum number of shares of Stock which may be issued under the Plan shall be three hundred fifty thousand (350,000) shares. In the event that any outstanding Option for any reason expires or is terminated or canceled and/or shares of Stock subject to repurchase are repurchased by the Company, the shares allocable to the unexercised portion of such Option, or such repurchased shares, may again be subjected to an Option grant.

5. Terms, Conditions and Form of Options. Options granted pursuant to the Plan shall be evidenced by written agreements specifying the number of shares of Stock covered

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thereby, in substantially the forms indicated below with respect to each category of grant and incorporated herein by reference (the "Option Agreements"). Options shall comply with and be subject to the following terms and conditions:

(a) Automatic Grant of Options. Subject to execution by an Outside Director of the appropriate Option Agreement, Options shall be granted automatically and without further action of the Board as set forth below:

(i) Prior to 1999 Annual Stockholders Meeting. Prior to the annual meeting of the stockholders of the Company to be held on May 27, 1999 or any adjournment thereof (the "1999 Annual Meeting"), or if the amendment to the Plan set forth in subparagraph (ii) below is not approved by the stockholders at such annual meeting, Options shall be granted as follows:

(1) On the Effective Date, each present Outside Director shall be granted an Option to purchase five thousand (5,000) shares of Stock. (To be evidenced by the Option Agreement attached as Exhibit A and as in effect prior to the 1999 Annual Meeting.)

(2) Furthermore, on the Effective Date, each present Outside Director shall be granted an additional option to purchase that number of shares of Stock equal to one thousand (1,000) multiplied by the number of such Outside Director's full years of past service as a non-employee director ending on the Effective Date. The preceding sentence shall not apply to Outside Directors elected after the Effective Date. (To be evidenced by the Option Agreement attached as Exhibit B and as in effect prior to the 1999 Annual Meeting.)

(3) After the Effective Date, each new Outside Director shall be granted an Option to purchase five thousand (5,000) shares of Stock upon the date such Outside Director is first elected to serve on the Board. (To be evidenced by the Option Agreement attached as Exhibit A and as in effect prior to the 1999 Annual Meeting.)

(4) Each Outside Director shall be granted an additional Option to purchase one thousand (1,000) shares of Stock upon each Anniversary Date of such Outside Director. (To be evidenced by the Option Agreement attached as Exhibit C and as in effect prior to the 1999 Annual Meeting.)

(5) The Anniversary Date of an Outside Director who was first elected to the Board prior to the Effective Date shall be March 18, commencing with March 18, 1992. The Anniversary Date of an Outside Director who is first elected to the Board on or after the Effective Date shall be the date which is twelve (12) months after such election and successive anniversaries thereof.

(6) Notwithstanding any other provision of the Plan, no Option shall be granted to any individual who is no longer serving as an Outside Director of the Company on an Anniversary Date which would otherwise be a date of grant.

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(ii) Following 1999 Annual Stockholders Meeting. Subject to the approval by the stockholders of the Company at the 1999 Annual Meeting of the amendment to the Plan set forth in this subparagraph (ii), Options shall be granted as follows:

(1) On the date of the 1999 Annual Meeting, each person serving as an Outside Director immediately following such meeting shall be granted an Option to purchase two thousand (2,000) shares of Stock. (To be evidenced by the Option Agreement attached as Exhibit C.)

(2) Each person who is newly elected or appointed as an Outside Director after the date of the 1999 Annual Meeting shall be granted on the day of such initial election or appointment an Option to purchase ten thousand (10,000) shares of Stock. (To be evidenced by the Option Agreement attached as Exhibit A.)

(3) Each Outside Director previously granted an Option on or after the date of the 1999 Annual Meeting pursuant to this subparagraph (ii) shall be granted, on the date of each annual meeting of the stockholders of the Company held after the 1999 Annual Meeting and immediately following which such person remains an Outside Director, an Option to purchase

two thousand (2,000) shares of Stock; provided, however, that an Outside Director granted an initial Option pursuant to subparagraph (ii) (2) above after the December 1 immediately preceding the date of an annual meeting of the stockholders of the Company shall not be granted an annual Option pursuant to this subparagraph with respect to such annual meeting. (To be evidenced by the Option Agreement attached as Exhibit C.)

(iii) 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 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 this paragraph 5(a).

(b) Option Exercise Price. The option exercise price per share of Stock for an Option shall be the fair market value of the common stock of the Company, as determined by the closing price of a share of such common stock on the National Association of Securities Dealers Automated Quotations system (the "NASDAQ System") or other national securities exchange on which the shares of such common stock are then trading, on the date of the granting of the Option. If the date of the granting of the Option does not fall on a day on which the common stock of the Company is trading on the NASDAQ System or other national securities exchange, the date on which the option exercise price per share shall be established shall be the last day on which the common stock of the Company was so traded prior to the date of the granting of the Option. Notwithstanding the foregoing, an Option may be granted with an option 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 with the provisions of section 424(a) of the Code.

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(c) Exercise Period of Options. Any Option granted pursuant to the Plan shall be exercisable for a term of ten (10) years.

(d) Payment of Option Price. Payment of the option exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent, or (ii) by the assignment in a form acceptable to the Company of the proceeds of a sale of some or all of the shares being acquired upon the exercise of an Option (including, without limitation, through an exercise complying with the provisions of Regulation T as promulgated from time to time by the Board of Governors of the Federal Reserve System).

The Company reserves, at any and all times, the right, in the Company's sole and absolute discretion, to establish, decline to approve and/or terminate any program and/or procedures for the exercise of Options by means of an assignment of the proceeds of a sale of some or all of the shares of Stock to be acquired upon such exercise.

(e) Stockholder Approval. Any Option granted pursuant to the Plan shall be subject to obtaining stockholder approval of the Plan at the first annual meeting of stockholders after the Effective Date. Notwithstanding the foregoing, stockholder approval shall not be necessary in order to grant any Option granted on the Effective Date; provided, however, that the exercise of any such Option shall be subject to obtaining stockholder approval of the Plan.

6. Authority to Vary Terms. The Board shall have the authority from time to time to vary the terms of the Option Agreements set forth as Exhibit A, Exhibit B, and Exhibit C, respectively, either in connection with the grant 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 such revised or amended standard form or forms of stock option agreement shall be in accordance 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 as a director of the Company is terminated for any reason.

7. Effect of Change in Stock Subject to Plan. Appropriate adjustments shall be made in the number and class of shares of Stock which may be issued under the Plan and any outstanding Options, in the number and class of shares of Stock subject to Options to be granted automatically pursuant to paragraph 5(a)(ii) above, and in the option exercise price of any outstanding Options in the event of a stock dividend, stock split, reverse stock split, combination, reclassification, or like change in the capital structure of the Company. No adjustment shall be made pursuant to this paragraph to the number of shares of Stock subject to the automatic grant of an Option pursuant to paragraph 5(a)(i) above.

8. Ownership Change and Transfer of Control. An "Ownership Change" shall be deemed to have occurred in the event any of the following occurs with respect to the Company:

(a) the direct or indirect sale or exchange by the stockholders of the Company of all or substantially all of the stock of the Company;

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(b) a merger in which the Company is a party; or

(c) the sale, exchange, or transfer of all or substantially all of the Company's assets (other than a sale, exchange or transfer to one or more corporations where the stockholders of the Company before such sale, exchange, or transfer retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the corporation(s) to which the assets were transferred).

A "Transfer of Control" shall mean an Ownership Change in which the stockholders of the Company before such Ownership Change do not retain, directly or indirectly, at least a majority of the beneficial interest in the voting stock of the Company.

In the event of a Transfer of Control, any unexercisable portion of an outstanding Option shall be immediately exercisable and vested as of a date prior to the Transfer of Control. The exercise and vesting of any Option that is permissible solely by reason of this paragraph 8 shall be conditioned upon the consummation of the Transfer of 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 by the Acquiring Corporation in connection with the Transfer of Control nor exercised as of the date of the Transfer of Control shall terminate effective as of the date of the Transfer of Control.

9. Transferability of Options.

(a) Except as provided in paragraph 9(b) below, 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.

(b) Notwithstanding the foregoing, with the consent of the Board and subject to any conditions or restrictions as the Board may impose, in its sole discretion, an Optionee may

transfer during the Optionee's lifetime all or any portion of the Option to one or more family members. For this purpose, the term "family member" shall have the meaning assigned such term in General Instruction A.1(a)(5) to the Form S-8 Registration Statement under the Securities Act of 1933, as effective April 7, 1999, or any successor thereto. No transfer or purported transfer of the Option shall be effective unless and until: (i) the Optionee has delivered to the Board a written request describing the terms and conditions of the proposed transfer in such form as the Board may require, (ii) the Board has approved such request in writing, and (iii) each permitted family member transferee to whom the Option or any interest therein is to be transferred has agreed in writing (in a form satisfactory to the Company) to be bound by all of the applicable terms and conditions of the Plan and the Option Agreement evidencing such Option and any additional restrictions or conditions as the Board may require, and (iv) the Optionee has made adequate provision, in the sole determination of the Company, for satisfaction of the tax withholding obligations, if any, of the Company that may arise with

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respect to the transferred portion of the Option. 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 family member transferee and not to the original Optionee, except for (i) the provision of service to the Company, (ii) provision for the Company's tax withholding obligations, if any, and (iii) subsequent transfer of the Option except as provided in the following sentence. A permitted family member transferee shall be prohibited from making a subsequent transfer of a transferred Option except as provided in paragraph 9(a) or, with the consent of the Board, to the original Optionee or to another family member. The Company shall have no obligation to notify a family member transferee of any termination of the transferred Option, including an early termination resulting from the termination of service of the original Optionee. Exercise of a transferred Option by a family member transferee shall be subject to compliance with all applicable federal, state and foreign securities laws; however, the Company shall have no obligation to register such Options and/or shares with any federal, state or foreign securities commission or agency.

10. Termination or Amendment of Plan. The Board, including any duly appointed committee of 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 (a) no increase in the total number of shares of Stock covered by the Plan (except by operation of the provisions of paragraph 7 above), (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 paragraph 5(a) above. In any event, no amendment may adversely affect any then outstanding Option, or any unexercised portion thereof, without the consent of the Optionee.

IN WITNESS WHEREOF, the undersigned Secretary of the Company certifies that the foregoing sets forth the Ross Stores, Inc. 1991 Outside Directors Stock Option Plan as amended by the Board of Directors of the Company through May 27, 1999.

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

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF EARNINGS FOR THE SIX
MONTHS ENDED JULY 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
FINANCIAL STATEMENTS

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